2020 Annual Report

Heron Resources Limited

ACN 068 263 098

Corporate Directory

ABN 30 068 263 098

DIRECTORS

Chairman (Non-Executive)
Stephen Dennis BCom BLL.B GDipAppFin(Finsia)

Director (Non-Executive)
Mark Sawyer LL.B.

Director (Non-Executive)
Ricardo De Armas B.S. M.B.A (Harvard)

Director (Non-Executive)
Ian Pattison B Sc (Hons), PhD, MAusIMM

COMPANY SECRETARY
Simon Smith B.Bus, CA

REGISTERED OFFICE (Head Office)
and Address for Correspondence
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Telephone: +61 2 9119 8111
Woodlawn Site Office
507 Collector Road, Tarago New South Wales 2580

Email: heron@heronresources.com.au
Website: www.heronresources.com.au

AUDITOR
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200 George St
Sydney New South Wales 2000

BANKERS
Westpac Bank
230-236 Hannan Street
Kalgoorlie 6430 Western Australia

SHARE REGISTRY
Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney New South Wales 2000
All securityholder correspondence to:
GPO Box 5193
Sydney New South Wales 2000
Telephone: 1300 288 664
Email: hello@automic.com.au

SOLICITORS TO THE COMPANY
Allion Legal Pty Ltd
50 Kings Park Road, West Perth Western Australia 6005
Resources Legal Pty Ltd
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STOCK EXCHANGE
Australian Securities Exchange Limited
2 The Esplanade, Perth Western Australia 6000

ASX CODE HRR

INDUSTRY CLASSIFICATION
GICS classification code is 15104020
Diversified Metals and Mining

ISIN AU000 000 HRR6

Heron Resources Limited

ABN 30 068 263 098

2020 Annual Report

Forward Looking Statements

This report contains forward-looking statements and forward-looking information within the meaning of applicable securities laws, which are based on expectations, estimates and projections as of the date of this report. This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits, diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information. Although the forward-looking information contained in this report is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forwardlooking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.

Chairman's Letter

Dear Shareholders,

In last year's letter to shareholders, I reflected on the challenges faced by the Company in 2018/19 and noted that with a new funding package in place, and the search for a new CEO underway, the opportunity for Woodlawn to fulfil its promise remained within reach. Regrettably, a combination of factors both within and outside of our control has resulted in new challenges to our business and tough decisions for the Company.

Winding the clock forward to March 2020, production ramp–up progress was being made, however overall performance remained below expectations, and so when the COVID-19 pandemic arrived unexpectedly and affected our ability to run a safe and profitable mine, the tough decision was made to suspend operations at Woodlawn.

Let me be clear in saying that the decision to place Woodlawn into care and maintenance was not an acknowledgement of defeat, but rather a deliberate effort to preserve capital at a critical juncture so that Woodlawn could be restarted as soon as favourable market and operating conditions returned.

To that end, shareholders will note that we have commenced a Strategic Process with the full support of our three key stakeholders along with forbearance agreements from our significant creditors. The aim of this strategic process is to determine a path forward for Woodlawn that is in the best interests of all stakeholders, including both our debt facility providers and our equity holders.

The Company will provide periodic updates on the progress of the Strategic Process, and whilst there are strong headwinds due to the ongoing pandemic, the Board is confident that this action is both appropriate and timely. Given Heron's balance sheet position, the only viable alternative would have been for the Board to place the Company into Administration, resulting in the likely destruction of all equity value. The Board acknowledges that shareholders will be highly disappointed with the current situation of the Company, and I can confirm that the Board shares this disappointment.

Earlier this year we welcomed our new CEO, Mr Tim Dobson, to Heron, recognising that with COVID-19 about to descend upon us, the timing of Tim's commencement on 23 March 2020 was less than fortuitous. I would like to thank Tim and Heron's CFO, Mr Simon Smith, for their efforts in finalising the arrangements which have enabled the Strategic Process to commence.

Recognising that Woodlawn will remain on care and maintenance during the Strategic Process, we have reduced the size of our Board to four non-executive directors. I would like to thank our retiring directors, Ms Fiona Roberston and Mr Borden Putnam, for their years of dedicated service to the Company.

Finally, I wish to thank all our shareholders for their ongoing support. This year is proving to be an extremely challenging year for our business, and there remain further challenges ahead. However, we will continue to act in the best interests of shareholders, look to preserve as much value in our assets as is possible, and seek to re-start operations at Woodlawn at the earliest opportunity.

Sincerely

Stephen Dennis
Chairman

Directors

STEPHEN DENNIS BCom BLL.B GDipAppFin(Finsia)
CHAIRMAN (NON-EXECUTIVE)

Stephen Dennis has been actively involved in the mining industry for 35 years. He has held senior management positions at CBH Resources Limited (the Australian subsidiary of Toho Zinc), MIM Holdings Limited, and Minara Resources Limited.

MARK SAWYER LL.B.
DIRECTOR (NON-EXECUTIVE)

Mr Sawyer has more than 20 years experience in the mining industry and co-founded Greenstone Resources in 2013, a specialist mining and metals investor. Prior to establishing Greenstone, Mr Sawyer was GM and Co-Head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities. Prior to Xstrata, Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and Rio Tinto plc. Mr Sawyer is a resident of the United Kingdom.

RICARDO DE ARMAS B.S. M.B.A (Harvard)
DIRECTOR (NON-EXECUTIVE)

Mr De Armas is an investment professional at Castlelake, where he focuses on emerging market investments. Mr. De Armas has more than 10 years of experience in investment and corporate finance, including roles as vice president at De Jong Capital, principal at Zaff Capital, associate at Citigroup's investment banking division, and financial analyst at Procter & Gamble. His expertise includes value investments, restructuring and financial advisory. Mr. De Armas received his M.B.A. from Harvard Business School and a B.S. from Universidad Metropolitana in Business Administration.

IAN PATTISON B Sc (Hons), PhD, MAusIMM
DIRECTOR (NON-EXECUTIVE)

Dr Pattison is a highly respected metallurgist with over 30 years of Australian and international experience. His early career was with CRA where he held senior roles in operations, engineering and then as Metallurgy Manager in their base metal division. He joined Denehurst following their purchase of the Woodlawn Mine from CRA to take on an Executive Director role with the Woodlawn and Benambra mines. This was followed by Director and Managing Director roles in the nutrition industries mainly with the German based Henkel/Cognis companies. For the past 10 years he has been the Group Manager Metallurgy for the Australian operations of Japan's Toho Zinc which incorporates the Rasp Mine in Broken Hill and the Endeavor Mine at Cobar.

Management

TIM DOBSON B.AppSc
CHIEF EXECUTIVE OFFICER

Tim Dobson has over 30 years' experience leading and developing world-class operations, with a successful track record in transformational leadership through the application of sound strategy, technical capability and building high-performance teams. After a foundational career with Placer Dome in PNG, Australia and Chile, Mr Dobson went on to executive leadership roles with Lihir Gold, Cawse Nickel, and ASX-listed Kimberley Rare Earths, Anova Metals and Polymetals, where he led the development of the White Dam project in South Australia. Most recently, Mr Dobson was Senior Vice President Metals with Sherritt International in Canada and former President of Ambatovy in Madagascar. Mr Dobson holds a BAppSc in Extractive Metallurgy from the WA School of Mines.

SIMON SMITH B.Bus, CA.
CHIEF FINANCIAL OFFICER

Mr Smith has been a Chief Financial Officer of both private and public companies in Australia and the USA. He brings over 25 years' experience in the business world as a Chartered Accountant and holds a Bachelor's Degree in Business from the University of Technology Sydney. Mr. Smith was the CFO and Company Secretary for TriAusMin prior to the merger with Heron Resources.

CEO's Report

Joining Heron as CEO on 23 March 2020, in the midst of escalating Australia-wide COVID-19 restrictions, was an unexpected experience to say the least. On 25 March 2020, Heron announced the suspension of operations at Woodlawn, only 5 months after the sale of the first concentrate produced from the new process plant.

Leading up to this point, the Board had rightly identified the need for more operationally-focused leadership, and my selection was based on a track record of delivering effective strategy, building high-performing teams and establishing healthy organisational culture. Technical challenges, often encountered during ramp up phases for new operations, were still being defined and addressed at Woodlawn, and concentrate production was not yet generating the required revenues to cover operating costs and debt servicing.

The onset of COVID-19 in March this year had two immediate negative impacts on the business. Firstly, base metal prices had slumped and become unpredictable, and secondly, state border closures meant that technical teams in place at Woodlawn to complete the ramp up returned to their home states with no notice. Furthermore, it was unclear as to whether the Board and Management were able to continue to provide a safe working environment given the escalating pandemic. With a view to protecting the Company's remaining available funds, as well as protecting the safety of employees and contractors, the Board acted swiftly and appropriately in deciding to suspend operations at Woodlawn.

It was apparent at the time, and has borne out, that a rapid return to favourable conditions for re-starting operations was unlikely and the difficult decision was taken to lay off Woodlawn employees, save for a small care and maintenance team. This decision allowed employees to immediately access redundancy payments and government assistance associated with COVID-19.

A care & maintenance program has been implemented at Woodlawn that is preserving the assets, both underground and surface, with the objective of maintaining equipment to a level that would support a rapid re-start of operations. Given that a new operations team will need to be recruited, and supplier contracts re-established, it is expected that a period of at least 6 months will be required to recommence production from Woodlawn following any decision to re-start.

At the point of suspension of operations, mining had progressed to within 25 metres of accessing high-grade Kate Lens ore, and the underground mine has continued to be ventilated and dewatered since that time to maintain the integrity of installed ground support to the current base of the mine. The tailings reclaim equipment remains in place and site water management is a focus for the care and maintenance team. Process plant equipment is being preserved and maintained by a small, dedicated team of technicians following a defined, cyclic preventative maintenance program.

The suspension of operations required the review of all service and supply contracts, supplier agreements and lease-to-purchase arrangements. In some cases contracts have been terminated, including the mining services agreement with Pybar Mining Services. Pybar has since demobilised from the Woodlawn site.

As incoming CEO, I can see that the year ending 30 June 2020 has been bittersweet for the Company's shareholders, Board directors, private-equity investors and employees. The achievement of first concentrate sales in October 2019 represented the culmination of many years of hard work in re-developing the Woodlawn mine through to production, only to see the new operation placed in care and maintenance before fulfilling its promise.

Our focus now is to make the best of the current situation. The Company has reached agreement with all of its major creditors to a 12 month period of forbearance, and has secured $3.5 million in additional funds to support Woodlawn care & maintenance. During this period the Company will undertake a Strategic Process to explore options for Woodlawn including refinancing, joint ventures, or partial or complete divestment.

I am firmly of the view that Woodlawn remains an attractive asset: the project is located in a low-risk and mining-friendly jurisdiction proximal to significant infrastructure, construction of all-new processing and support facilities is complete, mine development has reached the richest part of the current ore reserve supporting low-cost operations, and the geological setting hosts significant potential for mine-life extension well into the future.

Tim Dobson
Chief Executive Officer

Heron Projects

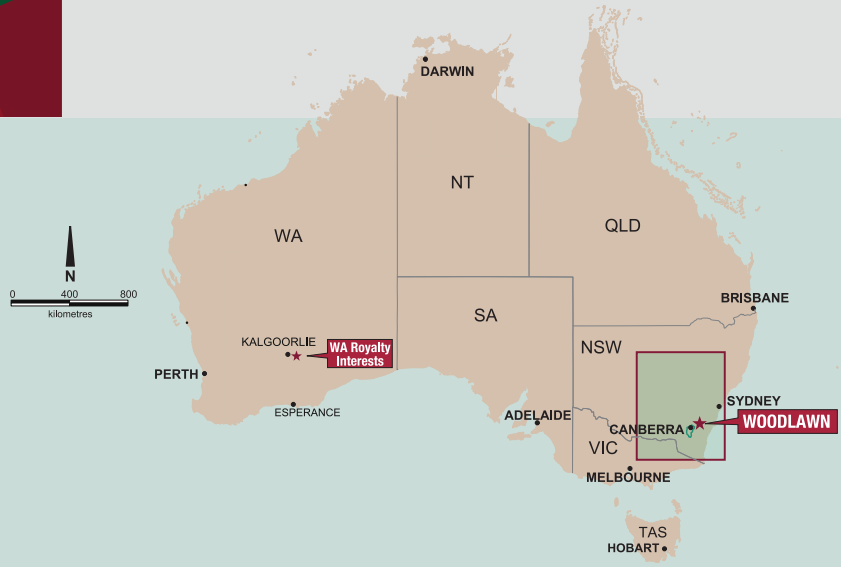


Figure 1: Heron Resources - Project locations

Endeavour
Tritton
COBAR
Peak
Girilambone
Nyngan
Hera
Overflow
Tottenham
DUBBO
Mineral Hill
Yellow Mountain
Tomingley
Peak Hill
Northparkes
PARKES
Copper Hill
LAKE CARGELLIGO
ORANGE
Cadia Ridgeway
BATHURST
Cowal
Eurow
SYDNEY
Lachlan Fold Belt
Peelwood
Temora
YOUNG
Kangiara
Cullarin
GOULBURN
Currawang
Woodlawn
GUNDAGAI
CANBERRA
Mayfield
Adelong
Burra
Dargues Reef
Captains Flat
Captains Flat
NSW
ALBURY
VICTORIA
COOMA
New England Fold Belt
Sydney Basin
Murray Basin
N
50km

LEGEND
Heron 100% Tenements
Heron / Alchemy JV (earning 80%)
Heron / Sky JV (Sky 80% HRR 20%)
Significant mineral occurrences
Silurian-Devonian Volcanics
Ordovician Volcanics

Operations Report

SUMMARY

Woodlawn Zinc-Copper-Lead Project

- The Woodlawn Mine site remains on Care & Maintenance (C&M) following suspension of operations on 24 March 2020, with activities focused on maintaining mining and processing infrastructure for future re-start, along with environmental management of the site.

Exploration Projects

- Prior to C&M, Heron completed down-hole EM on the four diamond holes drilled in 2019 (CHDD0002, CHDD0003, WNDD0152, WNDD0153), with a number of weak, complex, late-time conductors that have not been not drill tested at Murphy's and Montrose prospects. Further work is required to constrain these targets and generate a drill target.
- Sky Metals Ltd (ASX:SKY) and Heron entered into a Farm-In and JV Agreement for Heron's non-core Woodlawn Cullarin and Kangiara Projects on 19 October 2019 where Sky is targeting McPhillamys style gold deposits. Sky's initial exploration spend of $0.4 million returned exceptional gold intersections and led to a rigorous and successful exploration program where Sky have now earned 80% interest in the projects.
- Alchemy Resources Ltd (ASX:ALY) continued its expenditure commitments under the Overflow, Girilambone and Eurow Farm-In and JV Agreement with Heron. During the quarter, this generated two potentially significant Cu-Au porphyry exploration targets at the Melrose and Yellow Mountain Mine prospects within Heron's Yellow Mountain Project, located within the central Lachlan Fold Belt of NSW.

Corporate

- Cash: Heron held A$13.6 million in cash (including bonds of A$3.7 million) at 30 June 2020.
- Secured debt facilities: Under Heron's secured financing Agreements with Orion Mine Finance (OMF) and Nomad Royalty Company (NRC), the suspension of operations is an event of default. Heron has sought, and been granted, waivers for this event of default from OMF and NRC until August 2021.
- Strategy: Heron's financiers, including significant shareholders OMF, Greenstone Resources (Australia) Holdings LP and funds managed by Castlelake, and NRC, holder of the Woodlawn Silver Stream facility, have been in discussions with the Company regarding a pathway forward for Heron and the Woodlawn Mine, with the objective of securing the necessary funding that will satisfy existing financing facilities and provide a pathway for the re-start of operations at Woodlawn.

WOODLAWN ZINC-COPPER PROJECT

Heron holds a direct 100% ownership of the mineral rights at the Woodlawn Mine site situated 40km south of Goulburn and 250km south-west of Sydney, in southern NSW, Australia. Heron's aim is to create a profitable, long-life, low-cost mining operation, producing base metal concentrates.

Over the past five years Heron has developed the Woodlawn Zinc-Copper Project through planning, construction, commissioning and ramp up to commercial production. Construction was completed in the June 2019 quarter and the first lead and zinc concentrates were produced and shipped in September and October 2019. The first concentrate sales revenue was received in October 2019.

Woodlawn Project – Operations Report

On 24 March 2020, operations were suspended at Woodlawn to safeguard the financial position of the Company, due to travel (and other restrictions) imposed by Australian Federal and State Governments in response to the COVID-19 pandemic and to ensure employees safety was maintained. The majority of employees and all contractors were demobilised following the announcement and the site has remained on C&M during the June quarter.

However, from July 1 2019 during the 9 months preceding the suspension of operations, site activities included:

- **Safety:** 4 LTIs were recorded from July 2019 and a single LTI was recorded during care and maintenance with this person returned to work on light duties. No known cases of COVID-19 were recorded in the Woodlawn workforce and protocols aligned with the Minerals Council of Australia COVID-19 protocols have been put in place across the site. Heron remains committed to achieving zero harm and continues to be focused on the improvement of its risk management systems and processes targeting the wellbeing of its employees and contractors.
- **Hydraulic Mining:** Hydraulic mining focused on Tailings Dam South (TDS) and was initially impacted by poor hydraulic mining and pumping equipment reliability. Efficient hydraulic mining practices were achieved prior to suspension and further improvements have been identified and planned for re-start of the operation.
- **Tailings Reclaim:** a total of 797.6kt of reclaimed tailings was processed and this was achieved with ramp up to nameplate capacity at 190tph. Complications with the flotation pumping circuit in the processing plant stalled the sustained 190tph capacity and a number of modifications to the flotation plant are being implemented as part of the improvement program for re-start. Water levels on the tailings dams and new tailings storage facility are being managed in accordance with regulatory environmental compliance requirements.

- **Underground Mine:** 75.5kt of ore was delivered to the ROM during the year, which comprised G lens ore and mineralised waste from development drives. Total development was lower than planned due to extraordinary causes including the NSW regional bushfires in the Southern Highlands and some critical equipment failures with the mining contractor. Despite these delays and at the point of suspension, the planned development drives for access to Kate lens had been achieved with the heading of the ore drive within 20 m from Kate Lens. Paste fill was established during the year with limited stopes requiring fill. The underground care and maintenance schedule is ongoing and includes routine inspections and dewatering.
- **Underground Ore Processing:** 93.3kt of underground ore was processed and this material enabled the crushing circuit and ball mill to be commissioned. Concentrate grades had improved by the end of 2019 but the ramp up from this was significantly impacted by an unusually heavy and persistent wet weather sequence which caused material handling issues throughout the crushing and screening circuit. These issues have been identified and included in the improvement program for re-start plans for the operation.
- **Concentrate Production / Sales:** the first concentrates were shipped during the year and included 7,507 dmt lead, 16,108 dmt zinc and 1,796 dmt copper. Recoveries had improved prior to suspension of operations and are expected to be optimized following implementation of the improvements to the process plant implemented for re-start.

The C&M program is designed to maintain all mine and process plant infrastructure in a state of readiness for a rapid re-start of operations, and is being managed by a small team of Heron employees. Regulatory compliance is being maintained along with stringent security, health, safety and environmental protection protocols.

Woodlawn Exploration

- **Woodlawn North Targets**: Heron's exploration focus is on the discovery and delineation of additional mineralised VMS lenses directly north of the Woodlawn mine's known ore resources. Prospects targeted are within a 2.5km arc to the NW and NE of the Woodlawn Mine. The year out saw the regional exploration budget kept at minimum required expenditure as resources were allocated to mining and process operations. A down-hole electromagnetic (EM) survey was completed during the year on the four diamond core holes drilled in 2019 (CHDD0002, CHDD0003, WNDD0152, WNDD0153), which intersected a number of zones of significant indicative alteration.

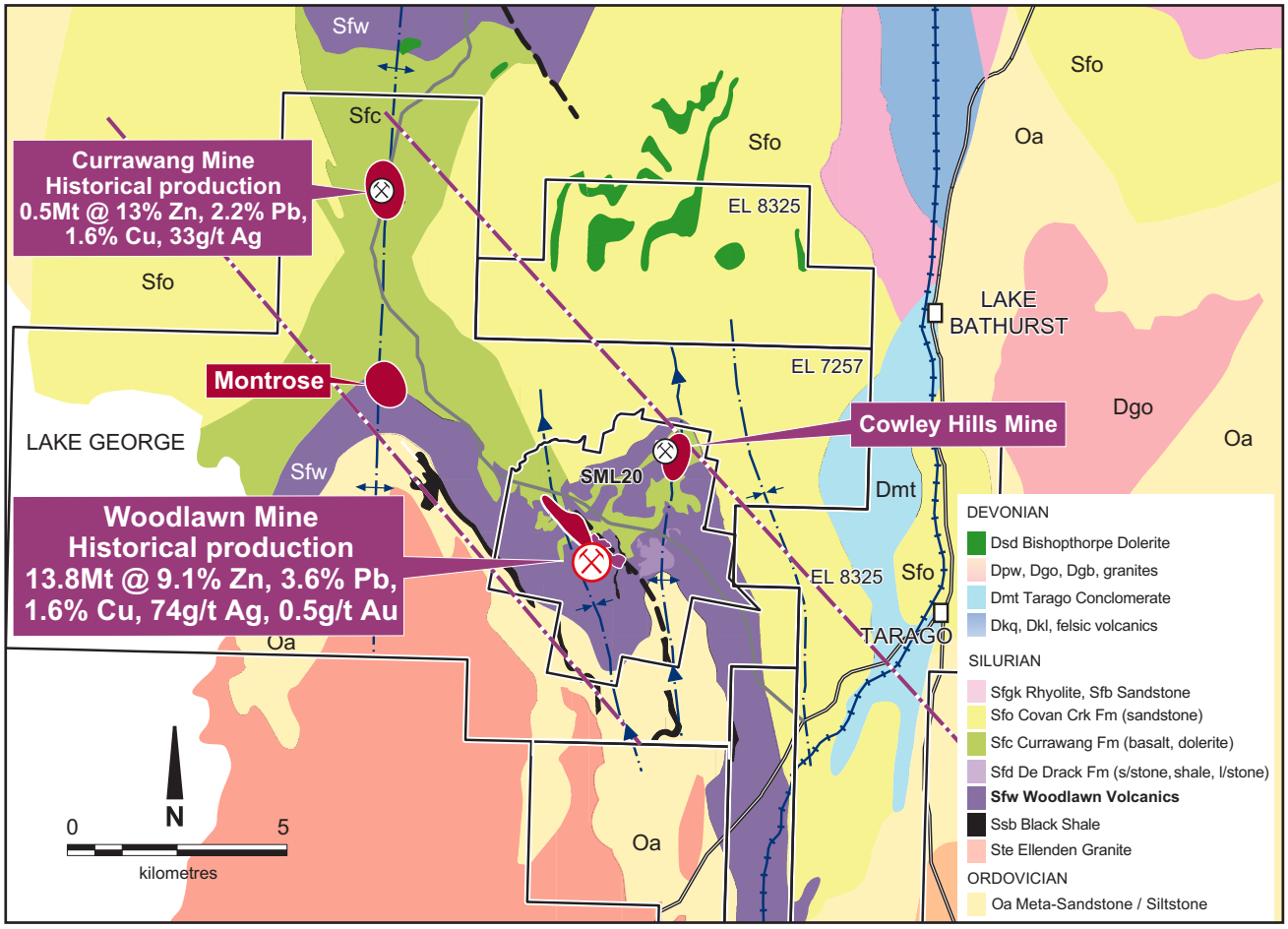


Figure 2: Woodlawn near-mine exploration prospects within NW striking Woodlawn Corridor

At the Murphy's prospect, a down-hole electromagnetic (DHEM) survey completed on DDH CHDD0002 returned a number of weak, late time conductors. Two DHEM plates were modelled to fit the data and one of the plates coincided with a conductivity and chargeability anomaly returned from the Induced Polarisation (IP) survey completed in 2019. Neither of the modelled EM plates have been intersected by previous drilling. To better constrain the geometry and positions of the EM plates, a second DHEM survey is required using a different transmitter and receiver configuration. A further down-hole EM survey was completed at the Montrose prospect, 6.5km NW of Woodlawn, and returned a complex array of highly conductive EM anomalies. Further work is planned to constrain these anomalies and establish a drill target.

- **Woodlawn Regional Prospects:** Heron continues to hold a strategic 1,372 sq-km tenement package covering the prospective Silurian volcanic rocks, similar to those which hosts the Woodlawn VMS base metal deposit. Heron's exploration focus is on historically known mineralisation zones with prospective geology, with the objective of locating comparable grade and metallurgy to that which characterizes Woodlawn, and within potential trucking distance of the Woodlawn mine and processing facility.

Exploration Joint Ventures

Heron retains interests in tenement holdings within the Lachlan Fold Belt of NSW and the Eastern Goldfields of Western Australia. These tenures are held through farm-in and joint venture interests, which include a number of other free-carried residual or royalty interests with minimal cost to Heron.

Sky Metals Farm-In and Joint Venture Agreement

On the 19 October 2019, a farm-in agreement was signed with Sky Metals Ltd (ASX:SKY) for the Cullarin (EL 7954) and Kangiara (EL 8400, EL 8573) projects, targeting McPhillamys style gold mineralisation (Figure 3). Key terms of the agreement are $400 k minimum expenditure in the first year; a further $1.6 M over next two-years to earn 80%, with a Heron free-carry to DFS or $10 M of expenditure; 10 M Sky options at a strike price of 15c.

Sky announced (ASX: SKY 1 April 2020) it had reached expenditure of $400 k and hence Heron's 10 M options vested and can be exercised by the Company at any time.

Through an aggressive and successful exploration program, on 4 August, 2020 Sky announced that it had earned 80% in the tenements.

Sky commenced diamond drilling at Cullarin (Hume Prospect) in December 2019 aiming to validate historical results that included:

- WL28: 142 m @ 0.89 g/t Au inc. 12 m @ 4.4 g/t Au from 26 m
- WL31: 148 m @ 0.97 g/t Au inc. 15 m @ 5.1 g/t Au from 16 m

Sky announced their maiden driling results on 10 February 2020, which included:

- HUD002: **93 m @ 4.24 g/t Au from 56 m**, including 36 m @ 2.88 g/t Au from 56 m, **14 m @ 20.2 g/t Au from 92 m**; and 43 m @ 1.30 g/t Au from 106 m

On the back of the outstanding drill results from HUD002 at Cullarin, on 24 February 2020, Sky announced the capital raise of $10.5 million and continued a targeted exploration program at its Hume prospect that has led to further drilling with exceptional results and the development of a robust McPhillamys style geological model. Key results include:

Hume Target key drill results:

- HUD001: 54 m @ 0.84 g/t Au from 116 m, including 5 m @ 5.76 g/t Au from 128 m, and 23 m @ 0.76 g/t Au from 224 m.
- HUD003: 20 m @ 0.95 g/t Au from 37 m, including 7.3 m @ 2.08 g/t Au from 49.3 m.
- HUD005: 6 m @ 6.61% Zn, 5.83% Pb, 1.28% Cu from 273 m.
- HUD007: 69 m @ 2.2 g/t Au from 49 m, including 33 m @ 3.58 g/t Au from 51 m, and 14 m @ 6.76 g/t Au from 68 m.4
- HUD012: 12 m @ 1.49 g/t Au from 172 m, including 2 m @ 8.36 g/t Au from 172 m; and 9 m @ 1.42 g/t Au from 197 m, including 3 m @ 3.93 g/t Au from 198 m.

Re-sampling historic drill core confirmed and improved-on historic drill intersections:

- WL28: 134.1 m @ 1.10 g/t Au from 25.9 m, including 12 m @ 3.96 g/t Au from 32 m, including 4 m @ 7.15 g/t Au from 32 m.
- WL31: 135.8 m @ 0.73 g/t Au from 23.8 m, including 7 m @ 5.14 g/t Au from 24 m (WL31).

A significant program of geochemical soil sampling north and west of the Hume prospect has also been completed with follow up drilling currently underway. See http://www.skymetals.com.au for further details.

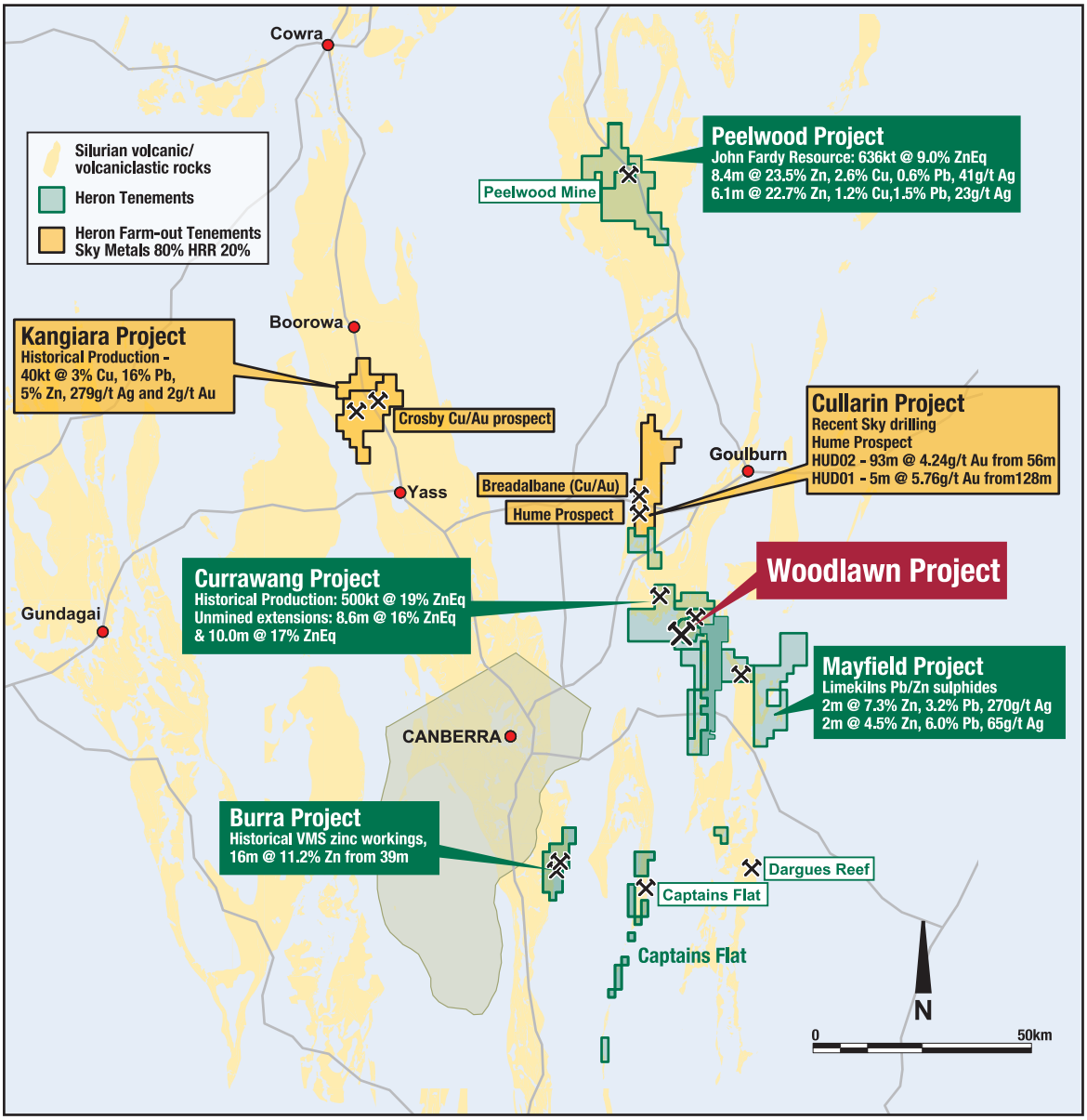


Figure 3: Heron NSW projects, including Kangiara and Cullarin farmed out to Sky Metals Ltd

Alchemy Farm-In and Joint Venture (Overflow, Girilambone, Eurow and Yellow Mountain)

Heron entered into a Farm-In Agreement with Alchemy Resources Limited (ASX:ALY) in May 2016. The Farm-In Agreement includes eight Exploration Licences for 674 sq-km in the central Lachlan Fold Belt in NSW (refer Figure 1). Alchemy has earnt a 51% interest in the tenements after spending $1 M and has moved to earn 80% by spending an additional $1 M by 30 May 2021.

Alchemy announced (ASX:ALY 9 June 2020) it had identified two significant Cu-Au porphyry exploration targets at the Melrose and Yellow Mountain mine prospects within EL 8356. The Melrose target is located within a major hydrothermal alteration system with geochemical signatures similar to large Cu-Au porphyry deposits (e.g., Newcrest's Cadia). At Yellow Mountain, Alchemy has identified a strong IP anomaly using legacy data that to-date has not been drill tested. Alchemy intends to conduct IP surveys over the targets to better prioritise drill targets. However, access to the area will be dependent on travel restrictions associated with the COVID-19 pandemic.

See http://alchemyresources.com.au/ for further details.

Corporate Profile

CORPORATE GOVERNANCE STATEMENT

The Board of Heron is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability.

In accordance with Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, the following information about the Company's Corporate Governance practices is set out on the Company's website at **www.heronresources.com.au:**

- Board Charter;
- Audit & Governance Committee Charter;
- Remuneration & Nomination Committee Charter
- Policy on securities trading;
- Policy on continuous disclosure;
- Policy regarding communication with Shareholders;
- Policy on the Company's risk management;
- Community Engagement Policy
- Environmental Policy
- Fitness for Work policy
- Health and Safety policy
- Human Resources and Workplace practises policy (includes Diversity Policy)
- Workplace Injury and illness management policy
- Policy on Whistleblowers; and
- Code of Conduct.

Directors' Report

The Directors submit their report for the consolidated entity consisting of Heron Resources Limited (Heron or the Company) and the entities Heron controlled at the full year ended 30 June 2020.

BOARD

The names of the Directors of the Company during the period and at 30 June 2020 were:

Stephen Dennis
Wayne Taylor (ceased employment and resigned on 18 September 2019)
Borden Putnam III (resigned on 31 July 2020)
Fiona Robertson (resigned on 31 July 2020)
Mark Sawyer
Peter Rozenauers (resigned on 20 March 2020)
Ricardo De Armas
Ian Pattison

There were fifteen meetings of directors held during the period.

Director	Board of Directors' meetings		Audit and Governance Committee meetings		Remuneration and Nomination Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Executive						
W Taylor [3]	4	**3**				
Non-executive						
S Dennis	**15**	**15**	**2**	**2**	**1**	**1**
F Robertson [4]	**15**	**15**	**2**	**2**	**1**	**1**
B Putnam [4]	**15**	**15**	**2**	**2**	**1**	**1**
M Sawyer	**15**	**14**	-	-	-	-
P Rozenauers [5]	**7**	**7**	-	-	-	-
R De Armas	**15**	**14**	-	-	-	-
I Pattison	**15**	**15**	-	-	**1**	**1**

(BOLD GREEN) **Chairman**
(BOLD) **member**

(1) "Held" indicates the number of meetings held during the period of each director's tenure. Where a director is not a member but attended meetings during the period, only the number of meetings attended, rather than held is shown.

(2) "Attended" indicates the number of meetings attended by each director (or their alternates).

(3) resigned as a Director and ceased employment on 18 September 2019

(4) resigned on 31 July 2020

(5) resigned on 20 March 2020

DIRECTORS

The names and details of the Directors of the Company in office at any time during or since the end of the year are:

Director Stephen Dennis - BCom BLL.B GDipAppFin(Finsia)

Appointed 05 December 2006

Position Chairman (Non-Executive) of the Board, Member of Audit and Governance Committee, Chair of Remuneration and Nomination Committee.

Stephen Dennis has been actively involved in the mining industry for 35 years. He has held senior management positions at CBH Resources Limited (the Australian subsidiary of Toho Zinc), MIM Holdings Limited, and Minara Resources Limited.

Other current directorships

Non-executive Chairman of EHR Resources Limited, Non-executive Chairman of Rox Resources Limited, Non-executive Chairman of Graphex Mining Limited, Non-executive Chairman of Lead FX Inc, Non-executive Chairman of Kalium Lakes Ltd

Former directorships in last 3 years

None.

Director Wayne Taylor - BEng (Mining), MBA, M AusIMM

Appointed 11 August 2014 (ceased employment and resigned as a Director on 18 September 2019)

Position Managing Director and CEO

Mr. Taylor is a mining engineer with over 30 years' experience in the mining industry. Mr Taylor has held senior roles with Western Mining Corporation and Glencore International's Australian operations. For the six years prior to joining TriAusMin he managed Glencore's base metal business development based out of Australia which involved assessing mining projects throughout the world. Prior to his role with Heron he was MD & CEO of TriAusMin Ltd from 2011 until the time of the merger with Heron in 2014.

Other current directorships

None.

Former directorships in last 3 years

None.

Director Borden Putnam III - MSc (Geol), RPG, F AusIMM

Appointed 12 December 2014 (resigned as a Director on 31 July 2020)

Position Mr. Putnam is a professional geologist with over 42 years of experience in the mineral industry, with focus on exploration and asset evaluations in the mineral investment business. From 1976-1991 he worked as a Project Geologist and a District Manager for AMAX Exploration and Newmont Exploration Limited respectively. He served as Vice-President and Chief Geologist for MRDI (now AMEC) an internationally recognized mining consultancy firm from 1991-1996. Mr. Putnam was Vice-President and Principal with Robertson Stephens Investment Management from 1996-2001, and from 2001-2009 was Managing Director of Eastbourne Capital Management; both firms which were engaged in mineral investment management principally as private hedge funds. In 2009, Mr Putnam, established his mining industry consultancy business providing technical evaluations, due diligence audits and investment advice to clients in the mineral resource industry.

Other current directorships

Non-executive Director of Skeena Resources Limited (TSX-V)

Former directorships in last 3 years

None.

Director Fiona Robertson - MA (Oxon) (Geology), M AusIMM, FAICD

Appointed 9 April 2015 (resigned as a Director on 31 July 2020)

Position Director (Non-Executive), Chairman of Audit and Governance Committee, Member of Remuneration and Nomination Committee

Ms Robertson is a finance professional and practicing non-executive director and audit/risk committee chair with a background of more than 20 years as a chief financial officer in the emerging and mid-tier resources sector and 14 years as a corporate banker working in Sydney, New York and London with Chase Manhattan Bank. Ms Robertson's executive experience includes CFO roles with Petsec Energy Ltd; Climax Mining Ltd and Delta Gold Ltd; as well as various corporate banking roles with Chase Manhattan Bank.

Other current directorships

Non-executive Director of Whitehaven Coal Ltd.

Former directorships in last 3 years

Non-executive Chair of One Asia Resources Ltd.

Director Mark Sawyer - LL.B.
Appointed 19 August 2015
Position Director (Non-Executive), Member of Remuneration and Nomination Committee (effective 1 July 2019)

Mr Sawyer has more than 20 years experience in the mining industry and co-founded Greenstone Resources in 2013, a specialist mining and metals investor. Prior to establishing Greenstone, Mr Sawyer was GM and Co-Head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities. Prior to Xstrata, Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and Rio Tinto plc. Mr Sawyer is a resident of the United Kingdom.

Other current directorships

Non-executive Director of Metro Mining Ltd.

Former directorships in last 3 years

None.

Director Ricardo De Armas B.S. M.B.A. (Harvard)
Appointed 22 September 2017
Position Director (Non-Executive)

Mr De Armas is an investment professional at Castlelake, where he focuses on emerging market investments. Mr. De Armas has more than 10 years of experience in investment and corporate finance, including roles as vice president at De Jong Capital, principal at Zaff Capital, associate at Citigroup's investment banking division, and financial analyst at Procter & Gamble. His expertise includes value investments, restructuring and financial advisory. Mr. De Armas received his M.B.A. from Harvard Business School and a B.S. from Universidad Metropolitana in Business Administration.

Other current directorships

Non-executive Director of Nevada Copper (TSX).

Non-executive Director of Itafos (TSXV).

Former directorships in last 3 years

None.

Director Peter Rozenauers BME (Hons I), MAppFin, MAusIMM
Appointed 22 September 2017 (resigned as a Director on 20 March 2020)
Position Director (Non-Executive)

Mr Rozenauers is a Portfolio Manager with Orion Mine Finance and has over 25 years of experience in the natural resources and finance industry. He earned a BEng (Honours I) in Mining from the University of NSW, a Master in Applied Finance from the University of Technology Sydney and is a member of the Australasian Institute of Mining and Metallurgy. Prior to Orion, Mr. Rozenauers was a Senior Investment Manager for a predecessor business of Orion, and prior to that was Managing Director and Head of Asian Commodities Distribution for Barclays Capital in Singapore, a leading global investment bank. Mr. Rozenauers spent over 13 years working in senior banking roles in Singapore, New York and London.

Other current directorships

None

Former directorships in last 3 years

Non-executive Director of Lynx Resources.

Non-executive Director of Blackham Resources Ltd.

Non-executive Director of MacPhersons Resources Ltd (now known as Horizon Minerals Ltd).

Director Ian Pattison B Sc (Hons), PhD, MAusIMM
Appointed 29 November 2017
Position Director (Non-Executive), Member of the Remuneration and Nomination Committee

Dr Pattison is a highly respected metallurgist with over 30 years of Australian and international experience. His early career was with CRA where he held senior roles in operations, engineering and then as Metallurgy Manager in their base metal division. He joined Denehurst following their purchase of the Woodlawn Mine from CRA to take on an Executive Director role with the Woodlawn and Benambra mines. This was followed by Director and Managing Director roles in the nutrition industries mainly with the German based Henkel/Cognis companies. For the past 10 years he has been the Group Manager Metallurgy for the Australian operations of Japan's Toho Zinc which incorporates the construction of the Rasp Mine in Broken Hill and operations at the Endeavor Mine at Cobar.

Other current directorships

None.

Former directorships in last 3 years

None.

SENIOR EXECUTIVE OFFICERS

Chief Executive Officer

Tim Dobson

Mr Dobson was appointed as CEO on 23 March 2020

Mr Dobson has over 30 years' experience leading and developing world-class operations. He brings technical and strategic depth, and a successful track record in transformational leadership.

Mr Dobson was previously the Senior Vice President Metals for Sherritt International in Canada and former President of Ambatovy in Madagascar. After a foundational career with Placer Dome in PNG, Australia and Chile, he went on to executive leadership roles with Lihir Gold, Cawse Nickel and ASX listed Kimberley Rare Earths, Anova Metals and Polymetals, where he led the development of the White Dam project in South Australia. Mr Dobson holds a BSc in Extractive Metallurgy from the WA School of Mines.

Chief Financial Officer and Company Secretary

The Chief Financial Officer is Simon Smith.

Mr. Smith has been a Chief Financial Officer of both private and public companies in Australia and the USA. He brings over 25 years' experience in the business world as a Chartered Accountant and holds a Bachelor's Degree in Business from the University of Technology Sydney. Mr. Smith was the CFO and Company Secretary for TriAusMin prior to the merger with Heron Resources.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the year was the construction and ramp-up of the Woodlawn Mine. The Woodlawn mine was placed into care and maintenance on 25 March 2020.

OPERATING RESULTS

The loss of the consolidated entity for the 2020 financial year after income tax of nil (2019: nil) was $163,955,176 (2019: $40,763,352).

DIVIDENDS

No dividends were paid during the year and the Directors do not recommend the payment of a dividend.

OPERATIONS REVIEW

The detailed review of operations of the Consolidated Entity for the year is contained in the Operations Report in this Annual Report.

EVENTS OCCURING AFTER 30 JUNE 2020

On 14 August 2020, the Company announced the commencement of a strategic process in relation to its Woodlawn Zinc-Copper Project ("Woodlawn") and the appointment of Azure Capital ("Azure") as financial advisers to that process ("Strategic Process"). Azure will, in conjunction with the Board and a Strategic Process committee, have a broad mandate to explore various options for Woodlawn including refinancing, joint ventures, and partial or complete divestment.

In support of the Strategic Process, the Company has received a further twelve month extension of the Senior Facilities waivers until 13 August 2021, subject to certain conditions including the Company continuing the Strategic Process and implementing the recommendations of the Strategic Process committee. Heron has also agreed parallel forbearance with its major unsecured creditors.

Woodlawn will remain on Care and Maintenance (C&M) until such time as the Strategic Process terminates or as otherwise agreed between Heron and its stakeholders.

In support of the Strategic Process, funds managed by Castlelake, L.P. agreed to provide a new secured debt facility that is subordinated to the Company's Senior Facilities ("C&M Loan"). The amount provided under the C&M Loan is A$3.5 million. The Company received the C&M Loan cash on 14 August 2020.

The C&M Loan, together with existing cash reserves, are expected to provide the Company with sufficient working capital for the duration of the Strategic Process.

LIKELY DEVELOPMENTS

Further information on the likely developments in the operations of the Consolidated Entity and the expected results of those operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

REMUNERATION REPORT (AUDITED)

The Board continues to apply a fair and responsible executive remuneration framework which operates effectively to appropriately incentivise and reward senior executives and members of the Board to execute our strategy while being aligned with shareholder interests.

At the 2019 Annual General Meeting (AGM), shareholders voted 98.6% in favour of the Remuneration Report.

Changes to remuneration framework for FY2020

There were no changes to the remuneration framework during FY2020 for both Executives and Non-Executive Directors Fees.

1 Introduction

In accordance with Section 308 (3C) of the Corporations Act 2001 (Cth) (Corporation Act), the external auditors, Ernst & Young, have audited this Remuneration Report.

This report details the remuneration and fees during FY2020 of the Key Management Personnel (KMP) of the Company, who are listed in the table below. For the remainder of this Remuneration Report, the KMP are referred to as either Executive KMP or Non-executive Directors.

1.1 Key Management Personnel for FY2020

This report details the remuneration during FY2020 of:

Name	Role held during FY2020	Committee positions held
Non-executive Directors		
Stephen Dennis	Chairman and Non-executive Director	Chair of Remuneration and Nomination Committee Member of the Audit and Governance Committee
Borden Putnam III [1]	Non-executive Director	Member of the Remuneration and Nomination Committee Member of the Audit and Governance Committee
Fiona Robertson [1]	Non-executive Director	Chair of the Audit and Governance Committee Member of the Remuneration and Nomination Committee
Mark Sawyer	Non-executive Director	Effective from 1 July 2019, Member of the Remuneration and Nomination Committee
Ricardo De Armas	Non-executive Director	None
Peter Rozenauers [2]	Non-executive Director	None
Ian Pattison	Non-executive Director	Member of the Remuneration and Nomination Committee

(1) Resigned on 31 July 2020
(2) Resigned on 20 March 2020

Executive KMP	Role held during FY2020
Wayne Taylor [1]	Managing Director and CEO
Andrew Lawry [2]	Chief Operating Officer
Simon Smith	Chief Financial Officer and Company Secretary
David von Perger [3]	General Manager, Exploration & Geology
Charlie Kempson [4]	General Manager, Strategy & Business Development
Brian Hearne [5]	General Manager, Woodlawn Mine
Tim Dobson [6]	CEO

(1) Ceased employment on 18 September 2019
(2) Ceased employment on 27 September 2019
(3) Ceased employment on 3 April 2020
(4) Ceased employment on 29 October 2019
(5) Ceased employment on 30 March 2020
(6) Commenced employment on 23 March 2020

1.2 Summary of Company performance

The Remuneration and Nomination Committee is of the view that the Executive Key Management Personnel (Executive KMP) have not achieved a satisfactory outcome during 2020 and this has resulted in the significant reduction in the Executive team during the year. In FY2020, the Executive KMP were focused on key activities and initiatives including:

- Safety at Woodlawn
- Completing construction and other project development activities at Woodlawn.
- Commencement of production activities such as the underground decline development.
- Commissioning of the processing plant and associated systems and process.
- Ramp up of ore throughput and concentrate production.
- Effective management of key stakeholder relationships including Veolia, government regulators and the community.

Company performance for the last five years

A snapshot of key Company performance indicators for the past five years is set out below: (in 000')

	2020	2019	2018	2017	2016
Revenue ($m's)	Nil	Nil	Nil	Nil	Nil
Net Assets ($'000's)	$248	$128,900	$168,882	$44,010	$55,084
Profit/(loss) attributable to the group ($'000's)	($163,955)	($40,763)	($5,819)	($2,857)	($4,253)
Share price at year end (dollars per share) (1) (2)	$0.04	$0.57	$0.63	$0.71	$1.22
Basic EPS (cents per share) (1)	($0.445)	($0.169)	($0.028)	($0.006)	($0.0104)
Dividends paid (cents per share)	Nil	Nil	Nil	Nil	Nil

(1) The EPS and Share price information reflect the 1 for 10 share consolidation completed in December 2017 to ensure comparability between years.

(2) Ardea was spun out of Heron in February 2017 via an "in specie" distribution at an equivalent of $0.20 cents per share.

2. Remuneration Governance

This section describes the role of the Board, Remuneration and Nomination Committee and external remuneration advisers when making remuneration decisions, and sets out an overview of the principles and policies that underpin the Company's remuneration framework.

2.1 Role of the Board and Remuneration and Nomination Committee

The Board is responsible for ensuring that the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders. Consistent with this responsibility, the Board has established a Remuneration and Nomination Committee, whose role is to:

- Review and recommend to the Board the remuneration of the Executive KMP;
- Review and approve the remuneration policies and practices for the Group generally, including incentive plans and other benefits; and
- Review and make recommendations to the Board regarding the remuneration of Non-executive Directors.

Borden Putman III, Fiona Robertson, Ian Pattison and effective from 1 July 2019, Mark Sawyer are members of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee has a formal charter, which sets out its roles and responsibilities, composition structure and membership requirements. A copy of this charter can be viewed on Heron's website.

Further information regarding the Remuneration and Nomination Committee's role, responsibilities and membership is set out in the Company's Corporate Governance Statement.

2.2 Use of external remuneration advisors

From time to time, the Remuneration and Nomination Committee seeks and considers advice from external advisors who are engaged by and report directly to the Remuneration and Nomination Committee. Such advice will typically cover Non-executive Director fees, Executive KMP remuneration and advice in relation to equity plans.

The Corporations Act (2001) requires companies to disclose specific details regarding the use of remuneration consultants. The mandatory disclosure requirements only apply to those advisers that provide a 'remuneration recommendation' as defined in the Corporations Act. The Committee did not receive any such recommendations in FY2020.

The Company participates in an industry recognised remuneration survey which it uses to assist in the benchmarking of remuneration across the organisation.

2.3 Executive KMP remuneration principles and framework

The Company's Executive KMP remuneration framework is based on the following core principles:

- shareholders, having regards to relevant Company policies;
- to attract and retain skilled executives;
- to structure short and long term incentives that are challenging and linked to service conditions and the creation of sustainable shareholder returns; and
- to ensure any termination benefits are justified and appropriate.

These principles are reflected in the Company's remuneration framework, which is comprised of both fixed and at-risk remuneration components as indicated below.

Details of each of these components and how they applied during FY2020 are described in the tables below and in Section 3. All STI and LTI guidelines noted below are subject to Remuneration and Nomination Committee and Board approval.

Fixed remuneration (TFR)	At-risk STI	At-risk LTI
- includes salary and superannuation - reviewed annually by the Remuneration Committee - benchmarked against peer companies - influenced by individual performance and experience	- determined based on a mix of financial and non-financial measures - STI for FY2020 was set between 10% and 50% of TFR for target performance and between 20% and 100% of TFR for stretch performance - The STI is delivered as cash.	- provides the Remuneration and Nomination Committee with the flexibility to determine the nature, terms and conditions of the grant each year - Operated in FY2020 as an award of performance rights. - the face value of the LTI opportunity is currently set between 20% and 75% of TFR - vesting is subject to an independent performance hurdle – Relative TSR

Remuneration framework summary

		----------At-risk % of TFR----------	
	TFR	**STI TARGET – STRETCH[1]**	**LTI**
CEO	Benchmarked	50% - 100%	50-75%
COO/CFO	Benchmarked	20% -50%	30-50%
KMP - GM's	Benchmarked	20% - 50%	30-50%
Form of Delivery	Salary & Superannuation	Cash 100%	Deferred Share Rights
Performance Period	N/A	1 year	3 years
Further explanation	Section 3.1 to 3.2	Section 3.3	Section 3.4

(1) As a % of TFR.

3. Remuneration of the Executive KMP for FY2020

This section describes in greater detail the different components of Executive KMP remuneration for FY2020.

3.1 Benchmarking total remuneration

While benchmarking is a useful starting point, it is only one input used by the Remuneration and Nomination Committee when determining total remuneration for the Executive KMP. Executive KMP remuneration is benchmarked against the results of a survey conducted by a remuneration consulting organisation of similar roles across the Australian mining industry.

The objective of the Board's positioning remuneration levels in this manner is to 'meet the market' so as to attract and retain a leading management team while still ensuring appropriate restraint in respect of executive remuneration.

Actual market positioning for each individual may deviate from the positioning policy (above or below) due to consideration such as internal relativities, experience, tenure in role, individual performance and retention considerations

3.2 Fixed remuneration

Fixed remuneration received by Executive KMP is subject to review by the Remuneration and Nomination Committee which will then make recommendations to the Board for approval. Fixed remuneration is comprised of base salary and superannuation. In line with Company policy and executives' service agreements, remuneration levels are reviewed annually based on market benchmarking and individual performance.

At present, fixed remuneration for Executive KMP is typically positioned between the 25th and 50th percentile of the market comparator group adopted by the Board.

3.3 STI awards and structure for FY2020

The terms of the STI that applied during FY2020 were.

Who participated	All Executive KMP.
What was the performance period?	The STI for FY2020 operated over a 12 month performance period from 1 July 2019 to 30 June 2020.
What was the target STI award?	In light of the Company's delays to the commencement of production and the decision to place Woodlawn into care and maintenance, the Board has determined that no STI's will be paid to Executive KMP's in respect of FY2020.
What were the performance conditions, why were they chosen and how were they assessed?	Heron has chosen performance conditions that expressly link to our strategy and motivate out-performance of annual business plans. The following KPIs were adopted as performance conditions and applied to the FY2020 STI: - Zero harm to employees and contractors - All construction and project activities to meet Woodlawn project schedule including key milestones - Project capital and operating expenditures to be within Budget - Ramp up targets for ore throughput and concentrate production At the commencement of FY2020, the Board set Target KPIs, the achievement of which was expected to be critical to the success of the Company as it ramped up to nameplate production capacity The Remuneration and Nomination Committee and the Board assessed the STI performance conditions applying to the Executive team's STI award. The weightings of each performance condition are set out in the following table.

	CEO	COO	KMP – GM's
Safety & Environment	10%	10%	10%
Woodlawn project KPI's	30%	30%	30%
Corporate KPI's	20%	20%	20%
Individual Leadership KPIs	40%	40%	40%

What performance level was achieved?

A snapshot of the performance levels achieved for FY2020 is set out below:

Performance condition	Actual	Outcome
Safety & Environment	Target not achieved	Below target
Woodlawn project KPI's	Target not achieved	Below target
Corporate KPI's	Target not achieved	Below target
Individual KPI's	Target not achieved	Below target

3.4 LTI awards and structure for FY2020

There was no award of an LTI for FY2020 performance.

3.5 Executive KMP realised remuneration outcomes

The table below is designed to give shareholders a better understanding of the actual remuneration outcomes for Executive KMP in FY2020.

The amounts disclosed in the table, while not in accordance with accounting standards, are considered more helpful for shareholders to demonstrate the linkage between Company performance and remuneration outcomes for executives for FY2020.

Executive KMP	TFR[1]	Payment made on termination[2]	STI paid	LTI awarded at fair value of award	Other[3]	Total Remuneration
Simon Smith	$332,778	-	-	-	$50,000	$382,778
Tim Dobson	$137,329	-	-	-	-	$137,329
Wayne Taylor [4]	$140,209	$678,375	-	-	-	$818,584
Andrew Lawry [5]	$108,252	$261,097	-	-	-	$369,348
Charlie Kempson [8]	$123,261	$326,586	-	-	$2,543	$452,390
Brian Hearne [7]	$306,116	$365,514	-	-	$14,365	$685,995
David von Perger [6]	$257,910	$297,139	-	-	$8,755	$563,804
TOTAL	$1,405,855	$1,928,710	-	-	$75,664	$3,410,229

(1) Fixed remuneration comprises base salary and superannuation.
(2) Payments made on termination include unused annual leave, long service leave, payments made in lieu of notice and redundancy.
(3) Other includes housing, parking, motor vehicle benefits and other similar items. During FY2020 Mr. Smith received a one off payment of $50,000 to reflect his change of duties following the termination of Mssrs. Taylor, Lawry and Kempson.
(4) Ceased employment on 18 September 2019
(5) Ceased employment on 27 September 2019
(6) Ceased employment on 3 April 2020
(7) Ceased employment on 29 October 2019
(8) Ceased employment on 30 March 2020

4. Executive KMP employment contracts

The following section sets out an overview of key terms of employment for the Executive KMP, as provided in their service agreements.

All Executive KMP contracts give the Company discretion to make payment in lieu of notice upon termination. No notice is required where termination is for cause.

Treatment of unvested incentives is dealt with in accordance with the terms of grant. In general, under the STI and LTI arrangements, unvested entitlements will be forfeited where an executive is terminated or, subject to the Board's discretion, where they resign. In all other circumstances where the Board considers the executive to be a 'good leaver', outgoing executives will generally retain a pro-rata share of entitlements (subject to satisfying any applicable performance conditions in the case of LTI arrangements). During FY2020, all unvested entitlements were forfeited by the Executives upon their termination.

Chief Executive Officer

Tim Dobson was appointed as CEO of the Company on 23 March 2020. Refer to the ASX announcement on 15 January 2020 for further information.

Fixed remuneration	Mr Dobson's annual TFR for FY2020 is $547,500. It includes salary and superannuation. TFR is reviewed annually.
Short term incentive	Mr Dobson is eligible to participate in the annual STI plan. Mr Dobson is entitled to a maximum STI of 100% of his Base salary, 50% of which is to be paid at the time of award in cash and 50% to be deferred (payable in cash).
Long term incentive	Mr Dobson is eligible to participate in the LTI plan as described in section 3.5 and subject to receiving required or appropriate shareholder approval.
Other key terms	Other key items of Mr Dobson's service agreement include the following; Asset Realisation Bonus – in the event of the Company completing a transaction that results in a change of control Mr Dobson is entitlement to a $1.5M bonus paid in cash.

Other Executive KMP contracts

A summary of the notice periods and key terms of the current Executive KMP contracts, other than Mr Dobson, are set out in the table below.

The contract below is of ongoing duration.

Name and position (at year end)	Fixed Remuneration (Base salary + SGC)	STI Participation	LTI Participation	Notice
Simon Smith Chief Financial Officer and Company Secretary Appointed 11 August 2014	$332,333. TFR is reviewed annually.	Mr Smith is eligible to participate in the annual STI plan as described in Section 3.3.	Mr. Smith is eligible to participate in the LTI plan as described in section 3.5.	6 months by either party

5. Executive KMP remuneration tables

5.1 Executive KMP – Statutory remuneration table

The following table sets out the statutory remuneration disclosures required under the Corporations Act and has been prepared in accordance with the appropriate accounting standards and has been audited.

In AUD	FY	Salary & fees	Termination Payment [7]	Super-annuation benefits	Non Monetary Benefits	STI	Share-based Payments Rights & Options[1]	Total Remuneration	Perfo-mance related
								$	%
CEO									
Wayne Taylor [2]	2019	415,200	-	62,280	-	-	162,287	639,767	-
	2020	94,843	678,375	45,366	-	-	(202,254)	616,330	-
Tim Dobson	2020	125,415	-	11,914	-	-	-	137,329	-
Other Executive KMP									
Andrew Lawry [3]	2019	354,000	-	33,250	-	-	110,606	497,856	-
	2020	91,182	261,097	17,070	-	-	(137,116)	232,232	-
Simon Smith	2019	305,903	-	26,430	-	-	95,920	428,253	-
	2020	355,457	-	27,030	-	-	103,723	486,210	-
David von Perger [4]	2019	286,351	-	26,047	1,336	-	85,271	399,005	-
	2020	228,977	297,139	28,933	8,755	-	(105,974)	457,830	-
Charlie Kempson [5]	2019	305,903	-	26,430	-	-	95,920	428,253	-
	2020	105,985	326,586	17,277	2,543	-	(118,207)	334,184	-
Brian Hearne [6]	2019	289,819	-	26,363	16,791	-	105,970	438,943	-
	2020	266,827	365,514	39,289	14,365	-	(107,558)	578,437	-
Total	2019	1,957,176	-	200,800	18,127	-	655,974	2,832,077	-
	2020	1,268,686	1,928,711	186,879	25,664	-	(567,386)	2,842,554	-

(1) The Statutory Remuneration disclosure includes the accounting value of share based payments. Accounting Standards require share based payments to be expensed over the relevant performance and service periods. The accounting value for share based payments do not have regard to whether performance conditions were achieved or will be achieved in the future. Reversal of Share Based Payments in 2020 reflect the forfeiture of Options upon termination of employment.
(2) Ceased employment on 18 September 2019
(3) Ceased employment on 27 September 2019
(4) Ceased employment on 3 April 2020
(5) Ceased employment on 29 October 2019
(6) Ceased employment on 30 March 2020
(7) Represents payments for redundancy, notice in lieu payments and annual and long service leave where applicable

5.2 LTI awards made in FY2020

There were no awards of LTI's made for FY2020.

6. Non-executive Director remuneration

This section explains the fees paid to Non-executive Directors during FY2020.

6.1 Setting Non-executive Director fees

Non-executive Directors fees are designed to ensure that the Company can attract and retain suitably qualified and experienced Non-executive Directors.

Non-executive Directors may also receive share options, performance rights and, in exceptional circumstances, a performance-related payment as part of their fees from the Company. Although there is no formal minimum shareholding, Non-executive Directors are encouraged to hold shares.

Non-executive Directors are also entitled to be reimbursed for travel and other expenses reasonably incurred when attending meetings of the Board or in connection with the business of the Company.

The Remuneration and Nomination Committee reviews and makes recommendations to the Board with respect to Non-executive Directors' fees and Committee fees.

In 2017 the shareholders approved a total aggregate maximum of Non-executive Directors' fees of $750,000 per annum.

6.2 Current Non-executive Director fee levels and fee pool

The table below sets out the Board and Committee fees for FY2020.

	Chair	Member
Board	$90,000	$70,000
Remuneration and Nomination Committee	$8,500	$5,000
Audit and Governance Committee	$10,000	$5,000

The fees set out above exclude mandatory statutory superannuation contributions made on behalf of the Non-executive Directors. It is not proposed to issue any additional options or performance rights to Non-executive Directors under the LTI awards for FY2020.

In addition to the meetings that the Non-executive Directors attended (as shown on page 12), the Non-executive Directors participated in regular site visits to Woodlawn.

6.3 Non-executive Director fees – statutory disclosures

The statutory disclosures required under the Corporations Act and in accordance with the Accounting Standards are set out in the table below.

In AUD	FY	Board & Committee fees	Short-Term incentive	Share based payments	Superannuation benefits	Total fees for services as a Non-exec Director
NON-EXECUTIVE DIRECTORS						
Stephen Dennis	2019	103,500	-	26,777	9,833	140,110
	2020	103,500	-	24,032	9,833	137,365
Borden Putnam III[1]	2019	86,650	-	21,567	-	108,217
	2020	87,600	-	18,757	-	106,357
Fiona Robertson[1]	2019	85,000	-	21,567	8,075	114,642
	2020	85,000	-	18,757	8,075	111,832
Mark Sawyer	2019	76,650	-	21,567	-	98,217
	2020	81,650	-	18,757	-	100,407
Ricardo De Armas	2019	76,650	-	18,757	-	95,407
	2020	76,650	-	18,757	-	95,407
Peter Rozenauers[2][3]	2019	76,650	-	18,757	-	95,407
	2020	55,221	-	(28,259)		26,962
Ian Pattison	2019	81,650	-	9,369	-	91,019
	2020	82,125	-	17,094	-	99,219
Total	2019	586,750	-	138,361	17,908	743,019
	2020	571,746	-	87,895	17,908	677,549

(1) Resigned on 31 July 2020

(2) Resigned on 20 March 2020

(3) Reversal of Share Based Payments in 2020 reflect the forfeiture of Options upon resignation as a Director

LTI awards made in FY2020

There was no award of LTI's to Non-Executive Directors during FY2020.

7. Related party transactions and additional disclosures

7.1 Loans with Executive KMP and Non-executive Directors

There were no loans outstanding to any Executive KMP or any Non-executive Director or their related parties, at any time in the current or prior reporting periods.

7.2 Other KMP transactions

Apart from the details disclosed in this report, no Executive KMP or Non-executive Director or their related parties have entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving those people's interests existing at year end.

On 1 July 2019, the Company entered into a consultancy agreement with Tannachy Pty Ltd, a company associated with Non-executive Director Dr Ian Pattison. The term of this the agreement is on an "on call" basis at commercially negotiated terms to meet the Company's requirement for metallurgical processing consultancy services.

7.3 Movement in options and rights over equity instruments held by Executive KMP

The movement during the reporting period, by number and value of equity instruments in the Company held by each Executive KMP is detailed below.

Executive KMP Instrument	Balance as at 1 Jul 19 (number)	Granted (number)	Granted (value)	Vested during the year (number)	Exercised (number)	Exercised (value)	Lapsed (number)	Lapsed (year of grant)	Balance as at 30 Jun 20 (number)	Vested & exercisable at 30 Jun 20
		(A)	(B) $			$				
Wayne Taylor [1]										
Performance Rights (LTI)	965,000	-	-	-	-	-	(965,000)	2017/18	-	-
Options (LTI)	400,000	-	-	-	-	-	(400,000)	2017	-	-
Tim Dobson										
Performance Rights (LTI)	-	-	-	-	-	-	-	-	-	-
Options (LTI)	-	-	-	-	-	-	-	-	-	-
Andrew Lawry [2]										
Performance Rights (LTI)	586,667	-	-	-	-	-	(586,667)	2017/18	-	-
Options (LTI)	165,000	-	-	-	-	-	(165,000)	2017	-	-
Simon Smith										
Performance Rights (LTI)	505,000	-	-	-	-	-	(255,000)	2017	250,000	-
Options (LTI)	165,000	-	-	-	-	-	-	-	165,000	55,000
David von Perger [4]										
Performance Rights (LTI)	440,000	-	-	-	-	-	(440,000)	2017/18	-	-
Options (LTI)	165,000	-	-	-	-	-	(165,000)	2017	-	-
Charlie Kempson [3]										
Performance Rights (LTI)	505,000	-	-	-	-	-	(505,000)	2017/18	-	-
Options (LTI)	165,000	-	-	-	-	-	(165,000)	2017	-	-
Brian Hearne [5]										
Performance Rights (LTI)	445,000	-	-	-	-	-	(445,000)	2017/18	-	-
Options (LTI)	165,000	-	-	-	-	-	(165,000)	2017	-	-

(A) There were no award of LTI for the FY2020 year. Further details are provided in section 5.3; and,

(B) The value of LTI performance rights granted in the year is the fair value of the performance rights at grant date.

(1) Ceased employment on 18 September 2019

(2) Ceased employment on 27 September 2019

(3) Ceased employment on 29 October 2019

(4) Ceased employment on 3 April 2020

(5) Ceased employment on 30 March 2020

7.4 Movement in options and rights over equity instruments held by Non-executive Directors

The movement during the reporting period, by number and value of equity instruments in the Company held by each Non-Executive Director is detailed below.

Non-Executive KMP Instrument	**Balance as at 1 Jul 19 (number)**	**Granted (number)**	**Granted (value)**	**Vested during the year (number)**	**Exercised (number)**	**Exercised (value)**	**Lapsed (number)**	**Lapsed (year of grant)**	**Balance as at 30 Jun20 (number)**	**Vested & exercisable at 30 Jun 20**
		(A)	**(B) $**			**$**				
Stephen Dennis										
Performance Rights (LTI)	115,000	-	-	-	-	-	(115,000)	2017	-	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Fiona Robertson (D)										
Performance Rights (LTI)	90,000	-	-	-	-	-	(90,000)	2017	-	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Borden Putnam (D)										
Performance Rights (LTI)	90,000	-	-	-	-	-	(90,000)	2017	-	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Mark Sawyer										
Performance Rights (LTI)	90,000	-	-	-	-	-	(90,000)	2017	-	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Ricardo De Armas										
Performance Rights (LTI)	90,000	-	-	-	-	-	(90,000)	2017	-	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Peter Rozenauers (C)										
Performance Rights (LTI)	90,000	-	-	-	-	-	(90,000)	2017	-	-
Options (LTI)	100,000	-	-	-	-	-	(100,000)	-	-	-
Ian Pattison										
Performance Rights (LTI)	90,000	-	-	-	-	-	(90,000)	2017	-	-
Options (LTI)	-	-	-	-	-	-	-	-	-	-

(A) There were no award of LTI for the FY2020 year. Further details are provided in section 5.3; and,

(B) The value of LTI performance rights granted in the year is the fair value of the performance rights at grant date.

(C) Resigned on 20 March 2020

(D) Resigned on 31 July 2020

(E) Resigned on 31 July 2020

7.5 Additional disclosures relating to ordinary shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each Executive KMP and each Non-executive Director, including their related, parties is as follows:

No. of shares	Held at 1 July 2019	Received on vesting and excersice of LTI	Received as remuneration	Other net change	Held at 30 June 2020
DIRECTORS					
Stephen Dennis	179,429	-	-	320,571	500,000
Wayne Taylor [1]	272,740	-	-	(272,740)	-
Borden Putnam II	-	-	-	-	-
Fiona Robertson	71,429	-	-	52,315	123,744
Mark Sawyer	-	-	-	-	-
Ricardo De Armas	-	-	-	-	-
Peter Rozenauers	-	-	-	-	-
Ian Pattison	51,429	-	-	37,667	89,096
EXECUTIVE					
Tim Dobson	-	-	-	-	-
Andrew Lawry [2]	18,429	-	-	(18,429)	-
Simon Smith	60,000	-	-	-	60,000
David von Perger [3]	60,814	-	--	(60,814)	-
Charlie Kempson [4]	485,130	-	-	(485,130)	-
Brian Hearne [5]	-	-	-	-	-

(1) Ceased employment on 18 September 2019
(2) Ceased employment on 27 September 2019
(3) Ceased employment on 3 April 2020
(4) Ceased employment on 29 October 2019
(5) Ceased employment on 30 March 2020

EMPLOYEE DIVERSITY

Women currently represent 23% of employees in the Company as a whole. There are currently no women on the Board.

CORPORATE GOVERNANCE

The Company has undertaken a thorough review of its Corporate Governance practices and policies in accordance with ASX Corporate Governances Best Practices Recommendations. Following guidance from the ASX the Corporate Governance policy can be found on our website in line with Listing Rule 4.10.3.

ENVIRONMENTAL REGULATION

The Consolidated Entity is subject to and compliant with all aspects of environmental regulation in respect of its exploration and development activities. The Directors are not aware of any environmental regulation which is not being complied with.

ABORIGINAL CULTURE AND HERITAGE

The Consolidated Entity is subject to and compliant with all aspects of Aboriginal Heritage regulation in respect of its exploration and development activities. The Directors are not aware of any regulation which is not being complied with. The Directors are committed to cultural respect in undertaking business activities of the Company.

INDEMNITY AND INSURANCE OF OFFICERS

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The insurance premium relates to liabilities that may arise from an officers position within the company, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain personal advantage.

The Officers covered by the insurance policies are the Directors and officers of the company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The company has indemnified the Directors and Executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

NON AUDIT SERVICES

During the year Ernst & Young, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or payable to the auditor of the Company, Ernst & Young, and their related practices for non-audit services provided during the year are set out below.

Non-audit services Ernst & Young Australia for	**30 June 2020 $'000**	**30 June 2019 $'000**
Other services in relation to the Group:		
Tax compliance	91	-
Other non audit services	41	-
	132	-

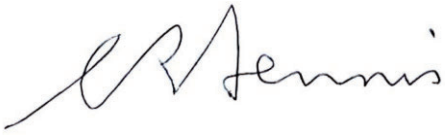
ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Corporations Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR'S INDEPEDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of Directors



S Dennis
Chairman
27 October 2020

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of Heron Resources Limited

As lead auditor for the audit of the financial report of Heron Resources Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Heron Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Scott Nichols
Partner
Sydney
27 October 2020

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 JUNE 2020 $'000	30 JUNE 2019 $'000
OTHER INCOME	3	121	1,186
Administrative expenses		(978)	(469)
Professional services and consultants		(2,054)	(843)
Depreciation and amortisation expense	4a	(1,863)	(170)
Directors fees		(654)	(581)
Employee benefits expense		(2,114)	(1,778)
Equity settled share based reversal / (expense)	29	556	(781)
Exploration expenditure expensed		(843)	(1,431)
General expenses from ordinary activities	4b	(470)	(1,105)
Care and maintenance costs		(922)	-
Finance expense	4c	(11,066)	(1,780)
Fair value gain / (loss) on financial instruments	4d	12,909	(9,790)
Fair value gain / (loss) on equity instruments		1,298	(4,182)
Realised foreign exchange gain		998	-
Unrealised foreign exchange loss	4e	(2,349)	(4,038)
Provision for settlement of legal claims	15	(5,736)	(15,000)
Lease termination gain / (loss)	9	79	-
Impairment of mine property	10	(150,867)	-
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(163,955)	(40,763)
INCOME TAX EXPENSE	5	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(163,955)	(40,763)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(163,955)	(40,763)
		$	$
Basic earnings per share	6	(0.445)	(0.169)
Diluted earnings per share	6	(0.445)	(0.169)

The above Statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	30 JUNE 2020 $'000	30 JUNE 2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	7b	9,889	31,465
Trade and other receivables	13	1,529	1,043
Inventories	12	4,327	2,355
Financial assets - equity instruments	11	1,530	1,587
Other assets	14	528	499
TOTAL CURRENT ASSETS		17,803	36,949
NON-CURRENT ASSETS			
Restricted cash	7c	3,701	7,777
Other assets	14	110	125
Financial assets - equity instruments	11	-	132
Property, plant and equipment	8	4,431	11,962
Mine property	10	171,156	242,849
Right of use assets	9	11,999	-
TOTAL NON-CURRENT ASSETS		191,397	262,845
TOTAL ASSETS		209,200	299,794
CURRENT LIABILITIES			
Trade and other payables	16	8,042	6,060
Borrowings	18	104,112	126,330
Provisions	15	9,401	15,786
Convertible note	19	56,218	-
Financial liability - derivative	19	1,200	-
TOTAL CURRENT LIABILITIES		178,973	148,176
NON-CURRENT LIABILITIES			
Trade and other payables	16	8,352	-
Borrowings	18	5,626	6,580
Provisions	15	16,001	16,138
TOTAL NON-CURRENT LIABILITIES		29,979	22,718
TOTAL LIABILITIES		208,952	170,894
NET ASSETS		248	128,900
EQUITY			
Contributed equity	21	295,601	259,742
Option reserve	22	2,301	2,857
Accumulated losses	22	(297,654)	(133,699)
TOTAL EQUITY		248	128,900

The above Statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 JUNE 2020 $'000	30 JUNE 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(5,418)	(6,698)
Interest received		459	1,184
Interest paid and other finance costs		(1,063)	-
Exploration and development expenditure – expensed		(843)	(1,431)
Receipt of government assistance		186	-
NET CASH USED IN OPERATING ACTIVITIES		(6,679)	(6,945)
CASH FLOWS FROM INVESTING ACTIVITIES			
Woodlawn Mine – asset under construction		(90,903)	(80,623)
Proceeds from sale of commissioning concentrates		12,496	-
Refund / (payment) of bond and bank guarantees		4,076	1,000
Proceeds from sale of financial assets - equity instruments		1,386	-
Payments for plant and equipment		(4,100)	(2,748)
Payments for foreign currency hedge transaction		-	(6)
Proceeds from research and development refund		-	1,796
NET CASH USED IN INVESTING ACTIVITIES		(77,045)	(80,581)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity raising		28,790	-
Payments for capital raising costs		(906)	-
Payment of principal portion of lease liabilities		(3,950)	-
Proceeds from borrowings		47,089	53,587
Payment of borrowing costs		(8,894)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		62,129	53,587
NET INCREASE / (DECREASE) IN CASH HELD		(21,595)	(33,939)
Cash at the beginning of the reporting period		31,465	65,532
Foreign exchange (gain) / loss on translation - unrealised		19	(128)
CASH AT THE END OF THE REPORTING PERIOD		9,889	31,465

The above Statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Issued Capital $'000	Accumulated Losses $'000	Option Reserve $'000	Total $'000
As at 30 June 2019		259,742	(133,699)	2,857	128,900
Total comprehensive income for the period after tax		-	(163,955)	-	(163,955)
Issue of share capital		37,403			37,403
Share issue costs		(1,544)			(1,544)
Cost of share based payments	29	-	-	227	227
Option reserve reversal due to forfeiture	29	-	-	(783)	(783)
As at 30 June 2020		295,601	(297,654)	2,301	248
As at 30 June 2018		259,742	(92,936)	2,076	168,882
Total comprehensive income for the period after tax		-	(40,763)	-	(40,763)
Cost of share based payments	29	-	-	965	965
Option reserve write back	29	-	-	(184)	(184)
As at 30 June 2019		259,742	(133,699)	2,857	128,900

The above Statement should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

1.0 Corporate Information

Heron Resources Limited is a Group limited by shares, domiciled and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The registered office of Heron Resources Limited is Level 8, 309 Kent Street, Sydney, New South Wales, 2000, Australia.

The nature of operations and principal activities of Heron Resources Limited and its controlled entities are exploration, mine development, mine operations and the sale of Zinc, Copper and Lead concentrates.

The Woodlawn mine entered care and maintenance in March 2020 and remains in this state as of the date of this report.

The financial report of Heron Resources Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 30 September 2020.

2.0 Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

This financial report is a general purpose financial report, prepared by a for-profit entity, in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report also complies with International Financial Reporting Standards (IFRS) including interpretations as issued by the International Accounting Standards Board (IASB).

The financial report has been prepared on a going concern basis and in accordance with the historical cost convention, unless otherwise stated.

The financial report has been presented in Australian (AUD) dollars. All values are rounded to the nearest AUD $1,000 (AUD $'000s) unless otherwise stated. This is in accordance with ASIC Corporations Instrument 2016/191, dated 1 April 2016.

The accounting policies have been consistently applied by all controlled entities included in the Group and are, other than as described below, consistent with those applied in the prior financial year. Where necessary, comparatives have been reclassified and repositioned for consistency with the current financial year disclosures.

Going Concern

The Group announced on 25 March 2020 that it had suspended operations at the Woodlawn project and placed the mine on care and maintenance due to the prevailing market conditions and the impact of the outbreak of the Covid-19 pandemic in March 2020 on its ability to operate the mine.

Under the senior secured debt facility and silver and zinc stream facility (Senior Facilities) with Orion Mine Finance (Orion), the suspension of operations at the Woodlawn project is an event of default as defined within the Senior Facilities agreements.

In May 2020, the Nomad Royalty Company Limited (Nomad) acquired the silver and zinc stream facility from Orion.

As noted in the Group's ASX release dated 14 August 2020, the Group announced a Strategic Process to explore various options for Woodlawn including refinancing, joint ventures, and partial or complete divestment.

The Group has received a default event waiver with respect to the Senior Facilities until 13 August 2021, subject to certain conditions including the Group continuing the Strategic Process and implementing the recommendations of the Strategic Process committee. The Group has also agreed parallel forbearance with its major unsecured creditors. Due to the events during the period there exists a material uncertainty on the Company's ability to complete the Strategic process in a manner that successfully allows the Company to settle its debts as and when they become due once the waivers expire in August 2021.

As a result, all amounts owing under the Senior Facilities and Convertible Note have been classified as current liabilities as at 30 June 2020.

The Financial Report for the year ended 30 June 2020 has been prepared on a going concern basis, notwithstanding the aforementioned event of default and the fact that the Group incurred a loss for the year ended 2020 of $164.0M (2019: loss of $40.8M) and a net cash outflow from operating activities of $6.7M (2019: outflow $6.9M).

The Financial Report has been prepared on a going concern basis, as the Directors have reasonable grounds to believe that the Group is adequately funded to enable it to pay its debts as and when they become due for a period of twelve months from the date of approving this Report.

The Financial Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

Revenue recognition

The Group is principally engaged in the production and sale of base metal concentrates up until the Woodlawn mine was placed into care and maintenance.

Revenue is recognised at the point when control of the goods passes to the customer, based on the contractual sales International Commercial

terms (Incoterms), at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods and services to the customer.

Control of goods and services passes to the customer with respect to:

- Provisionally priced concentrate sales, in accordance with respective Free on Board (FOB) and Cost, Insurance and Freight (CIF) Incoterms for each lot;
- Cost, Insurance and Freight, transfer of control occurs over time, ending when the concentrate consignment is offloaded at the Port of Discharge.

The Group has concluded that it is the principal in its revenue contracts on the basis that it controls the goods and services being transferred to the customer.

Accounting for concentrate sale in the commercialisation phase

Sales made prior to the declaration of commercial production have been recognised as a reduction to the carrying value of the development asset.

Provisionally priced concentrate sales

Revenue on provisionally priced sales is accounted for by separating the embedded commodity price feature from the sales contract and accounting for it as a derivative within trade and other receivables. Fair value is determined with reference to the relevant forward commodity price and is marked to market at each reporting period up until when final pricing and settlement is confirmed. Fair value adjustments are recognised in revenue in the period identified.

Other variables in the contract price are accounted for as variable consideration. The Group has estimated the amount of variable consideration to be included in the transaction price at the 'most likely amount' to the extent that a significant reversal in the cumulative amount of revenue recognised will not occur.

The period between provisional pricing and final invoicing (quotation period) is typically between 30 and 120 days.

Cost, Insurance and Freight

Where the Group makes concentrate sales on Cost, Insurance and Freight CIF Incoterms, the Group is required to provide freight and shipping services after the date at which control of the goods have transferred to the customer. Revenue from freight and shipping services are recognised over time as this obligation is fulfilled.

Trade receivables

Trade receivables are non-interest bearing and generally receivable on 30 to 90 day terms. At balance date, no material amount of trade receivables were past due or impaired.

Trade receivables comprising base metal concentrates awaiting settlement are initially recorded at the fair value of contracted sales proceeds expecting to be received only when there has been a passing of control to the customer. Collectability of debtors is reviewed in line with a forward-looking expected credit loss (ECL) approach. The Group has adopted AASB 9's simplified approach and calculates ECL's based on lifetime expected credit losses, and takes into consideration and historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and subject to impairment. The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables.

Trade receivables (subject to provisional pricing) are exposed to future commodity movements over the quotation period (QP) are measured at fair value up until the date of settlement. Fair value is the price that would be received to sell as asset or transfer a liability in an orderly transaction between market participants at the measurement date. These trade receivables are initially measured at the amount which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. The QP's can range between 30 to 120 days post-shipment, and final payment is due within 30 days from the end of the QP.

Inventory

Store stock and consumables

Store stocks and consumables represents commissioning spares, chemical reagents, and other spare parts required at the Woodlawn Project. Store stock and consumables are valued at the lower of cost and net realisable value.

Refined metal

Refined metal, representing silver bullion, is physically measured and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product that the Group expects to realise when the product is sold.

Convertible Note

The convertible note consists of a debt instrument with a derivative liability conversion option. The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and derivative liability is accordance with the substance of the contractual arrangements. At initial recognition, the Group estimated the fair value of the derivative feature. The fair value of the derivative is reassessed at each reporting date. The equity conversion feature is accounted for as a derivative liability in the Group's consolidated financial statements.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the financial liability and derivative components in proportion to the allocation of the gross proceeds. Transaction costs related to the derivative are recognised in profit and loss. Transaction costs relating to the financial liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Significant judgements, estimates and assumptions

Assessments of the fair value requires the use of estimates and assumptions such as, exchange rates, the risk free rate, stock price volatility and the underlying stock price.

2.2 New and Amended Standards and Interpretations

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations, except for AASB 16 leases, did not have any significant impact on the financial performance or position of the consolidated entity.

The Group applied AASB 16 Leases for the first time from 1 July 2019. The nature and effect of these changes as a result of the adoption of the new Accounting Standard are described below.

AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of the adoption of AASB 16 as at 1 July 2019 is as follows.

	Finance leases transferred to ROUA $'000	ROUA additions on adoption $'000	Transfer to equipment finance $'000	Total $'000
Assets				
Right of use assets	11,264[(a)]	7,103	-	18,367
Property, plant and equipment	(11,264)[(b)]	-	-	(11,264)
Total Assets	-	7,103	-	7,103
Liabilities				
Interest bearing loans and borrowing	9,411[(a)]	7,103	(577)	15,937
Total liabilities	9,411	7,103	(577)	15,937

(a) Balance of 30 June 2019 prior to adopting AASB 16

(b) Transfer of property, plant and equipment to Right of Use Assets, on adopting AASB 16

Nature of the effect of adoption of AASB 16

The Group has lease contracts for various items of plant, equipment, motor vehicles and the Sydney office. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedient wherein it applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

Based on the above, as at 1 July 2019:

- Right-of -use assets of $18.4 million were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of $11.3 million that were reclassified from Property, plant and equipment.
- Additional lease liabilities of $7.1 million (included in Interest bearing loans and borrowings) were recognised.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$'000
Asset	
Operating lease commitment as at 30 June 2019	1,139
Weighted Average incremental borrowing rate as at 1 July 2019	7.67%
Impact of reassessment and other	5,602
Less:	
Commitment relating to short term leases	(215)
Add:	
Commitment relating to previously classified as finance lease	9,411
Lease liability as at 1 Jul 2019	15,937

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease modification

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. Lease modifications include:

- increasing the scope of the lease by adding the right to use one or more underlying assets;
- decreasing the scope of the lease by removing the right to use one or more underlying assets or shortening the contractual lease term;
- increasing the scope of the lease by extending the contractual lease term; and
- changing the consideration in the lease by increasing or decreasing the lease payments.

Changes that result from renegotiations and changes to the terms of the original contract are lease modifications. The Group recognises lease modifications from the effective date of the lease modification.

A lessee accounts for a lease modification as a separate lease if both of the following conditions exist:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification that is not a separate lease, at the effective date of the modification the lessee accounts for it by remeasuring the lease liability using a discount rate determined at that date and:

- for modifications that decrease the scope of the lease: decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognising a gain or loss that reflects the proportionate decrease in scope; and
- for all other modifications: making a corresponding adjustment to the right-of use asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $35,000). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

New standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group is in the process of assessing the impact of the new standards and interpretations.

The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to have a material impact on the Group, they have not been listed.

Property, Plant and Equipment – Proceeds before intended use (Amendments to AASB 116)

Property, Plant and Equipment – Proceeds before intended use (Amendments to AASB 116) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments effective for annual periods beginning on or after 1 January 2022. At this time, the application of the Property, Plant and Equipment – Proceeds before intended use is not expected to have a material impact on the consolidated entity's financial statements.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Interpretation 23 Uncertainty over Income Tax Treatments (Interpretation 23)

The Group adopted for the first time Interpretation 23 from 1 July 2019. Interpretation 23 outlines how the recognition and measurement requirements of AASB 112 Income Taxes are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the relevant tax authority. Based on an assessment of the Group's current and historical transactions to 30 June 2020, there are no material uncertain tax treatments under Interpretations 23.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

These amendments are effective for annual periods beginning on or after 1 January 2022. They are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide specific information about a specific reporting entity.' These amendments are effective for reporting periods beginning on or after 1 January 2020. The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the parent entity, Heron Resources Limited, and its controlled entities (referred to as 'the Group' in these financial statements). A list of controlled entities (subsidiaries) is presented in Note 23.

Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Group re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Specifically, the Group controls a subsidiary if, and only if, the Group has all of the following:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary);
- Exposure, or rights, to variable returns from its involvement with the subsidiary; and
- The ability to use its power over the subsidiary to affect its returns.

A subsidiary is consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. The acquisition method of accounting is used to account for business combinations by the Group.

Income tax

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises assets and liabilities for the potential tax effect based on the Group's current understanding of tax laws and requirements. Where the final tax outcome of these items is different from the carrying amounts, such differences will impact the current and deferred tax assets and/or provisions in the period in which such determination is made.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Significant judgements, estimates and assumptions

Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will comply with the relevant tax legislation and will generate sufficient taxable earnings in future periods in order to recognise and utilise those deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations. These assessments require the use of estimates and assumptions such as commodity prices, exchange rates and operating performance over the life of the assets.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and receivables and payables are stated with the amount of GST included.

The amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Earnings per Share

Basic earnings per share

Basic earnings per share is calculated as profit/(loss) after tax attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share is calculated as profit/(loss) after tax attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends, the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses, and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Financial Assets – Equity Instruments

The Group holds investments in Australian Stock Exchange listed companies. Investments are classified and measured as fair value through profit or loss financial assets.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts, if any, are included within borrowings in current liabilities on the statement of financial position.

Impairment

The Group undertakes an impairment review to determine whether any indicators of impairment are present. Where indicators of impairment exist, an estimate of the recoverable amount of the Cash Generating Unit (CGU) is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit or Loss and Other Comprehensive Income.

An impairment indicator assessment was undertaken for the Woodlawn Project at reporting date.

The Group considers the relationship between its market capitalisation and its net assets, among other factors, when reviewing for indicators of impairment. Where the net assets of the Group is more than its market capitalisation this is considered to be an indicator of impairment. The net assets of the Group exceeded its market capitalisation at 30 June 2020.

The Group identified the transition of the Woodlawn Project to care and maintenance is an impairment indicator.

Impairment test as a result of the Woodlawn Project transitioning to care and maintenance

The Group has assessed the Woodlawn Project as a single cash generating unit. This is the smallest group of assets that generate independent cashflows.

An impairment will arise where the carrying amount exceeds the recoverable amount.

The Group has determined the recoverable amount of the cash generating unit based on a value in use calculation using cashflow projections for the life of the Woodlawn Project. Refer to Note 10 for: Impairment test; key assumptions used in the value in use model; and sensitivity to changes in assumptions.

Significant judgements, estimates and assumptions

Assessments of the recoverable amounts require the use of estimates and assumptions such as reserves, mine life, discount rates, exchange rates, commodity prices, grade of ore mined, recovery percentage, operating performance, costs and capital estimates.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave are expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

Liabilities, including long service leave, not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

Share based compensation benefits are provided to Directors, employees and consultants by: an Employee Share Option Plan; and a Performance Rights Program.

The fair value of options and rights granted under the respective schemes are recognised as a share based payment expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the options and rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Significant judgements, estimates and assumptions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted.

Foreign Currency

Presentation and Functional Currency

The functional and presentation currency of the Group is Australian (AUD) dollars.

Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. The subsequent payment or receipt of funds related to a transaction is translated at the rate applicable on the date of payment or receipt. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

All exchange differences in the financial statements are taken to the Statement of Profit or Loss and Other Comprehensive Income.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Group. Trade payables are usually settled within 30 days of recognition.

Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Group or at the fair value of equity issued as consideration for the acquisition of assets. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable a future sacrifice of economic benefits will be required and a reliable estimate of obligation can be made.

Onerous contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognised and measured as provisions.

Restoration, Rehabilitation and Environmental Provision

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measure reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring affected areas.

The provision for future restoration costs is the best estimate of the present value (including an appropriate discount rate relevant to the time value of money plus any risk premium associated with the liability) of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related assets, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

Significant judgements and estimates

The determination of the provision requires significant judgement in terms of the best estimate of the future costs of performing the work required, the timing of the cash flows, the appropriate discount rate and inflation rate.

In relation to estimating the costs of performing the work required, significant judgement and estimates are required in relation to estimating the extent of rehabilitation activities, including volume to be rehabilitated and unit rates, technological changes, regulatory changes and appropriate discount rates.

When these estimates change or become known in the future, such differences will impact the mine rehabilitation provision on the period in which they change or become known.

A change in any, or a combination of, the key estimates used to determine the provision could have a material impact on the carrying value of the provision.

Property, plant and equipment

Exploration, Evaluation and Deferred Feasibility Expenditure

Exploration and Evaluation

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:

(i) Rights to tenure of the area of interest are current; and

(ii) (a) Costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by sale; or

(b) Where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Such expenditure consists of an accumulation of acquisition costs and direct exploration and evaluation costs incurred, together with an appropriate portion of directly related overhead expenditure.

The carrying value of capitalised exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying value may exceed its recoverable amount.

Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Joint operations represent arrangements whereby joint operators maintain direct interests in each assets and exposures to each liability of the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Information about the Group's joint arrangements are set out in detail within the Operations Report. The Group retains an interest in tenement holdings within the Lachlan Fold Belt of NSW and the Eastern Goldfields of Western Australia. These tenures are held through farm-in and joint venture interests, which include a number of other free-carried residual or royalty interests with minimal cost to the Group. Refer to additional disclosure at Note 11.

The Group recognises a disposal of interest in a tenement holding when the terms and expenditure requirements of the farm-in and joint venture agreement are met. Any consideration received is credited against any capitalised exploration and evaluation expenditure with any excess recognised as a gain on disposal of the tenement holding.

Deferred Feasibility

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest and are capitalised as incurred.

At the commencement of construction, all past exploration, evaluation and deferred feasibility expenditure in respect of an area of interest that has been capitalised is transferred to assets under construction.

Significant judgements, estimates and assumptions

Judgement is required to determine whether future economic benefits are likely, from either exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to these judgements, the Group has to make certain estimates and assumptions. The determination of a Joint Ore Reserves Committee ('JORC') resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred).

The estimates directly impact when the Group capitalises exploration and evaluation expenditure. The capitalisation policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available.

Assets Under Construction

This expenditure includes net direct costs of construction, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads. Expenditure is net of proceeds from the sale of ore extracted during the construction phase to the extent that this ore extracted is considered integral to the development of the mine.

After production commences, all aggregated costs of construction are transferred to mine property or plant and equipment as appropriate. As of the date of this report, the Woodlawn mine has not yet commenced commercial production.

Significant judgements, estimates and assumptions

The Group estimates its ore reserves and mineral resources, based on information compiled by Competent Persons as defined in accordance with the Australasian code for reporting Exploration Results, Mineral Resources and Ore Resources (JORC code 2012). The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying value of property, plant and equipment (including exploration and evaluation assets), the provision for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation charged to the Statement of Profit or Loss and Other Comprehensive Income.

Plant and Equipment and Mine Development

Cost

Plant and equipment and mine development is carried at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, and any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant), borrowing costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Construction cost for mine development includes expenditure in respect of exploration, evaluation and feasibility, previously accumulated and carried forward in relation to areas of interest in which development or construction is underway.

Depreciation and Amortisation

Items of plant and equipment and mine development are depreciated over their estimated useful lives.

The Group uses the units of production basis when depreciating mine specific assets which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine production.

Each item's economic life has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located.

For the remainder of assets, the straight line method is used, resulting in estimated useful lives between 3 – 25 years, the duration of which reflects the specific nature of the asset.

The Group has the following depreciation and amortisation policy:

Motor vehicles	3 – 5 years
Fixture and fittings	5 – 15 years
Plant and equipment	5 – 15 years
Buildings	15 – 25 years

Estimates of remaining useful lives, residual values and depreciation methods are reviewed annually for all major items of plant and equipment and mine development. Any changes are accounted for prospectively.

When an asset is surplus to requirements or no longer has an economic value, the carrying amount of the asset is reviewed and is written down to its recoverable amount or derecognised.

Significant judgements, estimates and assumptions

The Group uses the units of production basis when depreciating / amortising specific assets which results in a depreciation / amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions. Any change in these estimates and assumptions are accounted for prospectively.

Care and Maintenance

In March 2020 the Group announced the suspension of operations at the Woodlawn Project and placed it on care and maintenance due to the prevailing market conditions and the impact of the Covid-19 pandemic on its ability to operate the Woodlawn mine.

The Company considered this decision to be an indicator of impairment and an impairment test was performed. Refer to Note 10.

During the period of care and maintenance, a twelve month Strategic Process will be undertaken.

Expenditure for care and maintenance will be expensed as incurred. Given the twelve month Strategic Process, the Group has not amended the Group's depreciation and amortisation policy.

Critical accounting judgements, estimates and assumptions

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The judgements, estimates and assumptions that potentially have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are found within the following notes:

- Note 10. Mine property
- Note 15. Provisions
- Note 18. Borrowings
- Note 29. Share-based payments

NOTE 2. SEGMENT INFORMATION

The nature of operations and principal activities of Group are exploration, mine development, mine operations and the sale of Zinc, Copper and Lead concentrate in Australia. Given the nature of the Group, its size and current operations, management does not treat any part of the Group as a separate operating segment. Internal financial information used by the Group's chief operating decision maker, deemed to be the Board and CEO, is presented as a Group without dissemination to any separately identifiable segments.

Accordingly the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates

	30 June 2020 $'000	30 June 2019 $'000
NOTE 3. OTHER INCOME		
Interest received	267	1,140
Loss from sale of listed investments	(443)	-
Gain from receipt of unlisted options	100	-
Sundry income	12	46
Government assistance[i]	185	-
	121	1,186

(i) Government assistance have been received with respect to JobKeeper payments. There are no unfulfilled conditions or contingencies attached to this grant.

NOTE 4. OPERATING EXPENSES

The profit / (loss) before income tax expense has been determined after charging a number of items including the following:

		30 June 2020 $'000	30 June 2019 $'000
4a	Depreciation of:		
	Plant and equipment	136	33
	Motor vehicles	174	137
	Right of Use Assets	1,553	-
		1,863	170
4b	Other expenses include the following:		
	Rental expense	49	125
	Listing expense	157	83
	Investor relations	44	154
	Information technology	34	33
	Other expense	186	710
		470	1,105
4c	Finance costs include the following:		
	Sedgman provision discount write back[i]	(2,148)	-
	Senior debt interest[ii]	4,264	-
	Senior debt transaction costs expensed[ii]	1,968	1,780
	Convertible note interest[iii]	4,419	-
	Convertible note transaction costs expensed[iii]	1,989	-
	Lease liability interest	188	-
	Expensed capital raising costs and other	386	-
		11,066	1,780

(i) Refer to additional disclosure at Note 16.
(ii) Refer to additional disclosure at Note 18.
(iii) Refer to additional disclosure at Note 19.

4d	Unrealised fair value adjustment on financial instruments includes:		
	Silver stream[i]	12,409	8,277
	Zinc stream[i]	1,849	-
	Financial liability - derivative[ii]	5,396	-
	Convertible note [iii]	(6,734)	
	Other	(11)	1,513
		12,909	9,790

(i) Refer to additional disclosure at Note 18.
(ii) Refer to additional disclosure at Note 19. Relates to embedded derivative within Convertible Note.
(iii) Refer to additional disclosure at Note 19.

4e	Unrealised foreign exchange loss includes:		
	Senior debt	2,023	2,894
	Convertible notes	336	-
	Other	(10)	1,144
		2,349	4,038

During the reporting period the AUD:USD exchange rate fluctuated from $0.6994 (2019) to $0.6863 at 30 June 2020.

		30 June 2020 $'000	30 June 2019 $'000
NOTE 5.	**INCOME TAX EXPENSE**		
5A	Income tax expense for current year		
	Current tax	-	-
	Deferred tax	-	-
	Under provision for previous years	-	-
		-	-

The Heron Resources Ltd group of companies have tax consolidated. There is presently a tax sharing agreement in place.

The parent entity and each of the subsidiaries are in tax loss for the year and have substantial tax losses carried forward.

There is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the forseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

5B	Numerical reconciliation of income tax expense to prima face tax payable is as follows		
	Loss from operations before income tax expense	(163,955)	(40,763)
	Tax at Australian tax rate of 27.5%	(45,088)	(11,210)
	Tax effect of non-temporary differences	(321)	1,232
	Tax effect of equity raising costs debited to equity	(1,115)	(286)
	Over or under provision from previous years	-	-
	Tax effect of tax losses and temporary differences not recognised	46,524	10,264
	Income tax expense at 27.5%	-	-

5C There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked.

5D	Tax Losses		
	Unused tax losses for which no tax loss has been booked as a DTA adjusted for non temp differences	182,214	131,753
	Potential benefit at 27.5%	50,109	36,232

NOTE 6. EARNINGS PER SHARE

	30 June 2020	30 June 2019
Basic earnings per Share	(0.445)	(0.169)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	367,736,400	241,666,912
Diluted earnings per Share	(0.445)	(0.169)
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	367,736,400	241,666,912
Earnings profit/(loss) used in calculating basic and diluted earnings profit/(loss) per share	(163,955,000)	(40,763,352)

The outstanding options and performance rights as at reporting date are not considered dilutive given the Group has incurred a loss.

NOTE 7. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

		30 June 2020 $'000	30 June 2019 $'000
a)	Reconciliation of operating loss after income tax to the net cash flows from operations:		
	Operating loss after income tax	(163,955)	(40,763)
	Adjustments to reconcile loss after income tax to net operating cash flows		
	Depreciation and amortisation expense	1,863	170
	Finance expense including Sedgman provision discount write back	11,066	795
	Equity settled share based (reversals) / payments	(556)	781
	Unrealised foreign exchange loss	2,349	4,038
	Unrealised fair value (gain) / loss on financial instruments	(12,909)	10,776
	Unrealised fair value gain on equity instruments	1,298	4,182
	Provision for settlement of legal claims	5,736	15,000
	Lease termination gain / (loss)	79	-
	Impairment of mine property	150,867	-
	Changes in Assets and Liabilities		
	(Increase) / decrease in Other receivables and Other assets	(500)	1,029
	(Increase) / decrease in Inventories	(1,972)	(2,355)
	Increase / (decrease) in Trade and other payables	10,334	(942)
	Increase / (decrease) in Loans and borrowings	(3,817)	-
	(Decrease) / increase in Provisions	(6,522)	434
		(6,679)	(6,855)
b)	Reconciliation of Cash		
	Cash on hand	9,889	15,465
	Deposit at call[(i)]	-	16,000
	Closing cash balance	9,889	31,465
c)	Restricted cash[(ii)]		
	Environmental bond	3,577	3,577
	Bank Guarantee - Veolia[(iii)]	-	4,000
	Corporate office and credit card bonds	124	200
		3,701	7,777

Cash

(i) Deposit at call are Term Deposits of range between 1 to 3 months. The yield on the Term Deposits during the year ranges between 1.54% to 2.40%.

(ii) Restricted cash is classified as non current and relates to cash held in deposits as security.

(iii) During the financial year $4.0M of the Bank Guarantees required under the Veolia Cooperation Deed were returned to the Group.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

30 June 2020	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost	16,312	1,340	17,652
Transfers from adoption of AASB 16	(10,523)	(741)	(11,264)
Accumulated depreciation	(1,401)	(556)	(1,957)
	4,388	43	4,431
Reconciliation			
Opening carrying value	11,688	948	12,636
Adoption of AASB 16	(10,523)	(741)	(11,264)
Additions	3,360	40	3,400
Disposals	(1)	(30)	(31)
Depreciation expense	(136)	(174)	(310)
Closing carrying value	4,388	43	4,431

30 June 2019	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost	12,975	1,329	14,304
Accumulated depreciation	(1,287)	(381)	(1,668)
	11,688	948	12,636
Reconciliation			
Opening carrying value	229	418	647
Additions	11,492	667	12,159
Disposals	-	-	-
Depreciation expense	(33)	(137)	(170)
Closing carrying value	11,688	948	12,636

NOTE 9. LEASES

The Group has lease contracts for various items of plant, equipment, motor vehicles and the Sydney office. Leases generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Lease termination / lease modification

The Group announced on 25 March 2020, that it had suspended operations at the Woodlawn project, with the mine being placed in care and maintenance. The Group further announced on 14 August 2020, a Strategic Process, to explore various options for the Woodlawn project including refinancing, joint ventures, and partial or complete divestment.

The right of use assets within the Pybar mining contract and the YouHire plant and equipment hire agreement were de-recognised, with a gain on de-recognition of $0.1M.

The Group recognised lease modifications of $0.1M during the period associated with lease interest rate changes.

Subsequent to the period ended 30 June 2020 the Group applied to defer its motor vehicle lease payments ranging from 2 months to 9 months and requested rental relief with respect to the Sydney office. In addition, as part of the financing of the Strategic Process the Group agreed a lease forbearance with its major plant and equipment lessors. Refer to additional disclosure at Note 26.

Lease disclosure

30 June 2020	Plant and equipment $'000	Motor vehicles $'000	Other $'000	Total $'000
Cost	700	-	-	700
Adoption of AASB 16	16,702	741	924	18,367
Accumulated depreciation	(1,218)	(147)	(188)	(1,553)
Lease modification / Termination	(5,515)	-	-	(5,515)
	10,669	594	736	11,999
Reconciliation				
Opening carrying value	-	-	-	-
Transfers from adoption of AASB 16	10,523	741	-	11,264
ROUA from adoption of AASB 16	6,179	-	924	7,103
Additions	700	-	-	700
Disposals	-	-	-	-
Depreciation expense	(1,218)	(147)	(188)	(1,553)
Lease modification / Termination	(5,515)	-	-	(5,515)
Closing carrying value	10,669	594	736	11,999

A maturity analysis of lease liabilities is disclosed in Note 17.

The following are the amounts recognised in profit or loss:

	30 June 2020 $'000
Depreciation expense of ROUA	1,553
Interest expense on lease liabilities	188
	1,741
The Group had total cash outflows for leases in 2020 of:	5,013

The following table shows future payments payable under leases which are in place at the reporting date.

	30 June 2020 $'000
Minimum lease payments	6,614
Future finance charges	914
	7,528
Current Lease liability	2,175
Non current Lease liability	5,353
	7,528

The Group recognises rent expense from short-term leases of $0.1 million, leases of low-value assets of $0.1 million and variable leases payments of $11.8 million during the period.

The Group has no lease contracts that include extension options or residual guarantees. There are no lease that have not yet commenced that the Group is committed to.

NOTE 10. MINE PROPERTY

30 June 2020	Mine under construction $'000	Rehabilitation Asset $'000	Total $'000
Cost	306,272	15,751	321,734
Accumulated amortisation	-	-	-
Impairment charge	(150,867)	-	(150,867)
	155,405	15,751	171,156
Reconciliation			
Opening carrying value	227,098	15,751	242,849
Additions[(i)]	93,011	-	93,011
Net proceeds from commissioning concentrate sales	(13,837)	-	(13,837)
Impairment	(150,867)	-	(150,867)
Amortisation	-	-	-
Closing carrying value	155,405	15,751	171,156

(i) Mine under construction includes capitalised interest of: $4.7M during FY 2020, $6.7M during FY 2019.

30 June 2019	Mine under construction $'000	Rehabilitation Asset $'000	Total $'000
Cost	227,098	15,751	242,849
Accumulated amortisation	-	-	-
	227,098	15,751	242,849
Reconciliation			
Opening carrying value	140,766	15,751	156,517
Additions	86,332	-	86,332
Transfers	-	-	-
Amortisation	-	-	-
Closing carrying value	227,098	15,751	242,849

Impairment

Determination of recoverable amount

As at 30 June 2020 a review was performed for indicators of impairment in order to determine whether a formal impairment assessment was required. The market capitalisation of the Group being below the book value of its equity and the Woodlawn project having transitioned into care and maintenance in March 2020 were identified as indicators of impairment. Where indicators of impairment exist, a formal estimate of the recoverable amount of the cash generating unit (CGU) is made. The recoverable amount is the higher of the CGU's value in use (being the net present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell.

A value in use methodology is considered appropriate, even though the Woodlawn project is currently in care and maintenance, given the advanced nature of the project's development and positive short term re-start prospects.

The Woodlawn project is considered the Group's sole CGU. Impairment testing on the Woodlawn project determined a full year impairment loss of $150.8 million.

The recoverable amount of the CGU of $187.6 million, is determined based on value in use calculations using discounted cash flow projections based on a number of factors, variables and assumptions. These include the level of proved, probable and inferred mineral resources, mine restart date, future technological changes, commodity prices, costs and foreign exchange rates covering a period of the life of the Woodlawn project asset and the discount rate applied to the cash flows.

The cash flow projections which are used in determining any impairment require management to make significant estimates and judgements. Key assumptions in preparing the cash flow projections are set out below.

Key assumptions

The key assumptions on which management has based its cash flow projections when determining value in use calculations for the Woodlawn project are as follows:

- *Commodity Prices:* commodity pricing assumptions are based on management's estimates and were derived from forecast pricing estimates published by brokers and other reputable sources, denominated in US Dollars (USD) and presented in real terms, as of 30 June 2020:

USD, in real terms	2021	2022	2023	2023	Long term
Zinc ($/t)	2,375	2,448	2,491	2,544	2,646
Lead ($/t)	1,887	1,910	1,955	1,939	1,984
Copper ($/t)	6,086	6,322	6,439	6,602	6,614
Silver ($/oz)	18.1	17.7	18.1	18.4	20.0
Gold ($/oz)	1,757	1,596	1,555	1,519	1,525

- *Discount Rate:* a real post-tax discount rate of 8.5% was applied to the post-tax cash flows expressed in real terms. This discount rate is derived from the Group's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest-bearing borrowings the Group is obliged to service.
- *Production Volumes:* production volumes of 9.0 million tons of tailings dam ore and 3.4 million tons of underground polymetallic ore, at varying ultimate recoveries of commodities depending on the concentrate produced, were incorporated into the cash flow model. These assumptions are based on a detailed life of mine plan and take into account ramp up and development plans approved by the directors. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; processing plant throughput levels; and the selling price of the commodities extracted. The production profile used was consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and resource estimates. These are then assessed to ensure they are consistent with what a market participant would estimate.
- *Timing of Restart:* mining operations will recommence at Woodlawn in April 2021

Sensitivity

After recognition of the impairment loss, the estimated recoverable amount of the CGU is in line with the sum of the carrying amounts of the assets of the CGU.

Reasonably possible changes in certain of the key assumptions adopted in estimating the recoverable amount of the CGU could result in additional impairment being necessary. The table below demonstrates the sensitivity of the Woodlawn project to such movements:

Sensitivity	Additional Impairment $A M
10% decrease in zinc price assumptions	37.7
10% decrease in zinc and 5% decrease in all other commodity price assumptions	57.9
6-month delay in restart of the mine	5.3
2% appreciation in AUD/USD exchange rate	13.1
1% added to discount rate	10.8

NOTE 11. FINANCIAL ASSETS – EQUITY INSTRUMENTS

The Group holds the following investments in Australian Stock Exchange listed companies:

Alchemy Resources Limited (ALY) is an Australian listed public exploration company with a focus on gold, base metal, and nickel-cobalt projects. The Group held 12,000,000 shares and 12,500,000 options with an exercise price of $0.10 at reporting date. The underlying Alchemy share price as at 30 June 2020 was $0.02 cents. The options have been valued at nil as at reporting date.

Ardea Resources Limited (ARL) is an Australian listed public exploration company with a focus on the Goongarrie Nickel Cobalt Project. As at 30 June 2019, the Group held 10,000,000 options in Ardea with an exercise price of $0.25 cents. During the half year ended 31 December 2019 the Group sold the 10,000,000 options in Ardea, for gross proceeds of $1.4M, and recognised a loss of $0.4M. Refer to additional disclosure at Note 3

Sky Metals Limited (SKY) is an Australian listed public exploration company with a focus on gold and tin resource projects. The Group held 10,000,000 unlisted options with an exercise price of $0.15 at reporting date. The underlying Sky share price as at 30 June 2020 was $0.26 cents

	30 June 2020 $'000	**30 June 2019 $'000**
CURRENT		
Sky Metals Limited	1,290	-
Ardea Resources Limited	-	1,587
Alchemy Resources Limited	240	-
	1,530	1,587
NON CURRENT		
Alchemy Resources Limited	-	132
	-	132

	30 June 2020 $'000	30 June 2019 $'000
NOTE 12. INVENTORIES		
CURRENT		
Refined metal - silver bullion	270	-
Store stock and consumables	4,057	2,355
	4,327	2,355

Silver bullion represents refined silver metal held to satisfy future obligations under the respective Streams.

Store stock and consumables represents: commissioning spares; chemical reagents; and other spare parts required at the Woodlawn project. Store stock and consumables are valued at the lower of cost and net realisable value.

NOTE 13. TRADE AND OTHER RECEIVABLES

CURRENT		
Accrued interest receivable	-	192
Goods & services tax receivable	103	777
Sundry debtors	50	74
Trade debtors[(i)]	1,341	-
Other debtors[(ii)]	35	-
	1,529	1,043

(i) Trade receivables are non-interest bearing and are normally settled between 30 and 120 days. Trade receivables are initially and subsequently measured at fair value. Trade receivables subject to quotational pricing at reporting date are $1.3M. Sales made prior to the declaration of commercial production have been recognised as a reduction to the carrying value of the development asset.

(ii) Other receivables are non-interest bearing and are normally settled on 30 day terms.

NOTE 14. OTHER ASSETS

CURRENT		
Prepayments and other	468	499
Energy certificates	60	-
	528	499
NON CURRENT		
Tenement bonds and other	110	125
	110	125

NOTE 15. PROVISIONS

CURRENT		
Employee entitlements	401	786
Sedgman settlement[(i)]	-	15,000
Pybar settlement[(ii)]	9,000	-
	9,401	15,786

(i) Sedgman settlement. Refer to additional disclosure at Note 16 and 26.

(ii) Pybar settlement. Refer to additional disclosure at Note 26. $3.9M in progress claims and other payables have been offset against the provision expense.

NON CURRENT		
Employee entitlements	220	357
Rehabilitation provision[(iii)]	15,781	15,781
	16,001	16,138

(iii) The rehabilitation provision for the Woodlawn project is based on the assessment of an independent environmental consultant using the NSW Department of Resources and Energy (DRE) rehabilitation cost estimation tool.

NOTE 16. TRADE AND OTHER PAYABLES

CURRENT		
Trade and other creditors	6,014	6,060
Sedgman settlement[i]	2,028	-
	8,042	6,060
NON CURRENT		
Sedgman settlement[i]	8,824	-
	8,824	-

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

Due to the short term nature of these payables, their carrying value is assumed to be the same as their fair value.

(i) In October 2019, the Group announced its settlement of the Sedgman legal claim. The settlement included the issue of 10 million shares (issued on 15 October 2019 and escrowed for 2 years) at $0.20 per share and $13 million deferred cash consideration to be paid quarterly instalments. As part of the Strategic Process, Sedgman has agreed to defer the cash consideration instalments beginning in June 2021 until June 2022.

NOTE 17. FINANCIAL AND CAPITAL RISK MANAGEMENT STRATEGY

Financial and capital risk management strategy

Financial risks arising from the Group's normal course of business operations comprise market risk (including commodity price risk, equity price risk, interest rate risk and foreign currency risk), credit risk (including performance risk) and liquidity risk.

It is the Group's policy and practice to identify and, where appropriate and practical, actively manage such risks to support its objectives in managing its capital and future financial security and flexibility.

The Board of Directors has overall responsibility for the establishment and oversight of the financial and capital risk management strategy. The Board has constituted the Audit and Governance Committee to oversee the Group's financial and capital risk management strategy.

The Group's financial and capital risk management risk strategy is to maintain a current account balance sufficient to meet the Group's short term expense and capital expenditure commitments with the balance held in term deposits.

The Group holds the following financial instruments:

	30 June 2020 $'000	30 June 2019 $'000
Financial assets		
Cash and cash equivalents	9,889	31,465
Trade and other receivables	1,529	1,043
Financial assets - equity instruments	1,530	1,587
Restricted Cash	3,701	7,777
Other assets	170	227
	16,819	42,099
Financial liabilities		
Trade and other payables	16,866	6,060
Borrowings	109,738	132,910
Convertible note	56,218	-
Financial liability - derivative	1,200	-
	184,022	138,970

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk, foreign currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer or by factors affecting all similar financial instruments traded in the market.

The Group's activities expose it to market risks associated with movements in, commodity prices, equity prices, interest rates and foreign currencies.

Commodity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements. The Group's exposure to commodity risk arises from movements in zinc, lead, copper, silver and gold prices.

The ability for the Group to develop the Woodlawn project and the future profitability of the Group is directly related to the movements in the zinc, lead, copper, silver and gold prices.

The Group's exposure at 30 June 2020 to the impact of movements in commodity prices, during the quotational settlement period, on commodity concentrate sales is $1.3M. There was no exposure to commodity price risk during the 2019 financial year.

The following table demonstrates the sensitivity of the Group's financial assets and liabilities to an increase or decrease of 2% on commodity prices, with all other variables held constant.

	Change in commodity prices %	Effect on profit / (loss) before tax $'000	Effect on pre-tax equity $'000
30 June 2020			
Commodity price			
- increase copper price	2%	57	-
- decrease copper price	2%	(57)	-
- increase lead price	2%	34	-
- decrease lead price	2%	(34)	-
- increase zinc price	2%	70	-
- decrease zinc price	2%	(70)	-

Interest rate risk

The Group's exposure to interest rate risk relates to financial assets and liabilities bearing floating interest rates. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The following table sets out the Group's exposure to interest rate risk and the effective interest rate for each financial instrument:

	Effective interest rate %	Variable interest rate $'000	Fixed interest rate $'000	Total $'000
30 June 2020				
Financial assets				
Cash and cash equivalents	1.25%	9,889	-	9,889
Restricted cash	1.60%	3,701	-	3,701
		13,590	-	13,590
Financial liabilities				
Lease liabilities	7.20%	7,528	-	7,528
Borrowings - equipment finance	3.99%	464	-	464
Senior debt	LIBOR + 7.25%	81,951	-	81,951
Convertible notes	LIBOR + 12.5%	56,218	-	56,218
		146,161	-	146,161

	Effective interest rate %	Variable interest rate $'000	Fixed interest rate $'000	Total $'000
30 June 2019				
Financial assets				
Cash and cash equivalents	2.30%	31,465	-	31,465
	2.65%	7,777	-	7,777
		39,242	-	39,242
Financial liabilities				
Lease liabilities	7.20%	-	9,411	9,411
Senior debt	LIBOR + 7.25%	92,556	-	92,556
		92,556	9,411	101,967

The following table demonstrates the sensitivity of the Group's financial assets and liabilities to an increase or decrease of 50 basis points in interest rates, with all other variables held constant, on the Group's financial assets and liabilities bearing floating interest rates.

	+/- 50 basis point change	Effect on profit / (loss) before tax $'000	Effect on pre -tax equity $'000
30 June 2020			
Financial assets			
Cash and cash equivalents		49	-
		19	-
		68	-
Financial liabilities			
Lease liabilities		38	-
Borrowings - equipment finance		2	-
Senior debt		410	-
Convertible notes		281	-
		731	-

	+/- 50 basis point change	Effect on profit / (loss) before tax $'000	Effect on pre -tax equity $'000
30 June 2019			
Financial assets			
Cash and cash equivalents		157	-
		39	-
		196	-
Financial liabilities			
Finance leases		47	-
Senior debt		463	-
		510	-

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies.

The Group's foreign currency risk exposures comprise:

1. Translational exposure in respect of non-functional currency monetary items; and
2. Transactional exposure in respect of non-functional currency expenditure and revenues.

The Group's functional currency is the Australian (AUD) dollar.

The Group's exposure to foreign currency risk principally relates to Woodlawn project development expenditure, the respective streams and financial liabilities bearing floating interest rates.

The following table demonstrates the sensitivity of the Group's financial assets and liabilities to a 5% strengthening or weakening of the Australian (AUD) dollar against the US (USD) dollar, with all other variables held constant.

	Change in foreign currency rate %	Effect on profit / (loss) before tax $'000	Effect on pre-tax equity $'000
30 June 2020			
Foreign currency			
- increase foreign currency	5%	4,550	-
- decrease foreign currency	5%	(4,550)	-
30 June 2019			
Foreign currency			
- increase foreign currency	5%	3,312	-
- decrease foreign currency	5%	(3,312)	-

(b) Credit risk

The Group's exposure to credit risk arises from the potential default of the counterparty to the Group's financial assets.

The Group has credit risk management policies in place covering the credit analysis, approvals and monitoring of counterparty exposures. These processes ensure that the ongoing creditworthiness of counterparties are regularly assessed.

The Group's principal exposure to credit risk relates to cash. Cash is held with reputable financial institutions.

Commodity concentrate sales are made with secured payment terms which include prepayments, letters of credit and other risk mitigation instruments.

There are no material concentrations of credit risk either with individual counterparties or groups of counterparties, by industry or geography.

	30 June 2020 $'000	30 June 2019 $'000
The Group's exposure to credit risk at the reporting date was:		
Financial assets		
Cash and cash equivalents	9,889	31,465
Trade and other receivables	1,529	1,043
Other assets	170	
Restricted cash	3,701	7,777
	15,289	40,285

(c) Liquidity risk

The Group's liquidity risk arises from the possibility that it may not be able to settle or meet its obligations as they fall due. The specific risk exposures include the sufficiency of available unutilised facilities and the repayment maturity profile of existing financial instruments.

Operational, capital and regulatory requirements are considered in the management of liquidity risk, in conjunction with short and long term forecast information. The Group is funded from a combination of debt and equity market raisings.

The Group has utilised a US dollar $60 million loan facility (AUD $82 million as at 30 June 2020, and $92.3 million as at 30 June 2019). Refer to additional disclosure at Note 18.

The table below demonstrates the maturity profile of the Group's financial liabilities.

	Under 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5+ years $'000	Total $'000
30 June 2020					
Financial liabilities					
Trade and other payables	6,014	-	-	-	6,014
Sedgman settlement	2,500	10,500	-	-	13,000
Senior debt	81,951	-	-	-	81,951
Borrowings - equipment finance	191	273	-	-	464
Silver stream	17,438	-	-	-	17,438
Zinc stream	2,357	-	-	-	2,357
Convertible notes	56,218	-	-	-	56,218
Lease liability	2,845	5,573	-	-	8,418
	169,514	16,346	-	-	185,860

Refer to additional disclosure at Note 26, with respect to maturity of liabilities and deeds of forbearance.

	Under 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5+ years $'000	Total $'000
30 June 2019					
Financial liabilities					
Trade and other payables	6,060	-	-	-	6,060
Lease liabilities	2,929	2,924	4,893	-	10,746
Senior debt	92,556	-	-	-	92,556
Silver stream	30,943	-	-	-	30,943
	132,488	2,924	4,893	-	140,305

NOTE 18. BORROWINGS

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Senior debt	81,951	92,556
Borrowings - equipment finance	191	-
Silver stream	17,438	30,943
Zinc stream	2,357	-
Lease liability	2,175	2,831
	104,112	126,330
NON CURRENT		
Borrowings - equipment finance	273	-
Lease liability	5,353	6,580
	5,626	6,580

The Group through its wholly owned subsidiary, Tarago Operations Pty Ltd, entered into a financing agreement with OMF Fund II (H) Ltd with respect to a: Silver; and Zinc streaming arrangement. In May 2020, the Nomad Royalty Company Limited acquired the respective streams from OMF Fund II (H) Ltd.

The Senior debt and the respective streams, as stated at Note 1, with respect to Going Concern, the Group received a long term debt waiver letter, on 14 August 2020, suspending the exercise of their rights with respect to payment to allow for finalisation of the Strategic process. Accordingly the Group has classified the Senior debt and respective streams as a current liability as at 30 June 2020.

Silver stream

The Group through its wholly owned subsidiary, Tarago Operations Pty Ltd, entered into a financing agreement with OMF Fund II (H) Ltd. This agreement included a Silver Streaming arrangement of US$16 million, which the Group received on the 8 March 2018. The sum received has been accounted for as a financial liability at fair value through Statement of Profit or Loss.

In May 2020, the Nomad Royalty Company Limited acquired the Silver stream from OMF Fund II (H) Ltd.

Under this agreement, the Group will deliver 80% of the silver extracted from the Woodlawn project (SML20) until it has delivered2,150,000 ounces of Refined Silver, followed by 40% of the silver extracted from the mine until it has delivered 3,400,000 of Refined Silver, and thereafter 25% of the Refined Silver extracted from the mine.

The Group has elected to fair value the entire instrument. The obligation represents a derivative liability for the silver price option feature included in the agreement and will therefore be re-measured at each balance sheet date at fair value through profit or loss. The obligation resulted in an unrealised fair value gain of $12.4M for the period ended 30 June 2020, due mostly to a change in the discount rate used in the modelling, and which has been included in profit or loss (Refer Note 4(d)).

Zinc stream

The Group through its wholly owned subsidiary, Tarago Operations Pty Ltd, entered into a financing agreement with OMF Fund II (H) Ltd. The agreement included a Zinc Streaming arrangement of US$3 million. The Zinc Streaming arrangement was approved by Heron shareholders on the 5 December 2019. The sum received has been accounted for as a financial liability at fair value through Statement of Profit or Loss.

In May 2020, the Nomad Royalty Company Limited acquired the Zinc stream from OMF Fund II (H) Ltd.

Under this agreement, the streaming rights under the existing stream arrangements will be extended to include additional ounces of refined silver via a payable zinc to silver conversion calculation. The zinc to silver conversion ratio is 170.2 silver ounces per metric tonne of zinc.

The Group will deliver 0.30% of zinc extracted from the Woodlawn project (SML20) until it has delivered 140 tonnes, followed by 1.15% of the zinc extracted from the mine until it has delivered 910 tonnes, followed by 2.25% of the zinc extracted from the mine until it has delivered 4,200 tonnes, and thereafter 0.75% of zinc extracted from the mine.

The Group has elected to fair value the entire instrument. The obligation represents a derivative liability for the silver price option feature included in the agreement and will therefore be re-measured at each balance sheet date at fair value through profit or loss. The obligation resulted in an unrealised fair value gain of $1.8M for the period ended 30 June 2020, which has been included in profit or loss (Refer Note 4(d)).

The discount rates used in the modelling of the Silver and Zinc stream were determined by probability weighting the likelihood that the Woodlawn project will restart and the likelihood that the holders of the stream would demand early repayment of the stream should the waiver expire prior to the successful completion of the Strategic Process, which is their right under the stream arrangements.

Senior debt

A loan facility for USD $60 million (funds were drawn down in three equal tranches) was provided as part of the financing agreement with OMF Fund II (H) Ltd. The respective draw down dates were the 29 May 2018, 26 September 2018, and 21 December 2018.

The funding rate is the aggregate of a margin of 7.25% and the applicable Libor rate, being a minimum of 2.5%, for each interest period. The loan was initially recorded at fair value less associated transaction costs. The proceeds from draw down was considered to represent the fair value of the facility at that time. The loan is subsequently measured at amortised cost, subject to the amendments in Note 1. Under the amended agreement discussed below, the Group has to maintain a cash balance of not less than AUD $10 million in its Tarago Operations Pty Ltd subsidiary operating accounts.

As announced on the 4 October 2019, the Group entered into a Debt Restructure agreement with OMF Fund II (H) Ltd whereby US$10M of the existing US$60M was repaid and the maturity date of the existing loan facility was extended by 12 months from 31 December 2022 to 31 December 2023 (and the repayment profile adjusted to match the revised cashflow profile and extended tenor).

On the 14 August 2020, the Group announced the commencement of the Strategic Process in relation to the Woodlawn project. This included long-term standstills from secured lenders and major unsecured creditors. During the long term standstill the Senior debt funding rate will increase from September 2020 to 15%.

The Senior debt as at 30 June 2020, is classified as current and has been remeasured to its face value.

30 June 2020	Opening carrying value $'000	Drawdown[i] $'000	Loan repayment[iii] $'000	Foreign exchange loss/(gain) $'000	Accrued Interest $'000	Debt finance costs $'000	Fair value loss/(gain)[ii] $000	Closing carrying value $'000
Senior debt	92,556	1,968	(23,523)	2,023	8,927	-	-	81,951
Silver stream	30,943	-	(1,096)	-	-	-	(12,409)	17,438
Zinc stream	-	4,420	(214)	-	-	-	(1,849)	2,357
	123,499	6,388	(24,833)	2,023	8,927	-	(114,258)	101,746

i. Represents a debt restructuring fee capitalised into the loan balance.

ii. Fair value is determined using a valuation model. Refer to Note 20 for key input assumptions.

iii. Loan repayments comprise of interest payments and principal repayments. Principal repayments have been made in accordance with 4 October 2019 Debt Restructure agreement.

30 June 2019	Opening carrying value $'000	Drawdown $'000	Loan repayment $'000	Foreign exchange loss/(gain) $'000	Accrued Interest $'000	Debt finance costs $'000	Fair value loss/(gain) $000	Closing carrying value $'000
Senior debt	24,941	55,717	-	2,894	6,707	(2,130)	4,427	92,556
Silver stream	22,666	-	-	-	-	-	8,277	30,943
	47,607	55,717	-	2,894	6,707	(2,130)	12,704	123,499

NOTE 19. CONVERTIBLE NOTES

	Convertible Notes $'000	Convertible Option $'000
30 June 2020 Convertible Note		
Opening balance	-	-
Issue of convertible notes	50,949	-
Transaction costs	(1,989)	-
Write off of transaction costs	1,989	-
Capitalised interest	4,419	-
Unrealised foreign exchange loss / (gain)	712	-
Fair value of derivatives within convertible notes at recognition	(6,596)	6,596
Fair value adjustment of derivatives within convertible notes	-	(5,396)
Fair value adjustment to recognise convertible notes face value	6,734	-
Closing balance	56,218	1,200

The Convertible Note and the derivative within the Convertible Note, as stated at Note 1, with respect to Going Concern, the Group received a long term debt waiver letter, on 14 August 2020, suspending the exercise of their rights with respect to payment to allow for finalisation of the Strategic process. The Group has classified the Convertible Note and the derivative within the Convertible Note as current. The Convertible Note has been remeasured to its face value.

Convertible Note

The Group has entered into Convertible Note Agreements of $50.9 million with each of the Castlelake Parties, the Greenstone Parties and Orion ('Noteholders') with the following terms:

Face value	Each Convertible Note will be issued at face value, being US$1.00
Maturity	31 December 2024
Interest	3-month USD LIBOR (subject to a minimum 2.5%) plus 12.5%
Conversion	Noteholders may elect to convert some or all of the Convertible Notes at any time after the date of issue of the relevant Convertible Note and prior to the Maturity Date
Conversion Shares	The Conversion Shares will be calculated based on: (a) the total amount outstanding in respect of each Convertible Note included all accrued interest and fees); (b) divided by the USD:AUD exchange rate as at the date of the conversion notice; and (c) divided by the conversion price of $0.25
Security	The Convertible Notes are unsecured

Derivative

A conversion option derivative liability exists in respect to the option of the Noteholders to convert the convertible notes into ordinary shares of the company. The fair value of the conversion option at initial recognition was calculated using the Black-Scholes option pricing model with the following options:

Exercise price (A$)	0.25
Spot Price (A$)	0.10
Valuation date	31-Dec-19
Expiration date	31-Dec-24
Term (years)	5
Risk free rate	0.88%
Price volatility	65%
Value of call option (A$)	0.033
Weighted average number of options	199,940,333
Fair value of options at initial recognition	$ 6,596,032

The equity conversion feature is accounted for as a derivative liability in the consolidated statement of financial position.

The fair value of the conversion option at 30 June 2020 was calculated using the Black-Scholes option pricing model with the following options:

Exercise Price (A$)	0.25
Spot Price (A$)	0.04
Valuation date	30-Jun-20
Expiration date	31-Dec-24
Term (years)	5
Risk free rate	0.4%
Price Volatility	65%
Value of call option (A$)	0.006
No. of options	199,940,333
Fair value of options at 30 June 2020	$ 1,199,642

NOTE 20. FINANCIAL ASSETS AND LIABILITIES

Financial instruments

All financial assets are initially recognised at the fair value of consideration paid. Subsequently, financial assets are carried at fair value through profit and loss, fair value through other comprehensive income or amortised cost less impairment.

Financial assets at fair value through profit or loss are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The classification of financial assets is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are designated as being held at fair value through profit or loss where this is necessary to reduce measurement inconsistencies for related assets and liabilities.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in such derecognised financial assets that is created or retained by the Group is reported as a separate asset or liability.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The measurement of financial liabilities depends on their classification, financial liabilities at fair value through profit or loss, or amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. Where there is an exchange or modification of an existing financial liability by the original lender on substantially different terms, or the terms are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

Where the exchange or modification of an existing financial liability is not derecognised the change in the carry value of the financial liability is recognised directly in the Statement of Profit and Loss and Other Comprehensive Income.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including those embedded in other contractual arrangements but separated for accounting purposes because they are not clearly and closely related to the host contract, are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss on remeasurement depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

Accounting classification and fair values

The following table presents the Group's financial assets and liabilities by class at their carrying value which approximates their fair value.

	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000
30 June 2020			
Financial assets			
Cash and cash equivalents	-	9,889	9,889
Trade and other receivables	1,341	188	1,529
Financial assets - equity instruments	1,530	-	1,530
Restricted cash	-	3,701	3,701
Other assets	60	110	170
	2,931	13,888	16,819
Financial liabilities			
Trade and other payables	-	6,014	6,014
Sedgman settlement	-	8,824	8,824
Senior debt	-	81,951	81,951
Borrowings - equipment finance	-	464	464
Silver stream	17,438	-	17,438
Zinc stream	2,357	-	2,357
Convertible notes	-	56,218	56,218
Financial liability - derivative	-	1,200	1,200
Lease liability	-	7,528	7,528
	19,795	162,199	181,994
30 June 2019			
Financial assets			
Cash and cash equivalents	-	31,465	31,465
Trade and other receivables	-	1,043	1,043
Financial assets - equity instruments	1,587	-	1,587
Restricted cash	-	7,777	7,777
Other assets	-	227	227
	1,587	40,512	42,099
Financial liabilities			
Trade and other payables	-	6,060	6,060
Finance leases	-	9,411	9,411
Senior debt	-	92,556	92,556
Silver stream	30,943	-	30,943
	30,943	108,027	138,970

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique, the nature of valuation inputs used:

1. Level 1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
2. Level 2 Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).
3. Level 3 Valuation includes inputs that are not based on observable market data.

The categorisation of the Group's financial assets and liabilities by valuation inputs used, is based on the lowest level input that is significant to the fair value measurement as a whole during the reporting period.

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2020 and 30 June 2019.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2020				
Financial assets				
Financial assets - equity instruments	240	1,290	-	1,530
Other assets	170	-	-	170
	410	1,290	-	1,700
Financial liabilities				
Borrowings - equipment finance	464	-	-	464
Silver stream	-	-	17,438	17,438
Zinc stream	-	-	2,357	2,357
Convertible notes	-	56,218	-	56,218
Financial liability - derivative	-	1,200	-	1,200
Lease liability	-	7,528	-	7,528
	464	64,946	19,795	85,205
30 June 2019				
Financial assets				
Financial assets - equity instruments	1,587	-	-	1,587
Other assets	227	-	-	227
	1,814	-	-	1,814
Financial liabilities				
Finance leases	9,411	-	-	9,411
Silver stream	-	-	30,943	30,943
	9,411	-	30,943	40,354

There were no transfers between categories during the reporting period.

Valuation techniques used to derive level 2 and level 3 fair values

The Group uses the following valuation techniques in deriving fair values for financial assets and financial liability: discounted cashflows; Black-Scholes; and Monte Carlo methodology.

The respective valuation techniques rely on observable and unobservable market data. Input assumptions include: commodity prices; equity prices; foreign currency rates; the risk free interest rate; and the Woodlawn project life of mine model.

The respective Streams valuation is classified as Level 3. Refer to additional disclosure at Note 18.

Sensitivity analysis for Silver Stream

The Silver Stream valuation model uses input assumptions with respect to commodity prices, foreign currency rates, the discount rate, and the expected silver ounces to be delivered from the Woodlawn project life of mine model.

The potential effect of using reasonably possible alternative assumptions in the Silver Stream valuation model, based on changes in the most significant input assumption of commodity prices; foreign currency rates and the Woodlawn project life of mine model by 5 per cent while holding all other variables constant, is $588,222.

Sensitivity analysis for Zinc Stream

The Zinc Stream valuation model uses input assumptions with respect to commodity prices, foreign currency rates, the discount rate, and the expected silver ounces to be delivered from the Woodlawn project life of mine model.

The potential effect of using reasonably possible alternative assumptions in the Zinc Stream valuation model, based on changes in the most significant input assumption of commodity prices; foreign currency rates and the Woodlawn project life of mine model by 5 per cent while holding all other variables constant, is $197,515.

The stream arrangements contain a clause permitting the holder to demand immediate repayment upon an event of default occurring and not having otherwise been waived. In such an instance, the quantum of the repayment would be determined with reference to the net present value of each stream at that point in time, as calculated using spot commodity prices and a discount rate of 5%. This basis of determining the value of the streams is substantially different to how the streams are valued in a business as usual scenario, whereby management estimates the fair value of the streams with reference to forecast commodity prices and an estimated discount rate (30% as at 30 June 2020). Should the Group not successfully complete the Strategic Process and the waiver presently in place expire in August 2021 the stream holders may be in a position to demand immediate repayment of the streams at amounts materially greater than those recorded as at 30 June 2020.

NOTE 21. CONTRIBUTED EQUITY

	30 June 2020 Shares	30 June 2019 Shares	30 June 2020 $'000	30 June 2019 $'000
Issue of ordinary shares				
Opening balance	241,666,912	241,666,912	259,742	259,742
Issue of shares	186,997,693	-	37,403	-
Share issue costs	-	-	(1,544)	-
Closing balance	428,664,605	241,666,912	295,601	259,742

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. On a show of hands every holder of shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The Group does not have authorised capital or par value in respect of its issued shares.

No dividends have been paid or proposed during or since reporting date.

NOTE 22. RESERVES

	30 June 2020 $'000	30 June 2019 $'000
Option Reserve		
Option Reserve		
Opening balance	2,857	2,076
Cost of share based payments	227	965
Write back lapsed options expense	(783)	(184)
Closing balance	2,301	2,857

The option reserve is used to recognise the fair value of options issued and expensed over the vesting period and credited to this reserve. The shares will reverse against ordinary share capital when the underlying options are exercised or lapse.

The write back of unvested options is a result of the forfeiture of the options due to the departure of Directors and Key Management Personnel during the period.

Accumulated Losses		
Accumulated Losses		
Opening balance	(133,699)	(92,936)
Net profit/(loss) for the period	(163,995)	(40,763)
Closing balance	(297,694)	(133,699)

NOTE 23. CONTROLLED ENTITIES

Controlled entities are consolidated from the date on which control commences until the date that control ceases. All intercompany balances and transactions, including unrealised gains and losses arising from intra-group transactions, have been eliminated in preparing the consolidated financial statements. The Group comprises the following significant entities:

Entity	Country of Incorporation	Percentage Holding 2020	Percentage Holding 2019
Parent Entity			
Heron Resources Limited	Australia		
Subsidiaries			
Hampton Nickel Pty Limited	Australia	100%	100%
Ochre Resources Pty Limited	Australia	100%	100%
Tarago Operations Pty Ltd	Australia	100%	100%
Tarago Exploration Pty Ltd	Australia	100%	100%
Woodlawn Mine Holdings Pty Ltd	Australia	100%	100%

NOTE 24. PARENT ENTITY INFORMATION

Information relating to the parent entity ('the Company') is set out below.

	30 June 2020 $'000	30 June 2019 $'000
Current assets	9,244	19,441
Total assets	99,800	129,413
Current liabilities	3,259	358
Total liabilities	61,552	513
Contributed equity	295,601	259,742
Option reserve	2,301	2,857
Accumulated losses	(297,694)	(133,699)
Profit or loss of the Parent entity	(7,476)	(27,791)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) of the Parent entity	(7,476)	(27,791)

Commitments

The Company's capital commitments are disclosed in Note 25.

Guarantees

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 the wholly-owned controlled entities Tarago Operations Pty Ltd and Woodlawn project Holdings Pty Ltd are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports, and Directors' Report.

It is a condition of the Corporation Instrument that the Company and each of its eligible controlled entities enter into a Deed of Cross Guarantee ('Deed').

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001. The controlled entities have also given similar guarantees in the event that the Company is wound up. At the reporting date, no amounts have been recognised in the financial information of the Company in respect of this Deed on the basis that the possibility of default is remote.

Contingent Liabilities

The Company's contingent liabilities are disclosed in Note 27.

NOTE 25. COMMITMENTS

Exploration commitments

The Group has certain obligations to perform minimum exploration work on exploration tenements and to pay rental on all tenements. Minimum exploration work commitments on tenements held by the Group have not been provided for in the financial statements, however the expenditure required to maintain the tenements over which the Group has an interest in at reporting date is detailed in the table below:

	30 June 2020 $'000	30 June 2019 $'000
Exploration		
Within one year	615	491
Later than one year but not later than five years	1,730	-
Later than five years	-	-
	2,345	491

Capital commitments

The Group has not entered into any significant capital commitment contracts.

Other commitments

The Group has entered into a two year electricity supply agreement for the supply of electricity to the Woodlawn project. The terms of the agreement includes a consumption variation of +/- 30%.

NOTE 26. EVENTS SUBSEQUENT TO REPORTING DATE

Other than those noted below there is no matter or circumstance which has arisen since reporting date that has significantly affected or may significantly affect the operations, in the financial years subsequent to 30 June 2020, of the Group or the results of those operations.

On 14 August 2020, the Company announced the commencement of a strategic process in relation to its Woodlawn Zinc-Copper Project ("Woodlawn") and the appointment of Azure Capital ("Azure") as financial advisers to that process ("Strategic Process"). Azure will, in conjunction with the Board and a Strategic Process committee, have a broad mandate to explore various options for Woodlawn including refinancing, joint ventures, and partial or complete divestment.

In support of the Strategic Process, the Company has received a further twelve month extension of the Senior Facilities waivers until 13 August 2021, subject to certain conditions including the Company continuing the Strategic Process and implementing the recommendations of the Strategic Process committee. Heron has also agreed parallel forbearance with its major unsecured creditors.

Woodlawn will remain on Care and Maintenance (C&M) until such time as the Strategic Process terminates or as otherwise agreed between Heron and its stakeholders.

In support of the Strategic Process, funds managed by Castlelake, L.P. have agreed to provide a new secured debt facility that will be subordinated to the Company's Senior Facilities ("C&M Loan"). The amount to be provided under the C&M Loan is A$3.5 million and will be funded in a single tranche at closing. The Company received the C&M Loan cash on 14 August 2020.

The C&M Loan, together with existing cash reserves, are expected to provide the Company with sufficient working capital for the duration of the Strategic Process.

NOTE 27. CONTINGENCIES

Performance bonds and rental bond commitment

The Group has provided cash backed performance bonds with the NSW Department of Resources and Energy with respect to its environmental obligations.

The Group has rental bond commitments over its Sydney leased office.

Agreement with Veolia Environmental Services (Australia) Pty Ltd

The Group has agreed with Veolia:

(i) To assume the environmental liabilities associated with the Woodlawn site, excluding Veolia's area of operation.

(ii) Subject to certain approvals being received by Veolia and the Group, the Group will receive "free-on-board" compost from Veolia to be utilised in the rehabilitation of the Woodlawn project site.

(iii) To fully indemnify Veolia for all direct and or consequential loss and damage suffered by Veolia as a result of or caused by or contributed to by any act or omission or default by the Group, connected with its operations at the Woodlawn project site.

Other contingent liabilities

Native title claims have been made with respect to areas which include tenements in which the Group has interests. The Group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the consolidated entity or its projects.

None of these contingent liabilities has been provided for in the financial report.

NOTE 28. RELATED PARTY TRANSACTIONS

Directors

The Directors of the Company during the financial year were:

Non-Executive Directors

Stephen Dennis
Fiona Robertson (resigned on 31 July 2020)
Borden Putnam III (resigned on 31 July 2020)
Mark Sawyer
Peter Rozenauers (resigned 20 March 2020)
Ricardo De Armas
Ian Pattison

Executive Directors

Wayne Taylor (ceased employment and resigned as a Director on 18 September 2019)

	30 June 2020 $'000	30 June 2019 $'000
Salary and fees including Board and Committee fees	667	1,002
Termination payment	678	-
Superannuation benefits	63	80
Non monetary benefits	-	-
STI -	-	-
Share based payments	(114)	301
	1,294	1,383

Detailed remuneration disclosures are provided in the remuneration report on pages 17-27 of the Directors report.

On 1 July 2019, the Company entered into a consultancy agreement with Tannachy Pty Ltd, a company associated with Non-executive Director Dr Ian Pattison. The term of this the agreement is on an "on call" basis at commercially negotiated terms to meet the Company's requirement for metallurgical processing consultancy services.

NOTE 29. SHARE-BASED PAYMENTS

The Group provides benefits to employees (including Directors and Officers) in the form of share-based compensation, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The Group operates a number of share-based payment plans, including:

Employee share option plan

The Employee Share Option Plan, was approved at the 2015 General Meeting, where employees, Directors and Officers of the Group may be issued with options over ordinary shares of Heron Resources Limited. Options vest subject to the achievement of key milestones at the Woodlawn project. The options will not be quoted on the Australian Stock Exchange and cannot be transferred.

Detailed information of Options over unissued ordinary shares is set out below:

30 June 2020			Movement in Number of Options During the Year				
Grant date	**Excercise date**	**Exercise price**	**Beginning of the year**	**Issued**	**Exercised**	**Forfeited / Lapsed**	**End of year**
5 December 2015	4 December 2020	$0.72	1,650,000	-	-	(885,000)	765,000
1 February 2017	1 February 2022	$1.10	165,000	-	-	(165,000)	-
			1,815,000	-	-	(1,050,000)	765,000

30 June 2019			Movement in Number of Options During the Year				
Grant date	**Excercise date**	**Exercise price**	**Beginning of the year**	**Issued**	**Exercised**	**Forfeited / Lapsed**	**End of year**
5 August 2014	20 November 2018	$0.70	85,836	-	-	(85,836)	-
5 December 2015	4 December 2020	$0.72	1,650,000	-	-	-	1,650,000
1 February 2017	1 February 2022	$1.10	265,000	-	-	(100,000)	165,000
			2,000,836	-	-	(185,836)	1,815,000

Performance rights plan

A Performance Rights Plan, was approved at the 2017 General Meeting, where employees, Directors and Officers of the Group may be issued with zero exercise price options over ordinary shares of Heron Resources Limited. Performance Rights will vest in 3 years' time subject to the achievement of Total Shareholder Return hurdles. The Performance Rights will not be quoted on the Australian Stock Exchange and cannot be transferred.

The assessed fair value at grant date of the Performance Rights granted under the Performance Rights Plan is independently determined using a Monte Carlo simulation.

Detailed information of Performance Rights over unissued ordinary shares is set out below:

30 June 2020	Movement in Number of Performance Rights During the Year			
Performance Rights Issue	**Beginning of the year**	**Issued**	**Forfeited / Lapsed**	**End of year**
2017 Grant	2,640,000	-	(2,640,000)	-
2018 Grant	1,788,334	-	(1,538,334)	250,000
	4,428,334	-	(4,178,334)	250,000

30 June 2019	Movement in Number of Performance Rights During the Year			
Performance Rights Issue	**Beginning of the year**	**Issued**	**Forfeited / Lapsed**	**End of year**
2017 Grant	2,895,000	90,000	(345,000)	2,640,000
2018 Grant	-	1,788,334	-	1,788,334
	2,895,000	1,878,334	(345,000)	4,428,334

NOTE 30. KEY MANAGEMENT PERSONNEL

Key Management Personnel

The Key Management Personnel other than Executive Directors for the financial year were (for full year unless stated):

Chief Executive Officer	Tim Dobson (commenced employment on 23 March 2020)
Chief Financial Officer and Company Secretary	Simon Smith
Chief Operating Officer	Andrew Lawry (ceased employment on 27 September 2019)
General Manager - Exploration Manager	David von Perger (ceased employment on 3 April 2020)
General Manager - Strategy and Business Development	Charlie Kempson (ceased employment on 29 October 2019)
General Manager - Woodlawn	Brian Hearne (ceased employment on 31 March 2020)

	30 June 2020 $'000	**30 June 2019 $'000**
Salary and fees	1,174	1,542
Termination payment	1,250	-
Superannuation benefits	142	139
Non monetary benefits	26	18
STI	-	-
Share based payments	(365)	494
	2,227	2,193

Detailed remuneration disclosures are provided in the remuneration report on pages 17-27 of the Directors report.

NOTE 31. AUDITORS' REMUNERATION

Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the Group:	395	210
Other services in relation to the Group:		
Tax compliance	91	-
Other non audit services	41	-
	527	210

Directors' Declaration

In accordance with a resolution of the Directors of Heron Resources Limited it is declared that:

a) The financial statements and notes comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) Give a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2020 and of their performance, as represented by the results of their operations, for the financial year ended on that date.

In the Directors' opinion:

a) The financial statements and notes are in accordance with the Corporations Act 2001; and

b) At the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable; and

c) The Directors have been given a declaration by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the Corporations Act 2001.

On behalf of the Board

S Dennis
Chairman
27 October 2020

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Independent Auditor's Report to the Members of Heron Resources Limited

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Heron Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

Note 18 of the financial report refers to the Group's silver stream and zinc stream borrowings carried at $17.4 million and $2.4 million respectively as at 30 June 2020. Each of these borrowings are accounted for as financial liabilities at fair value through profit or loss and accordingly each carrying amount represents the directors' estimate of fair value as at 30 June 2020. The directors have estimated the fair values based on discounted cash flow models. We were unable to obtain sufficient appropriate audit evidence to support the discount rates used and probability weighting applied to those discount rates by the directors in their estimations of fair value as at 30 June 2020 because we have not been able to obtain reliable external evidence that would enable us to form a view regarding their appropriateness. Consequently, we were unable to determine whether any adjustments to the amounts recorded in relation to the silver stream and zinc stream borrowings are necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our qualified opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, we have determined the matter described below to be the key audit matter to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our qualified audit opinion on the accompanying financial report.

Impairment of Mine Property

Why significant	How our audit addressed the key audit matter

The Group identified indicators of impairment with respect to the carrying value of the Mine Property asset as at 30 June 2020. In accordance with the requirements of Australian Accounting Standards, the Group performed an impairment test and an impairment expense of $150.9m has been recognised for the year ended 30 June 2020.
 	
A value in use model based on a discounted cash flow forecast was used to calculate the recoverable value. The key assumptions adopted within the model include commodity prices, foreign exchange rates, production volumes and timing, timing of the restart of mining activities and the discount rate.
	Our audit procedures included the following:
	‣ Assessed the Group's impairment testing methodology for consistency with the requirements of Australian Accounting Standards.
	‣ Involved our valuations specialists in performing procedures related to the forecast cash flows including:
	  ‣ Assessed the appropriateness of key assumptions used in the model, such as sales pricing and volumes, production volumes, timing and costs, foreign exchange rates and discount rate by reference to both internal Group and external market data;
	  ‣ Confirmed that technical mining assumptions were adequately supported by reports prepared by specialists and assessed the qualifications and objectivity of those specialists based on their experience and independence;

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Note 10 to the financial report discloses the sensitivity of the assessed recoverable value to movements in key assumptions, noting that should reasonably possible changes in commodity prices, foreign exchange rates, the discount rate or a delay in the restart of mining activities eventuate, significant additional impairment of the Mine Property asset could be required.

Due to the significance of the Mine Property balance, the judgement involved in selecting each of the key assumptions referred to above and the sensitivity of the model to relatively minor variability in key assumptions, we considered this to be a key audit matter.

Refer to Note 10 to the financial statements for the amounts held on the Consolidated Statement of Financial Position by the Group as at 30 June 2020 and related disclosures.

- Tested the mathematical accuracy of the model; and
- Performed sensitivity analysis in respect of key assumptions.

- Assessed the adequacy of the related disclosure in the financial report, including those made with respect to judgements and estimates.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 17 to 27 in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Heron Resources Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Scott Nichols
Partner
Sydney
27 October 2020

Shareholder Information

AT 12 OCTOBER 2020

1. Issued Shares and Options

a) Distribution of Shareholders:

Size of Holding			Number of Holders	Shares Held
1	-	1,000	330	208,347
1,001	-	5,000	710	1,732,113
5,001	-	10,000	230	1,784,967
10,001	-	100,000	499	18,689,576
100,001	-		133	396,250,503
			1,902	418,665,506

b) The twenty largest shareholders hold 87.60% of the issued fully paid capital of the Company.

c) Substantial Shareholders including related parties who have notified the Company:

Holder	Number of Shares	%
GREENSTONE MANAGEMENT (DELAWARE) LLC	101,932,400	23.78%
ORION MINE FINANCE	70,663,685	16.48%
CASTLELAKE LP	88,880,568	20.73%

d) There were 1,314 shareholders who held less than a marketable parcel.

e) 10,000,000 shares have been classified by ASX as subject to a 2 year escrow.

VOTING RIGHTS

In accordance with the Company's constitution, voting rights are on the basis of a show of hands, one vote for every registered holder and on a poll, one vote for each share held by registered holders.

Twenty largest shareholders

		Number of Shares	%
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	99,190,280	23.14%
2	CITICORP NOMINEES PTY LIMITED	80,204,309	18.71%
3	GREENSTONE MANAGEMENT (DELAWARE) II LLC <AUSTRALIA HOLDNGS LP>	56,669,610	13.22%
4	GREENSTONE MANAGEMENT (DELAWARE) LLC <GREENSTONE HRR HLDGSII LP AC>	45,262,790	10.56%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	23,335,069	5.44%
6	J PAUL GETTY TRUST	10,829,327	2.53%
7	SEDGMAN PTY LIMITED	10,000,000	2.33%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,371,445	2.19%
9	G LTP LLC	7,097,098	1.66%
10	COMMONFUND CAPITAL NATURAL RESOURCES PARTNERS X LP	6,804,400	1.59%
11	COMMONFUND CAPITAL NATURAL RESOURCES PARTNERS XI LP	4,536,265	1.06%
12	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,439,085	1.04%
13	COMMONFUND CAPITAL NATURAL RESOURCES PARTNERS IX LP	3,780,220	0.88%
14	MR BRETT MCCARTHY	3,590,168	0.84%
15	G JBD LLC	2,272,093	0.53%
16	G HSP LLC	2,182,741	0.51%
17	LEET INVESTMENTS PTY LIMITED <SUPERANNUATION FUND A/C>	2,092,951	0.49%
18	OCTAGONAL SUPERANNUATION PTY LTD <OCTAGONAL S/F A/C>	1,400,000	0.33%
19	LEET INVESTMENTS PTY LIMITED	1,308,970	0.31%
20	G ERP LLC	1,212,635	0.28%
TOTAL		**375,579,456**	**87.61%**
Total issued capital		428,680,506	100.00%

f) Distribution of Option/Performance Rights holders

1 765,000 exercisable on or before 4 December 2020 for a payment of $0.72 per option

2 250,000 Vesting on 30 June 2021 for a payment of $Nil per Right subject to TSR vesting conditions

Size of Holding			Number of Holders	Options/Performance Rights Held
1	-	10,000	-	-
10,001	-	5,000	-	-
5,001	-	100,000	-	-
100,001	-		12	4,126,667
			12	4,126,667

Summary of option and performance rights holders

		Number of Options	% of Issued Options
1	Employees & directors	1,015,000	100%

Statement of Mineral Resources & Ore Reserves

Refer to ASX announcement on 30 October 2019 for details on the Statement of Mineral Resources and Ore Reserves.

Woodlawn Underground Mineral Resource 2019

(7% ZnEq cut-off grade for Polymetallic and 1% Cu cut-off grade for Copper)

Measured + Indicated Mineral Resource

Lense Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Mea + Ind	2.8	20.2	10.1	1.5	3.8	0.6	79
Copper	Mea + Ind	1.8	9.5	0.7	2.7	0.1	0.2	7
Combined	**Mea + Ind**	**4.5**	**16.1**	**6.5**	**2.0**	**2.4**	**0.5**	**51**

Inferred Mineral Resource

Lense Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Inf	2.0	16.3	7.1	1.5	2.8	0.7	55
Copper	Inf	0.9	8.6	0.8	2.4	0.2	0.2	8
Combined	**Inf**	**2.9**	**14.0**	**5.2**	**1.8**	**2.0**	**0.5**	**40**

Total Mineral Resource

Lense Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Mea + Ind + Inf	4.8	18.6	8.8	1.5	3.4	0.7	69
Copper	Mea + Ind + Inf	2.6	9.2	0.8	2.6	0.2	0.2	7
Combined	**Mea + Ind + Inf**	**7.4**	**15.2**	**6.0**	**1.9**	**2.2**	**0.5**	**48**

Notes: 1) Please refer to the end of this section for Qualified Persons statements; 2) ZnEq refers to a calculated Zn equivalent grade the formula for which is stated below; 3) Polymetallic Type refers to polymetallic massive sulphide mineralisation with high-grade Zn and Pb; Copper Type refers to Cu dominated massive and stringer sulphide mineralisation; 4) the Mineral Resource is reported in accordance with the JORC Code (2012); 5) Some rounding related discrepancies may occur in the totals;

Woodlawn Tailings Retreatment Mineral Resource Estimate 2019

(Production depleted to June 30 2019. Resource previously estimated 2015, no cut-off grade applied)

Measured + Indicated Mineral Resource

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
South Dam	Meas + Ind	3.2	5.9	2.5	0.5	1.2	0.3	27
North Dam	Meas + Ind	2.7	6.0	2.4	0.4	1.3	0.3	34
West Dam	Meas + Ind	3.9	6.5	2.0	0.6	1.4	0.4	35
Total	**Meas + Ind**	**9.8**	**6.2**	**2.2**	**0.5**	**1.3**	**0.3**	**32**

Inferred Mineral Resource

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
South Dam	Inf	0.9	5.6	2.3	0.5	1.2	0.3	24
North Dam	Inf	0.2	6.2	2.4	0.4	1.4	0.3	36
West Dam	Inf	0.0	0.0	0.0	0.0	0.0	0.0	0
Total	**Inf**	**1.1**	**5.8**	**2.3**	**0.5**	**1.2**	**0.3**	**27**

Total Mineral Resource

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
South Dam	Mea + Ind + Inf	4.0	5.9	2.4	0.5	1.2	0.3	26
North Dam	Mea + Ind + Inf	2.9	6.0	2.4	0.4	1.3	0.3	34
West Dam	Mea + Ind + Inf	3.8	6.5	2.0	0.5	1.3	0.4	31
Total	**Mea + Ind + Inf**	**10.8**	**6.1**	**2.2**	**0.5**	**1.3**	**0.3**	**31**

Notes: 1) Please refer to the end of this section for Qualified Persons statements; 2) ZnEq refers to a calculated Zn equivalent grade the formula for which is stated below; 3) the Mineral Resource is reported in accordance with the JORC Code (2012); 4) Some rounding related discrepancies may occur in the totals;

Woodlawn Underground Ore Reserve Estimate 2019

Production depleted to June 30, 2019

Reserve Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Proven	0.0	-	-	-	-	-	-
Probable	3.1	13.1	5.2	1.6	1.8	0.4	38
Total (Proven + Probable)	**3.1**	**13.1**	**5.2**	**1.6**	**1.8**	**0.4**	**38**

Notes: 1) Please refer to the end of this section for Qualified Persons statements; 2) ZnEq refers to a calculated Zn equivalent grade the formula for which is stated below; 3) Cut-off grades vary and have been determined by current economic and metallurgical factors which are slightly different to those used in the ZnEq formula; 4) This estimate has been prepared in accordance with the JORC Code (2012); 5) Some rounding related discrepancies may occur in the totals;

Woodlawn Tailings Ore Reserve Estimate 2019

Production depleted to June 30, 2019. Reserve previously estimated 2016. Reported with no cut-off grade applied.

Reserve Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Proven	6.2	6.0	2.2	0.5	1.3	0.3	31
Probable	3.1	6.0	2.1	0.5	1.3	0.3	32
Total (Proven + Probable)	**9.3**	**6.0**	**2.2**	**0.5**	**1.3**	**0.3**	**31**

Notes: 1) Please refer to the end of this section for Qualified Persons statements; 2) ZnEq refers to a calculated Zn equivalent grade the formula for which is stated below; 3) This estimate has been prepared in accordance with the JORC Code (2012); 4) Some rounding related discrepancies may occur in the totals;

Zinc equivalent calculation for the Woodlawn Mineral Resources and Ore Reserves

The zinc equivalent ZnEq calculation takes into account, mining costs, milling costs, recoveries, payability (including transport and refining charges) and metal prices in generating a Zinc equivalent value for Au, Ag, Cu, Pb and Zn. ZnEq = Zn%+Cu%*3.12+Pb%*0.81+*Au g/t*0.86+Ag g/t*0.03. Metal prices used in the calculation are: Zn US$2,300/t, Pb US$ 2,050/t, Cu US$6,600/t, Au US$1,250/oz and Ag US$18/oz. These metal prices are based on Heron's long term view on average metal prices. It is Heron's view that all the metals within this formula are expected to be recovered and sold. Metallurgical metal recoveries used for the formula are: 88% Zn, 70% Pb, 70% Cu, 33% Au and 82% Ag; these are based on historical recoveries at Woodlawn and supported by metallurgical testwork undertaken during the 2015-16 feasibility study. Commodity prices and metallurgical recoveries are factored into the zinc equivalent calculation using a standard metal equivalent formula.

Competent Persons Statements - Declaration and JORC (2012) Compliance

1. The information in the report that relates to the Mineral Resources for the Woodlawn Underground Project and the Woodlawn Tailings Retreatment Project is based on information compiled for 2019 Annual Report by Ms Katie Yamaguchi, who was an employee of Heron Resources Limited and a Member of the Australian Institute of Mining and Metallurgy. Ms Yamaguchi has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the resource estimation activity that she has undertaken to qualify as a Competent Person as defined in the 2012 edition of the JORC Code; Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ms Yamaguchi consented to the inclusion in 2019 annual report of the matters based on her information in the form and context that it appears.
2. The information in the report that relates to the Ore Reserves for the Woodlawn Underground Project and the Woodlawn Tailings Retreatment Project is based on information compiled by Mr Tim Brettell who is a Member of the Australian Institute of Mining and Metallurgy. Mr Brettell is a full-time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the ore reserve estimation activity that he has undertaken to qualify as a Competent Person as defined in the 2012 edition of the JORC Code; Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Brettell consents to the inclusion in this report of the matters based on his information in the form and context which it appears.
3. The information in this report relating to the exploration results is based on information compiled by Ms Alexandra Bonner, who is a Member of the Australian Institute of Mining and Metallurgy. Ms Bonner 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 she is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition). Ms Bonner consents to the inclusion of the exploration results in the form and context in which they appear.

Interest in Mining Tenements

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
New South Wales Projects									
Woodlawn Project									
EL7257	40km SSW of Goulburn	100	Live		EL7468	5km E of Collector	100	Live	
EL7469	15km E of Bungendore	100	Live		EL7954	25km W of Goulburn	100	Live	
EL8325	60km ENE of Canberra	100	Live		EL8353	7.5km SE of Woodlawn	100	Live	
S(C&PL)L20	40km SSW of Goulburn	100	Live		EL8400	27km NNE of Yass	100	Live	
EL8573	30km NNW of Yass	100	Live		EL8623	90km north of Woodlawn	100	Live	
EL8712	100km north of Woodlawn	100	Live		EL8796	65km south of Woodlawn	100	Live	
EL8797	65km south of Woodlawn	100	Live		EL8945	20km southeast of Woodlawn	100	Live	
Alchemy Farm-in & JV Tenements[1]									
Barraba-Manilla Project									
EL8711	90km W of Armidale	49	Live	1					
Nyngan /Girilambone Project									
EL8631	10km NW of Nyngan	49	Live	1	EL8318	27km NW of Nyngan	49	Live	1
Overflow/Eurow/Parkes									
EL5878	100km NW of Condobolin	49	Live	1	EL7941	100km NW of Condobolin	49	Live	1
EL8267	70km SE of Cobar	49	Live	1	EL8356	59km WSW of Tottenham	49	Live	1
EL8192	23km SE of Parkes	49	Live	1					
Sky Metals Farm-in Tenements[2]									
Cullarin & Kangiara Projects									
EL7954	25km W of Goulburn	20	Live	2	EL8400	27km NNE of Yass	20	Live	2
EL8573	30km NNW of Yass	20	Live	2					
Western Australia Projects – Royalty Interests									
E24/00203	78km NW of Kalgoorlie	Retains gold royalty	Live	3	E29/00889	78km NW of Kalgoorlie	Retains gold royalty	Live	3
M24/00634	78km NW of Kalgoorlie	Retains gold royalty	Live	3	M24/00660	75km NW of Kalgoorlie	Retains gold royalty	Live	3
M24/00663	75km NW of Kalgoorlie	Retains gold royalty	Live	3	M24/00664	75km NW of Kalgoorlie	Retains gold royalty	Live	3
M24/00686	75km NW of Kalgoorlie	Retains gold royalty	Live	3	M24/00915	78km NW of Kalgoorlie	Retains gold royalty	Live	3
M24/00916	78km NW of Kalgoorlie	Retains gold royalty	Live	3	M24/00665	75km NW of Kalgoorlie	Retains gold royalty	Live	3
M24/00683	78km NW of Kalgoorlie	Retains gold royalty	Live	3	M24/00772	71km NW of Kalgoorlie	Retains gold royalty	Live	3
M24/00797	78km NW of Kalgoorlie	Retains gold royalty	Live	3	M24/00757	63km NW of Kalgoorlie	Retains gold royalty	Live	3
P24/04395	70km NW of Kalgoorlie	Retains gold royalty	Live	3	P24/04396	70km NW of Kalgoorlie	Retains gold royalty	Live	3
P24/04400	70km NW of Kalgoorlie	Retains	Live	3	P24/04401	70km NW of Kalgoorlie	Retains	Live	3
P24/04402	70km NW of Kalgoorlie	Retains	Live	3	P24/04403	70km NW of Kalgoorlie	Retains	Live	3
E15/01010	60km SSE of Kalgoorlie	Retains gold and base metal royalty	Live	4					

Notes:

1 Subject to Farm-in and Joint Venture Agreement between Alchemy Resources Ltd and Heron.

2 Sky Metals Ltd: Subject to Farm-In and Joint Venture agreement between Heron and Sky where Sky has earnt 80% by spending $2 million over 3 years.

3 Eastern Goldfields Ltd hold 100% interest, Heron retains gold royalty, Ardea Resources Ltd receiving non-gold rights.

4 St Ives Gold Mining, Heron retains gold royalty and the right to explore and mine nickel

Glossary

Corporate / General Definitions

ASIC means Australian Securities and Investments Commission

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate

Australian Registry means Automic, Level 5, 126 Phillip Street Sydney NSW 2000.

Heron or **HRR** means Heron Resources Limited (ABN 30 068 263 098)

HRR : ASX is the Heron code on ASX

IFRS means International Financial Reporting Standards

Subsidiary has the meaning given to that term in section 9 of the Corporations Act

VWAP means Volume weighted average price

Technical Definitions

Ag means Silver

Au means Gold

Anomaly means a value higher or lower than expected, which outlines a zone of potential exploration interest but not necessarily of commercial significance

Cu means Copper

Decline means a declined tunnel accessing an ore body

JORC (2012 edition) means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves. The JORC Code provides a mandatory system for the classification of Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

Level means Horizontal series of developments all at the same distance measured from the surface

m means metre and **km** means kilometres

Mt means million tonnes

Mineralisation means in economic geology, the introduction of valuable elements into a rock body

Mineral Resource means a Mineral Resource as defined by JORC Code and is a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are further sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

Measured Resource means a 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

Indicated Resource means an 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

Inferred Resource means an 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continue exploration.

Ore Reserves as defined by JORC Code

Proven Ore Reserve means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include Feasibility Studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. The term "economic" implies that extraction of the Ore Reserve has been established or analytically demonstrated to be viable and justifiable under reasonable investment assumptions.

Probable Ore Reserve is the economically mineable part of an Indicated Mineral Resource

Pb means lead

Project means a grouping of prospects within a specific geographic location, often with a common geological setting

Prospect means a target upon which exploration programmes are planned or have commenced

Province means a grouping of projects within a geological district defined by a major mineralised crustal structure

RC means Reverse Circulation drilling method employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air. Sample quality is very good, particularly if the drill hole is dry.

Zn means zinc

ZnEq means zinc equivalent and is a means of combining the elemental grade of mineralisation into a single number that provides a useful value for assessing and comparing the grade of mineralisation. The formula is provided at the end of the section in this report detailing Mineral Resources and Ore Reserves

Heron Resources Limited

ASX Code: HRR

www.heronresources.com.au