2019 Annual Report

Heron Resources Limited

Corporate Directory

ABN 30 068 263 098

DIRECTORS

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

Managing Director (Executive)
Wayne Taylor BEng (Mining), MBA, MAusIMM
(ceased employment and resigned as a Director on 18 September 2019)

Director (Non-Executive)
Borden Putnam III MSc (Geol), RPG, FAusIMM

Director (Non-Executive)
Fiona Robertson MA (Oxon) (Geology), MAusIMM, FAICD

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

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

Director (Non-Executive)
Peter Rozenauers BME (Hons I), MAppFin, MAusIMM

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
Level 8, 309 Kent Street
Sydney New South Wales 2000
Telephone: +61 2 9119 8111

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507 Collector Road, Tarago New South Wales 2580

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

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Sydney New South Wales 2000

BANKERS
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SHARE REGISTRY
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Telephone: 1300 288 664
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SOLICITORS TO THE COMPANY
Allion Legal Pty Ltd
50 Kings Park Road, West Perth Western Australia 6005
Resources Legal Pty Ltd
1A Rosemead Rd, Hornsby New South Wales 2077

STOCK EXCHANGE
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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

Chairman's Letter

Dear Shareholders,

When I wrote to you this time last year, we had all expected that by now Woodlawn would be up and running and close to achieving nameplate production. Disappointingly, as I write this year's letter, we have not reached the goals we set ourselves when we started 2019.

As you would be aware, the Company recently announced a new A$91 million funding package for Woodlawn. This became necessary when it was clear that Heron was facing a significant working capital shortfall, brought about by a 7 month delay in completing construction of the Woodlawn processing plant, and some early stage commissioning issues that further delayed ramp-up of production.

Without this new financial package in place, there was a risk that Heron would not have been able to continue as a going concern. These new funding arrangements have been supported by our major shareholders (Greenstone, Castlelake and Orion Mine Finance), and I thank them for their support. One component of the package, a US$35 million convertible note, will be voted on at our Annual General Meeting in December, and I would encourage you to vote in favour of this resolution. As shareholders of Heron, you will also have had the ability to participate in Woodlawn's refinancing by taking up your entitlements offered through the Entitlements Offer which closed on October 22.

A thorough review of the technical fundamentals of Woodlawn was undertaken as a pre-requisite to the Company securing a new finance package, and I am pleased to report that these fundamentals remain positive. It is encouraging that the project is now ramping up and starting to produce concentrates to commercial specification. We also recently recorded a milestone of our first sales of Zinc and Lead concentrates in October 2019 – the first revenue from the project.

We are aware that many Shareholders will be disappointed with the impact that the project start-up delays have had on the Company's balance sheet, and the Board shares this disappointment. However we are confident that the package of measures we have negotiated and announced will allow us to complete commissioning activities at Woodlawn and see the project through to cash flow positive operations.

During the refinancing process it became necessary for some senior management changes to be made at Heron, including the departure of our CEO. I would like to thank Wayne for his contribution throughout the development of Woodlawn, and I wish him well for the future. A search is currently under way for a new CEO, and I expect we will soon be able to announce this appointment.

Finally, I would like to convey my thanks to the Board for their support as we have worked through our recent challenges. Thanks must also go to all of our Shareholders who have seen us through this difficult period.

I look forward to bringing you further reports on our progress as Woodlawn enters commercial production.

Sincerely

Stephen Dennis
Chairman

First shipment of Zinc and Lead concentrates
October 2019

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.

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2019 Annual Report

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.

BORDEN PUTNAM III MSc (Geol), RPG, FAusIMM
DIRECTOR (NON-EXECUTIVE)

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. Mr Putnam is also a Director of Skeena Resources Limited, a TSX-V listed exploration company.

FIONA ROBERTSON MA (Oxon) (Geology), MAusIMM, FAICD
DIRECTOR (NON-EXECUTIVE)

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. Ms Robertson is also a Non-Executive Director of Whitehaven Coal.

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

Mr Sawyer co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. 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 for Xstrata. Prior to Xstrata, Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc. Mr Sawyer is a solicitor and 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.

PETER ROZENAUERS BME (Hons I), MAppFin, MAusIMM
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.

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

SIMON SMITH B.Bus, CA.

GENERAL MANAGER FINANCE AND COMPANY SECRETARY

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.

DAVID VON PERGER BSc (Hons) MAusIMM (CP Geo)

GENERAL MANAGER EXPLORATION

David von Perger was appointed in 2004. Mr von Perger is a geologist with some 25 years' experience in mineral exploration having worked in several locations around Australia. Mr von Perger has worked on various styles of mineral deposits including Archaean gold and nickel, and Proterozoic base-metals and iron-ore. His experience includes four years as a business analyst for a major mining group involving analysis of mining operations, project development and assessment of new opportunities. Since his appointment with Heron, Mr von Perger has been responsible for the identification and acquisition of several new nickel, gold, iron-ore and base-metal projects. Mr von Perger led the team that delineated the initial resource of the Kate Lens and discovered the G2 and Lisa Lenses at Woodlawn.

BRIAN HEARNE BAppSc (Metallurgy)

GENERAL MANAGER - WOODLAWN MINE

Mr Hearne is a qualified mining professional and holds a degree in metallurgy (BAppSc). Mr. Hearne has extensive base-metals experience, previously having had a 16-year tenure at Woodlawn, starting in 1978, with a further 2 years at the Benambra Mine in Victoria. He then joined MIM at McArthur River (MRM) as the Metallurgical Manager, and following a number of General Manager roles within MIM / Xstrata both in Australia and overseas he was appointed COO of Xstrata Zinc Australia. The major achievements at all the operations he was involved in was improved safety statistics and lower operations costs.

Corporate Report

CAPITAL RAISING

On October 4 2019 Heron announced a A$91 million funding package that was made in response to a projected cash shortfall due to delays in construction and production ramp-up. The capital raising is anticipated to see the company through commissioning of the Woodlawn Project to completion and to positive cash flow operations. The funding package consists of A$35 million from a non-renounceable entitlement offer of new shares at A$0.20 per share; US$35 million (A$52 million) convertible note provided by Greenstone Resources LP, Orion Mine Finance Group and funds managed by Castlelake, L.P.; and a US$3 million (A$4 million) stream over zinc by-product. The funding package also included changes to the existing senior secured debt facility to extend the timing of repayments and a US$10 million prepayment. The funding package was finalised following a technical review by independent industry specialists which confirmed that the technical and operational basis for the Woodlawn Project remains sound, with the expected attractive production profile at the time of the 2017 financing intact, although delayed. On 25 October 2019 the Company announced the completion of the Institutional and Retail Entitlement Offers raising A$35.4 million.

Heron Projects

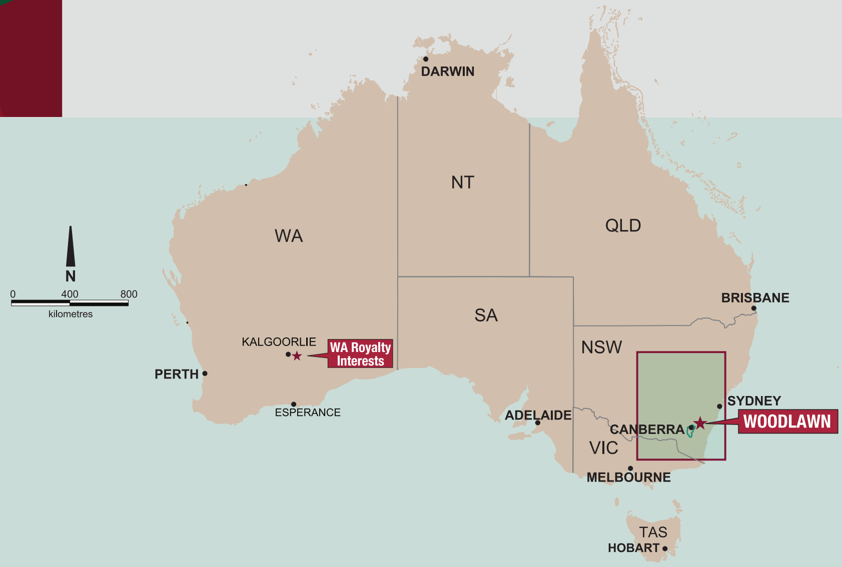
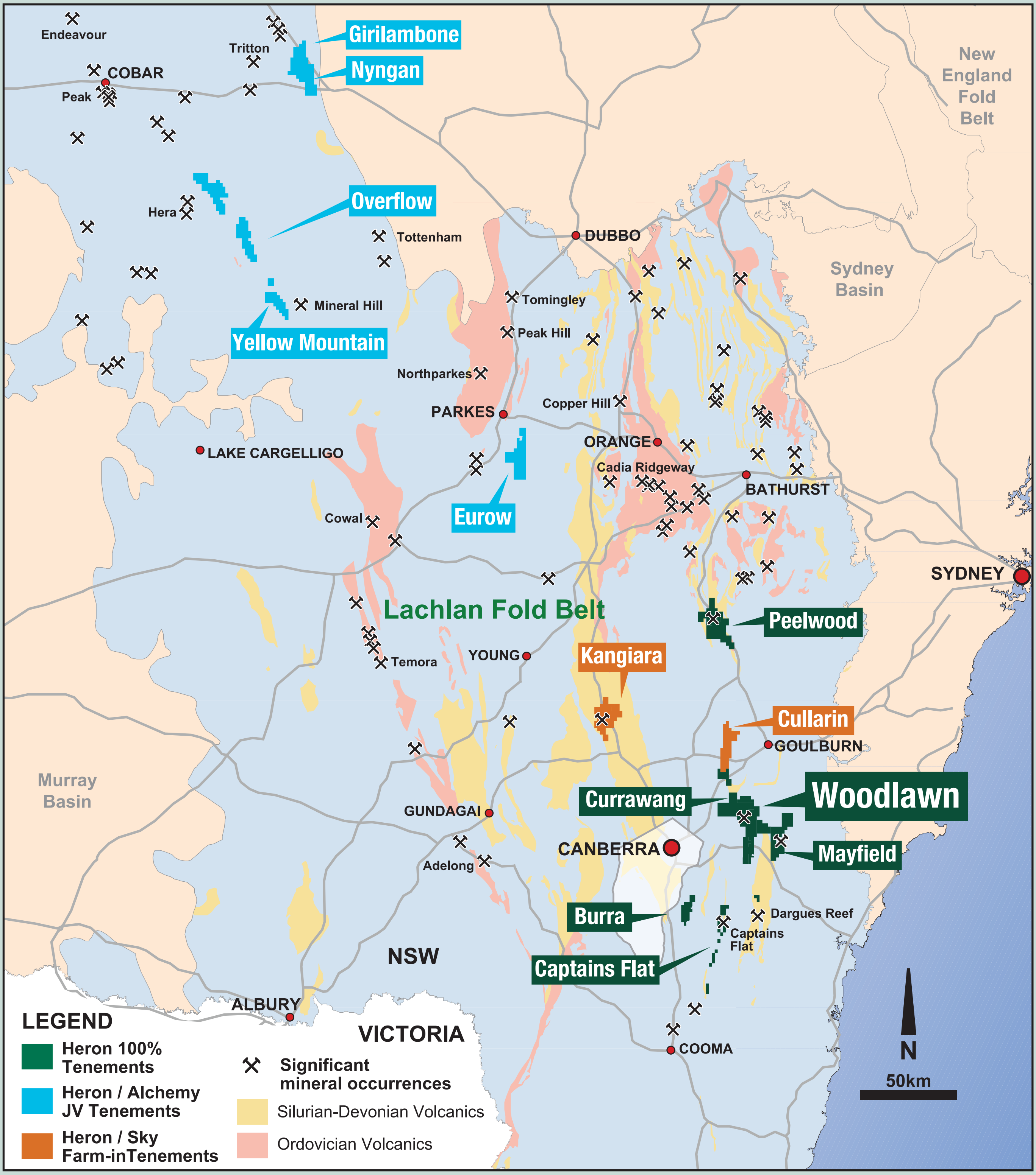


Figure 1: Heron Resources - Project locations



Operations Report

WOODLAWN PROJECT

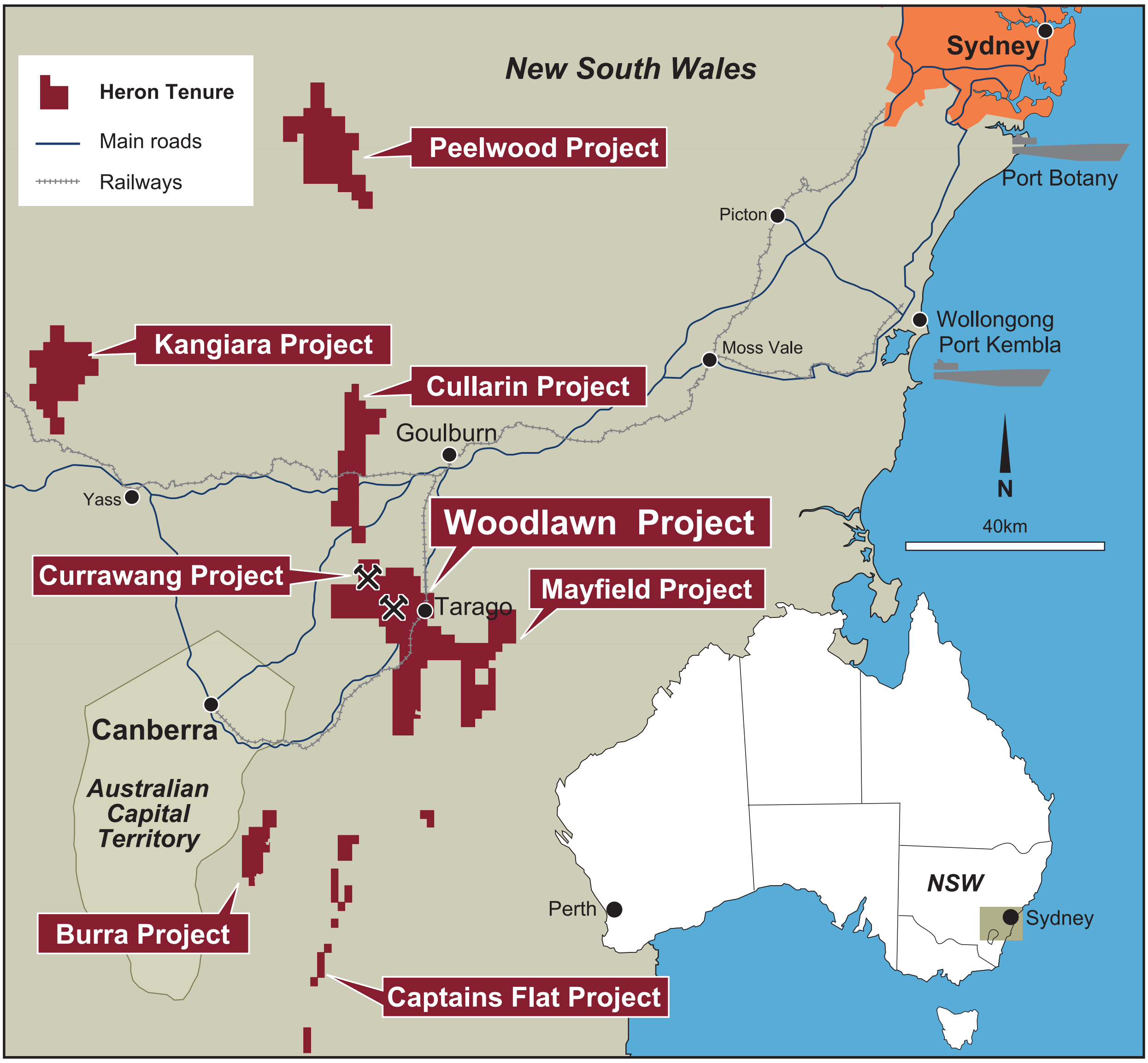
Heron holds a direct 100% ownership of the mineral rights at the Woodlawn Mine site situated 40km south of Goulburn and 250km south-west of Sydney, in southern NSW, Australia (Figure 1, 2). It is Heron's aim to create a profitable, long-life, low-cost mining operation producing base metal concentrates.

Heron also holds a portfolio of advanced stage exploration tenements adjacent to and contiguous with the Woodlawn site covering the prospective felsic volcanic units that host the Volcanogenic Massive Sulphide (VMS) deposit at Woodlawn.

The last five years have seen Heron directing its efforts to developing the Woodlawn Zinc-Copper Project with the successful completion of a Preliminary Economic Assessment (PEA) in 2015, followed by the Feasibility Study (FS) in June 2016 and the completion of project financing in September 2017. Construction activities commenced in September 2017 and completed in June 2019 quarter.

The Project has commenced commissioning with first concentrate production occurring in July 2019. Focus is now on ramping-up to Steady State production. The price outlook for all metals to be produced at Woodlawn, while seeing some recent pull back, remains positive, particularly for zinc which continues to face a significant supply shortfall.

Figure 2: Woodlawn Project location and tenement map



Woodlawn Project – Review of Operations

Construction activities commenced in September 2017 and are now complete. Remaining activities are the completion of crusher and ball mill commissioning which are underway followed by plant performance testing of the underground ore circuit. The plant is currently processing reclaimed tailings and limited underground ore. Zinc and Lead concentrate load-out from site commenced on 4 July. The first revenue from the commissioning concentrate was received in October 2019. Other project developments throughout the year include:

- **Concentrate Sales and Marketing:** Contracts for sale of 100% of production remain in place. Despatch of zinc concentrate from site commenced on 9 July 2019 and rail movements to Port Kembla commenced on 15 August 2019. The first shipment of lead concentrate was achieved on 28 September 2019 and the first shipment of zinc was made on 23 October 2019. The first sales revenue was received in October 2019 as ramp-up production continues.
- **Safety**: Disappointingly the Company recorded three lost time injuries ("LTI") this year. Recommendations arising out of investigations into the incidents which occurred in August and November 2018 and June 2019 have been adopted and acted on with the Company incurring no further lost time injuries since June 2019. Heron is committed to achieving zero harm and focused on the continuous improvement of its risk management systems and processes that target the wellbeing and safety of its employees and contractors.
- **Environment**: There was a significant increase in the resources applied to environmental management at Woodlawn commensurate with the ramp-up in site activity throughout the year. As part of trial works that will support the longer-term rehabilitation of the site, in-excess of 200 trees were planted as an initial step in creating a vegetation offset to compensate for the area impacted by project development. The focus for the June quarter was achieving a site water balance and targeted reductions in raw water demand. Through plant modifications and piping changes, raw water demand has been reduced by 70%. Further rehabilitation plans are in place and will continue to be implemented alongside mining operations.
- **Project EPC Works**: The process plant received first feed from reclaimed tailings on 6 May. As at the date of this report, the remaining EPC activities left to complete are crusher and ball mill commissioning, which is under way. A number of minor equipment component failures have been encountered in the process plant circuit during the commissioning process and the EPC contractor, Sedgman, continues to rectify these under the defects provision of the contract. As at 30 September 2019, the EPC contractor, reported project commissioning to be 99% The table below provides details of progress for both construction and commissioning on a quarter-by-quarter basis:

Period	**Sept 2018**	**Dec 2018**	**Mar 2019**	**Jun 2019**	**Sept 2019**
Construction (%)	79%	95%	99%	100%	100%
Commissioning (%)	-	24%	77%	98%	99%

- **Underground Mine**: The underground mining operation made steady progress throughout the year with 3.1km of development completed as at 30 September, 2019. Ore has been stockpiled on the ROM pad ready for processing and includes 32,873t of combined low and high grade ore ready for the first crushing campaign. The mine has currently transitioned to multiple headings which has allowed increased advance rates for mine development. Modelling refinements were undertaken on shallow ore zones throughout the year targeting an improvement in mine design selectivity. The G2 lens was accessed during the March quarter and was the first ore mined (ASX announcement March 12). The raiseboring of the 5.0m diameter primary ventilation raise was completed from surface and the primary vent fans installed. In addition, the mining of the first leg of the second means of egress (small diameter raise) is completed. First stoping was achieved with mined ore delivered to the ROM in September 2019.
- **Hydraulic Mining**: The hydraulic mining circuit was fully operational and in production as at 30 June 2019. A second high pressure water cannon was delivered to site in May with processing commencing in the main production area on 8 May after the removal of low grade slimes at the toe of the dam. Production rates from reclaim are in line with design and removal of highly oxidised capping material is commencing which significantly improved metallurgical performance in the flotation plant. Adjustments to the pipelines have significantly improved the throughput of hydraulic mining, increasing the average mining rates to 154ph, and reaching rates of 190tph in the September quarter.
- **Processing and Production**: Production of concentrates from reclaimed tailings commenced on 8 May. A total of 91.4kt of reclaimed tailings was processed during the June 2019 quarter (121tph and 52% uptime) with grades in line with Ore Reserves (2.39% zinc, 0.44% copper and 1.22% lead). This was improved in the proceeding quarter with 197.6kt of reclaimed tailing processed (154tph and 62.9% uptime) with grades in line with Ore Reserves (2.5% zinc, 0.5% copper and 1.2% lead). Initial production has been hampered by a number of minor mechanical issues and piping errors which have been corrected. Processing of underground ore commenced early in the September quarter. Metallurgical recoveries and concentrate grades from these first production months were below target, however performance has been progressively improving.
- **Community**: Heron continues to welcome opportunities to connect with and support the Community. During this twelve month period, Heron has proudly supported Tarago Primary School, Tarago Pre-School, Tarago Men's Shed, Southern Tablelands Athletics Club and the Annual Tarago Show. The Company continues to receive supportive local feedback for the project and the wider benefits the Company provides the Community through a number of channels including its quarterly meetings with the Woodlawn Community Consultation Committee.
- **Personnel**: All recruitment of operational roles is complete, although a few technical positions remain to be filled (covered by contract staff). Mr Wayne Taylor ceased employment and resigned as a Director on 18 September 2019.
- **Sedgman claim**: As announced on October 4 2019 the Company has settled all outstanding claims with Sedgman Pty Limited ("Sedgman") relating to the Engineer, Procure & Construct Contract ("EPC Contract") for the Woodlawn project. Settlement of A$15M has been reached based on a deferred cash payment and the issue of Heron shares to Sedgman, to be held in escrow for 2 years. A payment schedule has been agreed with Sedgman commencing in June 2021 and concluding in June 2022.

Figure 3: Production of concentrates commenced during the June quarter (zinc concentrate pictured below), with focus now turning to increasing throughput to achieve nameplate capacity, design recoveries and product specifications.

Figure 4: Woodlawn Process Plant in the final stages of commissioning.

Figure 5: Flotation tanks in operation.

Figure 6: IsaMill™ undergoing an internal inspection.

Figure 7: Hydraulic mining progressed through the June quarter with completion of the main delivery trench in Tailings Dam South.

Figure 8: Seeding of Hickory's Paddock – east of the Woodlawn Plant site.

Figure 9: Woodlawn underground mining operations.

Figure 10: Woodlawn primary ventilation shaft.

Woodlawn Near-Mine and Regional Exploration Programmes

The Woodlawn deposit is a large Volcanogenic Massive Sulphide (VMS) system hosted within Silurian volcanic rocks of the eastern Lachlan Fold Belt. The exploration strategy has been to use modern geophysical techniques to generate regional and near-mine drilling targets.

A review of a 15 km radius around the Woodlawn mine over the past year highlighted a lack of deeper exploration compared with similar deposits elsewhere, with most of the historical exploration limited to the near surface (>150m) within 2km of the mine. Furthermore, many of the targets in the existing geophysical data were incompletely tested and this confirmed the need for modern geophysical techniques like induced polarisation (IP), gravity and magnetics to seek targets down to depths of >400m below surface. The area in an arc NW to NE of Woodlawn was selected as being the most prospective for such new discoveries.

Woodlawn Project – Induced Polarization Survey and Exploration Drilling Programmes

Induced Polarisation (IP) geophysical surveys were successful in identifying the original Woodlawn deposit in the early 1970s; however, the early surveys could penetrate only to depths of approximately 150m whereas the modern high powered surveys can penetrate much deeper to approximately 700m. The Murphy's to Cowley Hills trend (within the 2.5km arc to the NW and NE of Woodlawn) was selected for deep IP which has the ability to map out pyrite alteration and other sulphide mineralisation to depths of 400m.

The IP survey was completed north of Woodlawn in an area which contains the Woodlawn Volcanogenic Massive Sulphide (VMS) host rocks, in an effort to identify anomalies at depth that could be related to potential new Woodlawn style deposits. Seven IP survey lines were spaced at 400m with some infill lines spaced at 200m and extended 4km in an east-west direction along the Murphy's to Cowley Hills trend.

The IP survey returned a coincident chargeability and conductivity anomaly at Murphy's prospect and a large chargeability anomaly at Buckland's and Buckland's North prospects. A diamond drill hole (DDH) programme was completed to test the three IP targets. A total of 2,112m were drilled in four holes.

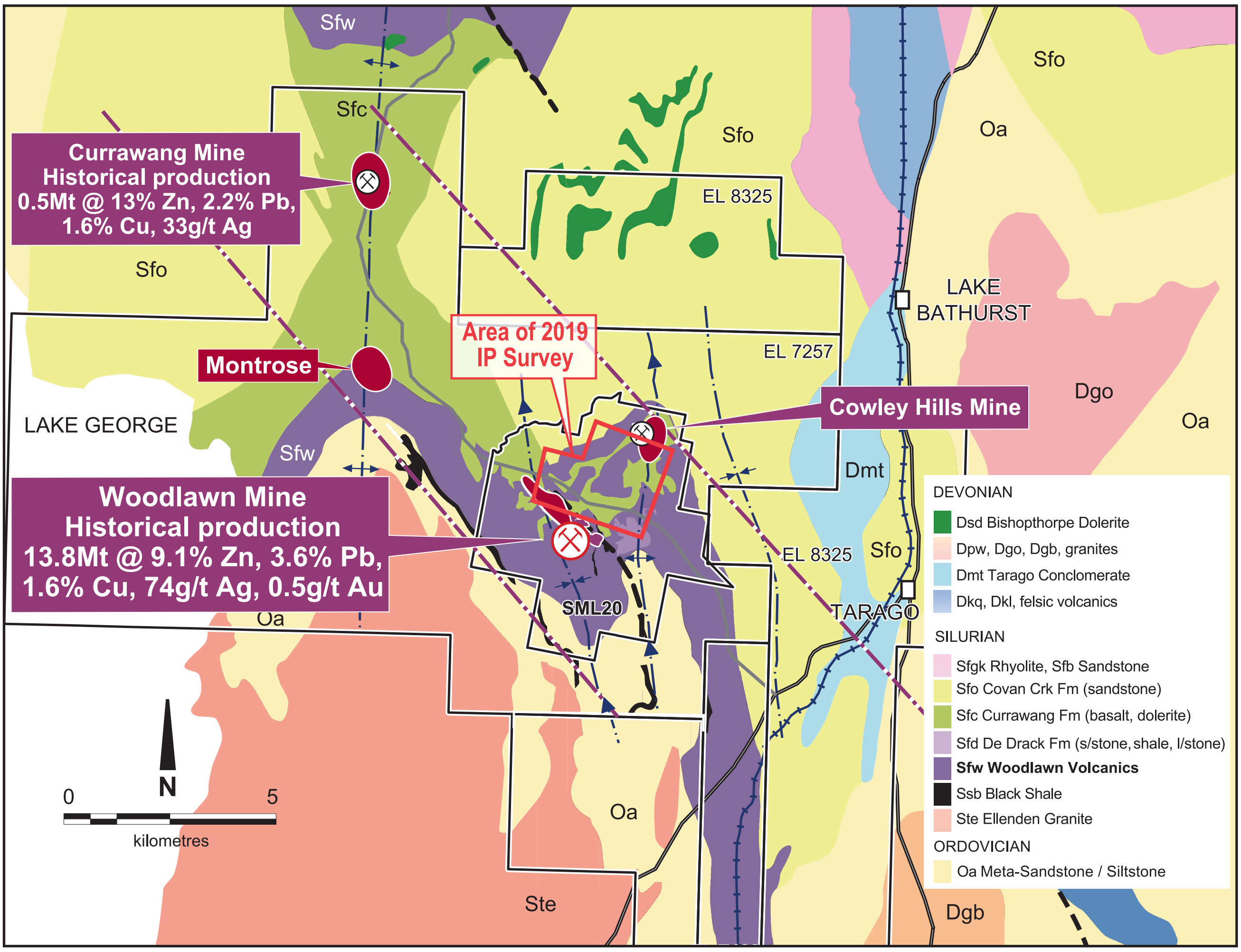


Figure 11: Woodlawn near-mine exploration prospects with underlying geology, showing Murphy's to Cowley Hills trend.

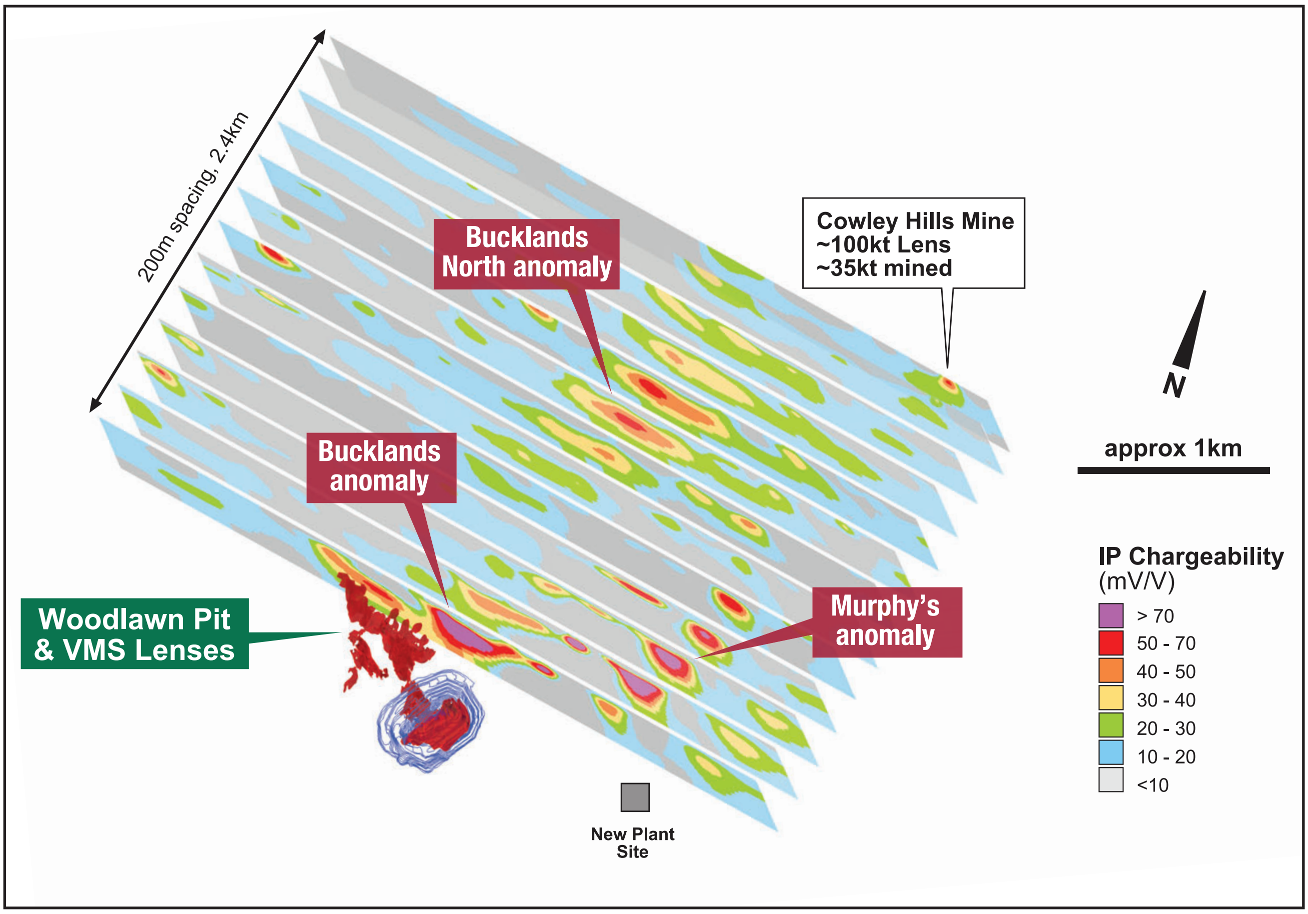


Figure 12: 2D slices through 3D IP geophysical model showing chargeability responses in the area surveyed. The Woodlawn open pit and VMS lenses are shown to scale; and position relative to the plant site.

Murphy's Target

The Murphy's IP target, located 900m NNE of the Woodlawn pit, returned a broad chargeability and conductivity anomaly and CHDD0002 (final depth 525.7m) was drilled into the Murphy's target and stopped in a thick sequence of weakly- to moderately-altered limestones and felsic volcanics of the De Drack Formation. The IP anomaly appears to be explained by a graphitic and sulfidic black shale intersected over 7.4m from 303.8m depth. The hole was continued to its final depth to cover off a potentially deeper target.

Bucklands North Target

The Bucklands IP target is located 1.8km north of the Woodlawn pit and returned a broad, deep chargeability anomaly. Previous drilling to the NE here had intersected weak base metal mineralisation in 3 holes. CHDD003 (final depth 700m), was drilled into the Buckland's North prospect and intersected a distinct zone of pyrite-pyrrhotite alteration and quartz veining from 514m to 580m, with a stronger zone between 564m to 569m intercepted. The alteration and veining intersected indicate a potential "near miss" of a mineralised zone and DHEM and further drilling may be undertaken.

Bucklands Target

The Bucklands IP target is located 450m NW of the Woodlawn Pit and returned both a chargeability and conductivity anomaly offset from each other by about 100m. Both anomalies were in an area of little previous drilling to the depth of the anomalies (200 – 350m below surface).

The first DDH here (WNDD0152, final depth 580m) tested the deeper chargeability anomaly and intersected a zone of weakly sulfidic shales of the De Drack Formation which may be the cause of the chargeability anomaly. WNDD00152 intersected Woodlawn-style silica, sulphide, sericite alteration with best intersection from fine sphalerite stringers of 0.5m @ 2.5% Zn from 29m. Down hole EM (DHEM) surveys will be completed on this hole as it provides an important stratigraphic test of the Woodlawn footwall sequence where massive sulphides may have been remobilised into during regional deformation.

The second DDH here (WNDD0153, final depth 307m), and located 50m west of WNDD0151, tested the conductivity anomaly and intersected a strong to intensely atered zone of typical Woodlawn silica, sulphide, sericite development from 5m to 31m depth. The hole was continued to its final depth to fully test the zone. Surface infrastructure is likely to have influenced the interpreted positioning of the modelled IP anomaly, which may be related to this zone of alteration / mineralisation to the west and can be better positioned now with DHEM methods.

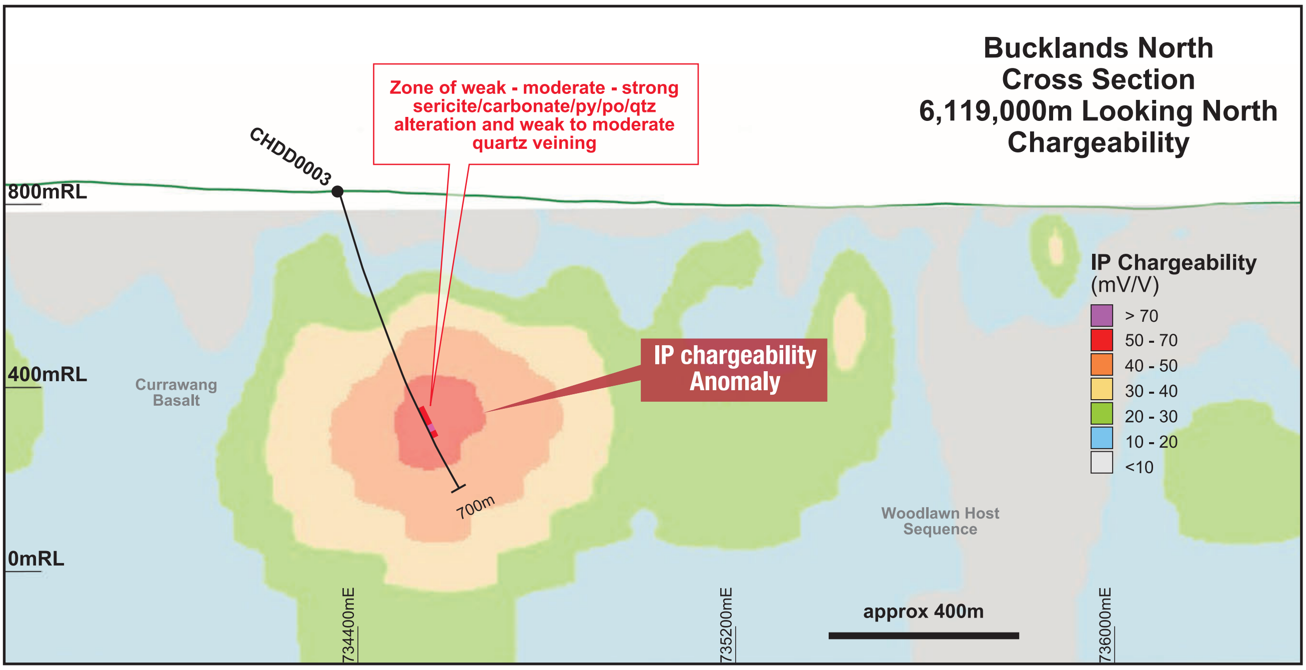


Figure 13: Bucklands North target, cross section looking north showing chargeability anomaly and drill hole testing the anomalous zone.

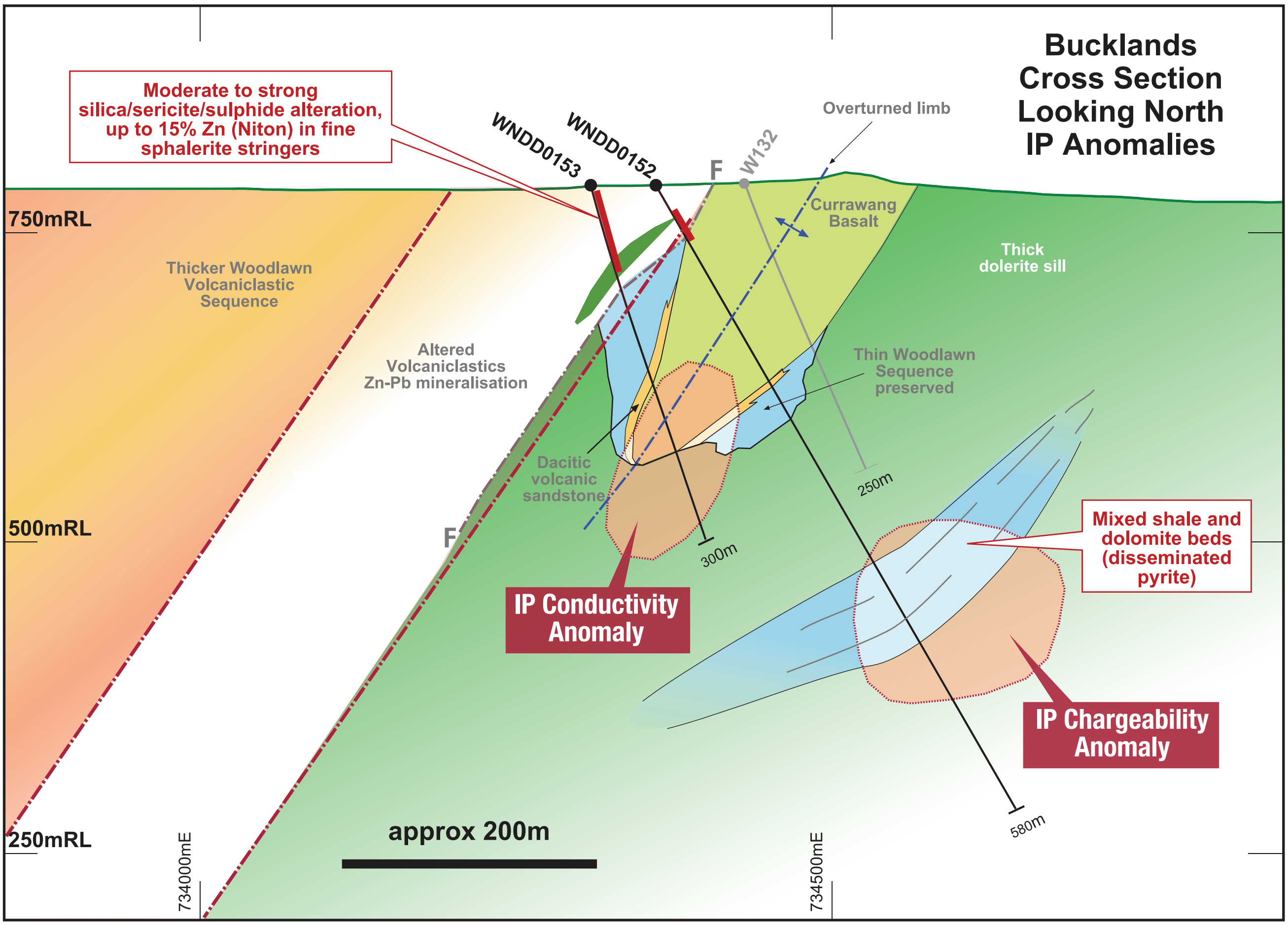


Figure 14: Bucklands target, cross section looking north showing chargeability and conductivity anomaly and drill holes testing the anomalous zone. The shale/dolomite beds with disseminated sulphides to the east explain the chargeability anomaly. The target zone to the west is a high priority target. Both recent holes will be surveyed with DHEM.

Montrose Moving Loop EM Survey and Exploration Drilling Programme

The Montrose prospect is located 6.5km NW of Woodlawn, straddling the contact between the Woodlawn Volcanics and the Currawang basalts. A total of 16 drill holes for 3,848m have been drilled here by CRA and Denehurst between 1986 and 1995 with a best result of 5.3m @ 4.9% ZnEq from 145m (4% Zn, 0.13% Cu, 0.12% Pb, 15g/t Ag). The majority of the drilling was focused on a single 100m section with little attention given elsewhere. Re-modelling of surface moving loop EM and down-hole EM at Montrose identified several conductors along a 700m zone. The geophysical responses were complex but pointed to a potentially deeper sulphide body at depth that had not been drilled.

A modern, high-powered Moving Loop EM Survey (MLEM) was undertaken east and west of the Montrose prospect to reliably develop the drill targets over the subtle EM responses identified. Four anomalies were confirmed and tested with an RC drilling programme.

Four Reverse Circulation (RC) drill holes for 981m (MNRC001 to MNRC004) were completed at the Montrose prospect that targeted four separate EM anomalies. All holes intersected weak to moderate disseminated pyrite and pyrrhotite mineralisation within either the Currawang Basalt or the underlying Woodlawn Volcanics.

The first two holes (MNRC001 and MNRC002) contained pyrrhotite with little to no base metal sulphides, with the pyrrhotite content being sufficient to explain the EM anomalies. The final two drill holes intersected chalcopyrite associated with the pyrrhotite and should return weak copper results.

Hole MNRC004, at the south end of the Montrose trend had a 20m zone from 246m of relatively strong disseminated pyrite / pyrrhotite and chalcopyrite mineralisation within a basalt unit. Such zones of sulphide mineralisation are often proximal to massive sulphide lenses and more work is warranted here – with downhole EM of this hole being planned for the next year.

Figure 15: Drilling operation at the Montrose Prospect December 2018

Exploration Joint Venture Projects

Sky Metals Farm-In (Kangiara EL 8400, Rosevale EL 8573 and Cullarin EL7954)

In October 2019 Heron entered into an Agreement with Sky Metals Limited whereby Sky will earn into Heron's non-core assets being the Cullarin (EL 7954), Kangiara (EL 8400) and Rosevale (EL 8573) projects. Sky will spend $400,000 in the first year and a total of $2.0 million over 3 years to earn an 80% interest. Heron will then be free carried at 80% until a definitive feasibility study (DFS) is completed or $10 million of total expenditure is reached. Heron receives 10 million Sky options at a strike price of 15c and exercisable when Sky proceeds to $2m farm-in stage.

Alchemy Farm-In and JV (Overflow, Girilambone, Eurow, Yellow Mountain, Nyngan and Barraba)

Heron entered into a Farm-In Agreement with Alchemy Resources Limited (Alchemy) (ASX: ALY) covering a portfolio of Heron's NSW exploration tenements in May 2016. The Farm-In Agreement covers 1,059 km^2 of the central Lachlan Orogen in NSW. An Option Agreement was also finalised in March 2018 with the addition of two tenements into the existing Alchemy JV for 10 million ALY shares (2.3c) and 10 million ALY options (strike at 5c).

During the year Alchemy earnt a 51% interest in the JV tenements after spending $1 million and are proceeding to earn 80% by spending an additional $1 million by April 2021.

Alchemy has focused its exploration on the Nyngan (Ni-Co) deposit and the Overflow projects. At Nyngan Alchemy announced a maiden 2012 JORC Compliant Mineral Resource Estimate at the West Lynn Ni-Co-Al Project near Nyngan of: 21.3Mt @ 0.84% Ni, 0.05% Co, 2.4% Al and 20.0% Fe (ASX:ALY, 21 Feb 2019). This resource was defined from a 3 phase drilling campaign completed in 2018 and comprising 178 holes for 8,646m. The Ni-Co mineralisation is flat lying and associated with variably lateritic clay, saprolite and weathered serpentinite units. Mineralisation remains open along and across strike with potential to expand this resource.

At the Overflow Project, following clearance of Native Title and establishment of a Land Access Agreement, a Moving Loop EM Survey (MLEM) with two DDH drilled into anomalies (OFDD001 and OFDD002). A broad zone of weak to moderate mineralisation was intersected in OFDD001 including: 14m @ 0.4g/t Au, 0.4% Zn from 368m (incl. 1m @ 2.1g/t Au, 12g/t Ag, 2.0% Zn, 1.0% Pb, 0.19% Cu from 379m). The results have helped define the known extent of mineralisation at Overflow and confirmed an increase in copper mineralisation with depth. A Down-Hole Electro-Magnetic survey (DHEM) is planned on OFDD002 to test for significant off-hole conductors and potential high-grade mineralisation at depth.

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 2019.

BOARD

The names of the Directors of the Company during the period and at 30 June 2019 were:

Stephen Dennis

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

Borden Putnam III

Fiona Robertson

Mark Sawyer

Peter Rozenauers

Ricardo de Armas

Ian Pattison

There were six meetings of directors held during the period with all directors (or their alternates) appointed attending each of the meetings they were eligible to attend.

Director	Board of Directors' meetings		Audit and Governance Committee meetings		Remuneration and Nomination Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Executive						
W Taylor	**6**	**6**				
Non-executive						
S Dennis	**6**	**6**	**3**	**3**	**1**	**1**
F Robertson	**6**	**6**	**3**	**3**	**1**	**1**
B Putnam	**6**	**6**	**3**	**3**	**1**	**1**
M Sawyer	**6**	**6**	-	-	-	-
P Rozenauers	**6**	**6**	-	-	-	-
R De Armas	**6**	**6**	-	-	-	-
I Pattison	**6**	**6**	-	-	**1**	**1**

(BOLD GREEN) **Current Chairman**
(BOLD) **Current 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).

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, Board member 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

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

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

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 Director and Chair of the Audit & Risk Committee of Drillsearch Energy Ltd;
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 co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. 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 for Xstrata. Prior to Xstrata, Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc. Mr Sawyer is a solicitor and 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

None.

Former directorships in last 3 years

None.

Director Peter Rozenauers BME (Hons I), MAppFin, MAusIMM

Appointed 22 September 2017

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 Operating Officer (ceased employment on 27 September 2019)

The Chief Operating Officer (COO) is Andrew Lawry B App Sc (Metallurgy),); F AusIMM. Mr Lawry brings more than 28 years' experience in project management, engineering, construction, commissioning and operations, both in Australia and overseas. He has worked for several leading resource companies including Polymetals, Newcrest and engineering firms Bateman, Normet and Q-Proc. Notably, Mr Lawry managed, from construction through to operation, the successful retreatment of the Hellyer base metal tailings project in 2006 in western Tasmania. With this experience he is well qualified to lead the successful development of the Woodlawn Project which comprises the retreatment of tailings in combination with the development of an underground mine.

General Manager – Finance and Administration and Company Secretary

The GM - Finance and Company Secretary is Simon Smith B.Bus CA. 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.

General Manager - Exploration and Geology

The Exploration Manager, David von Perger BSc (Hons) MAusIMM was appointed to this position in February 2006. Mr von Perger is a geologist with some 25 years' experience in mineral exploration having worked in several locations around Australia. Mr von Perger has worked on various styles of mineral deposits including Archaean gold and nickel, and Proterozoic base-metals and iron-ore. His experience includes four years as a business analyst for a major mining group involving analysis of mining operations, project development and assessment of new opportunities. Since his appointment with Heron in February 2006, Mr von Perger has been responsible for the identification and acquisition of several new nickel, gold, iron-ore and base-metal projects.

General Manager - Strategy & Business Development

Charlie Kempson MEng (Oxon), MBA, GAICD is a senior corporate finance executive who was most recently an equity partner and Director of Azure Capital Limited, a mining focused leading independent Perth-based corporate advisor, where he worked for nine years advising boards and senior executives across a range of industries including mining, oil & gas and related services on business development, corporate strategy, finance, and mergers and acquisitions. Prior to his arrival in Australia in 2002 Mr Kempson spent five years with investment banks Commerzbank AG and Barclays Capital in London and Germany, and four years working in technical roles for Logica (now part of CGI Group).

General Manager – Woodlawn

Brian Hearne is the General Manager of Woodlawn Mine. He is a mining professional who has worked in the industry since 1978. He started his career in mineral processing plants, firstly at Woodlawn. Brian has managed mineral processing plants, smelters and mines both in Australia and overseas. The major achievements at all the operations he was involved in was improved safety statistics and lower operating costs.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the year was the construction of the Woodlawn Mine.

OPERATING RESULTS

The loss of the consolidated entity for the 2019 financial year after income tax of nil (2018: nil) was $40,763,352 (2018: $5,819,116).

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 2019

As a consequence of completion of plant construction running seven months behind schedule, the Company will require additional working capital to bridge the delay in achieving full production.

As noted in the Company's ASX release dated 30 August 2019, the Company is engaged with its major shareholders and senior debt provider with the objective of finalising a finance package which will address the Company's working capital requirements, provide the additional funding necessary to complete commercialisation of Woodlawn and defer payments otherwise due under the senior debt and silver stream arrangements. As noted in the announcement, the senior debt provider agreed to a standstill arrangement until 27 September 2019 and this standstill letter was subsequently extended until 11 October 2019 in order to allow for finalisation of the finance package. As at the date of this report, the negotiations with the major shareholders and senior debt provider are well advanced and the Group expects to make an announcement on a finance package in early October 2019.

On 1 February 2019 and 1 March 2019, the Company received progress claims from Sedgman for costs of $53M in excess of their Guaranteed Maximum Price EPC contract. Discussions between the Company and Sedgman have been ongoing through to the date of this report. Negotiations are now in their final stages and the Company expects a final resolution of all claims from Sedgman and counter claims from Heron to be concluded in October 2019. As at 30 June 2019 the Company's best estimate of the cost to fully settle the claim and all counter claims was $15M and accordingly a provision for this amount was recorded.

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 2018 Annual General Meeting (AGM), shareholders voted 95.1% in favour of the Remuneration Report.

Changes to remuneration framework for FY2019

There were no changes to the remuneration framework during FY2019.

Non-executive Directors fees

The Directors fees paid to individual Non-executive Directors changed during FY 2019, whereby the Company began to remunerate Non-executive Directors who sit on the Audit and Governance Committee and the Remuneration and Nomination Committee to reflect the additional workload involved.

1 Introduction

This Remuneration Report forms part of the Directors Report.

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 FY2019 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 FY2019

This report details the remuneration during FY2019 of:

Name	Role held during FY2019	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	Non-executive Director	Member of the Remuneration and Nomination Committee Member of the Audit and Governance Committee
Fiona Robertson	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	Non-executive Director	None
Ian Pattison	Non-executive Director	Member of the Remuneration and Nomination Committee

Executive KMP	Role held during FY2019
Wayne Taylor	Managing Director and CEO
Andrew Lawry	Chief Operating Officer
Simon Smith	General Manager, Finance & Administration and Company Secretary
David von Perger	General Manager, Exploration & Geology
Charlie Kempson	General Manager, Strategy & Business Development
Brian Hearne	General Manager, Woodlawn Mine

1.2 Summary of Company performance

The Remuneration and Nomination Committee is of the view that the Executive Key Management Personnel (Executive KMP) have continued to execute the Company's strategy and that remuneration outcomes for FY2019 are aligned to company performance. In FY2019, the Executive KMP have 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 in preparation of the commencement of production.
- Effective management of key stakeholder relationships including Veolia, government regulators and the community.
- Satisfaction of key conditions precedent for Senior Debt draw downs druring FY2019.

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')

	2019	**2018**	**2017**	**2016**	**2015**
Revenue ($m's)	Nil	Nil	Nil	Nil	Nil
Net Assets ($'000's)	$128,900	$168,882	$44,010	$55,084	$52,151
Profit/(loss) attributable to the group ($'000's)	($40,763)	($5,819)	($2,857)	($4,253)	($5,429)
Share price at year end (dollars per share) [(1) (2)]	$0.57	$0.63	$0.71	$1.22	$0.92
Basic EPS (cents per share) [(1)]	($0.169)	($0.028)	($0.006)	($0.0104)	($0.0162)
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.

The Remuneration and Nomination Committee comprises four Non-executive Directors as at 30 June 2019: Stephen Dennis (Chairman), Borden Putman III, Fiona Robertson, Ian Pattison and effective from 1 July 2019, Mark Sawyer. 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 FY2019.

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:

- to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its 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 FY2019 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 FY2019 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 FY2019 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	Benchmarked	20% -50%	30-50%
KMP - GM's	Benchmarked	20% - 50%	30-50%
Other Executives	Benchmarked	10% - 20%	20-30%
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 FY2019

This section describes in greater detail the different components of Executive KMP remuneration for FY2019.

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 FY2019

The terms of the STI that applied during FY2019 were.

Who participated	All Executive KMP.
What was the performance period?	The STI for FY2019 operated over a 12 month performance period from 1 July 2018 to 30 June 2019.
What was the target STI award?	In light of the Company's delays to the commencement of production, the Board has determined that no STI's will be paid to Executive KMP's in respect of FY2019.
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 FY2019 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 - Satisfaction of Conditions Precedent to draw down of the Senior Debt At the commencement of FY2019, the Board set Target KPIs, the achievement of which was expected to be critical to the success of the Company as it began construction at Woodlawn. The Remuneration and Nomination Committee and the Board assessed and approved the STI performance conditions applying to the CEO's STI award. The performance conditions for Other Executive KMP were assessed by the CEO and approved by the Board following the recommendation of the Remuneration and Nomination Committee. The weightings of each performance condition are set out in the following table.

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

What performance level was achieved?

A snapshot of the performance levels achieved for FY2019 is set out below:

Performance condition[1]	Actual (1)	Outcome
Safety & Environment	50% of target achieved	Below target
Woodlawn project KPI's	41% of target achieved	Below target
Corporate KPI's	75% of target achieved	On target – below stretch
Individual KPI's	43-75% of target achieved	On target – below stretch

(1) The actual achievement of the target is a representative sample for Individual KPI's across the KMP Executive team

3.4 LTI awards and structure for FY2019

The performance rights granted relate to LTI's granted for FY2018 that were granted on 1 July 2018. There was no award of an LTI for FY2019 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 FY2019.

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 FY2019.

Executive KMP	TFR(1)	STI paid	LTI awarded at fair value of award	Other(2)	Total Remuneration
Wayne Taylor	$477,480	-	-	-	$477,480
Andrew Lawry	$387,630	-	-	-	$387,630
Simon Smith	$332,333	-	-	-	$332,333
David von Perger	$316,455	-	-	$1,336	$317,791
Charlie Kempson	$332,333	-	-	-	$332,333
Brian Hearne	$320,288	-	-	$16,791	$337,079

(1) Fixed remuneration comprises base salary and superannuation.

(2) Other includes housing, parking, motor vehicle benefits and other similar items.

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).

Managing Director

Wayne Taylor was appointed as Managing Director and CEO of the Company on 11 August 2014 and ceased employment on 18 September 2019.

Fixed remuneration	Mr Taylor's annual TFR for FY2019 is $477,480. It includes salary and superannuation (@15% of Base Salary). TFR is reviewed annually.
Short term incentive	Mr Taylor is eligible to participate in the annual STI plan as described in Section 3.4. At Target performance, his FY2019 STI opportunity is 50% of TFR with up to 100% for FY2019 stretch performance.
Long term incentive	Mr Taylor is eligible to participate in the LTI plan as described in section 3.5 and subject to receiving required or appropriate shareholder approval. Subject to recommendation by the Remuneration Committee and approval by the Board and shareholders, Mr Taylors LTI grant for FY2019 will be between 50-75% of TFR.
Other key terms	Other key items of Mr Taylor's service agreement include the following; His employment is ongoing subject to 6 months' notice of term by either party.

Other Executive KMP contracts

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

Mr Andrew Lawry was appointed COO of the Company on 22 June 2015 and ceased employment on 27 September 2019.

All of the contracts below are of ongoing duration.

Name and position (at year end)	Fixed Remuneration (Base salary + SGC)	STI Participation	LTI Participation	Notice
Simon Smith General Manager, Finance & Administration/ 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. At Target performance, his FY2020 STI opportunity is 20% of TFR with up to 50% for FY2020 stretch performance.	Mr Smith is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr Smith's LTI grant for FY2020 will between 30-50% of TFR	3 months by either party
David von Perger General Manager, Exploration & Geology Appointed February 2004	$316,455. TFR is reviewed annually.	Mr von Perger is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2020 STI opportunity is 20% of TFR with up to 50% for FY2020 stretch performance.	Mr von Perger is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr von Perger's LTI grant for FY2020 will between 30-50% of TFR	3 months by either party
Charlie Kempson General Manager, Strategy & Business Development Appointed March 2013	$332,333. TFR is reviewed annually.	Mr Kempson is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2020 STI opportunity is 20% of TFR with up to 50% for FY2020 stretch performance.	Mr Kempson is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr Kempson's LTI grant for FY2020 will between 30-50% of TFR	3 months by either party plus 6 months if his role is made redundant
Brian Hearne General Manager, Woodlawn Mine Appointed 4 October 2016	$377,775. TFR is reviewed annually	Mr Hearne is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2020 STI opportunity is 20% of TFR with up to 50% for FY2020 stretch performance.	Mr Hearne is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr Hearne's LTI grant for FY2020 will between 30-50% of TFR	3 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	Non Monetary benefits	Super-annuation benefits	STI	Share-based Payments Rights & Options[1]	Total Remuneration	Perfo-mance related
							$	%
Managing Director & CEO								
Wayne Taylor [2]	2018	400,000	-	64,950	33,000	94,200	592,150	5.5
	2019	415,200	-	62,280	-	162,287	639,767	-
Other Executive KMP								
Andrew Lawry [3]	2018	340,000	-	34,913	27,500	48,882	451,295	6.1
	2019	354,000	-	33,250	-	110,606	497,856	-
Simon Smith	2018	292,500	-	30,638	30,000	44,658	397,796	7.5
	2019	305,903	-	26,430	-	95,920	428,253	-
David von Perger	2018	280,000	7,449	28,500	20,000	43,074	379,023	5.2
	2019	286,351	1,336	26,047	-	85,271	399,005	-
Charlie Kempson	2018	292,500	-	30,400	27,500	44,658	395,058	6.9
	2019	305,903	-	26,430	-	95,920	428,253	-
Brian Hearne	2018	280,000	-	28,263	17,500	45,519	371,282	4.7
	2019	289,819	16,791	26,363	-	105,970	438,943	-
Total	2018	1,885,000	7,449	217,664	155,500	320,991	2,586,604	6
	2019	1,957,176	18,127	200,800	-	655,974	2,345,142	-

(1) The Statutory Remuneration disclosure includes the accounting value of share based payments. Accounting Standards require share based payments to be amortised 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.

(2) Ceased employment on 18 September 2019

(3) Ceased employment on 27 September 2019

5.2 LTI awards made in FY2019

There were no awards of LTI's made for FY2019. The summary below represents LTI's granted for the FY2018 that were granted to KMP's on 1 July 2018.

Executive KMP	Number of performance rights granted	Fair value of performance rights at grant	Performance Hurdle	Fair Value per right at grant date [1]	Latest Vesting Date
Wayne Taylor [2]	480,000	$216,000	TSR	$0.45	30 June 2021
Andrew Lawry [3]	291,667	$131,250	TSR	$0.45	30 June 2021
Simon Smith	250,000	$112,500	TSR	$0.45	30 June 2021
David von Perger	200,000	$90,000	TSR	$0.45	30 June 2021
Charlie Kempson	250,000	$112,500	TSR	$0.45	30 June 2021
Brian Hearne	200,000	$90,000	TSR	$0.45	30 June 2021

(1) The fair value for awards granted to the Executive KMP is based on their fair value at 1 July 2018 being the grant date. The share price at that date was $0.45 per share.

(2) Ceased employment on 18 September 2019

(3) Ceased employment on 27 September 2019

6. Non-executive Director remuneration

This section explains the fees paid to Non-executive Directors during FY2019.

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 Committee	$8,500	$5,000
Audit 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 30), 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	2018	90,000	-	23,159	8,550	121,709
	2019	103,500	-	26,777	9,833	140,110
Borden Putnam III	2018	76,650	-	20,250	-	96,900
	2019	86,650	-	21,567	-	108,217
Fiona Robertson	2018	70,000	-	20,250	6,650	96,900
	2019	85,000	-	21,567	8,075	114,642
Mark Sawyer	2018	76,650	-	20,250	-	96,900
	2019	76,650	-	21,567	-	98,217
Ricardo de Armas(1)	2018	57,487	-	9,503	-	66,990
	2019	76,650	-	18,757	-	95,407
Peter Rozenauers(1)	2018	42,075	-	9,503		51,578
	2019	76,650	-	18,757		95,407
Ian Pattison(1)	2018	44,713	-	-		44,713
	2019	81,650	-	9,369	-	91,019
Total	2018	457,575	-	102,915	15,200	575,690
	2019	586,750		138,361	17,908	743,019

(1) Ricardo de Armas and Peter Rozenauers were appointed to the Board on 22 September 2017; Ian Pattison was appointed to the Board on 29 November 2017.

LTI awards made in FY2019

There was no award of LTI's to Non-Executive Directors during FY2019.

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 18 (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 19 (number)**	**Vested & exercisable at 30 Jun 19**
		(A)	**(B) $**			**$**				
Wayne Taylor (1)										
Performance Rights (LTI)	485,000	480,000	216,000	-	-	-	-	-	965,000	-
Options (LTI)	485,836	-	-	-	-	-	(85,836)	2014	400,000	133,334
Andrew Lawry (2)										
Performance Rights (LTI)	295,000	291,667	131,250	-	-	-	-	-	586,667	-
Options (LTI)	165,000	-	-	-	-	-	-	-	165,000	55,000
Simon Smith										
Performance Rights (LTI)	255,000	250,000	112,500	-	-	-	-	-	505,000	-
Options (LTI)	165,000	-	-	-	-	-	-	-	165,000	55,000
David von Perger										
Performance Rights (LTI)	240,000	200,000	90,000	-	-	-	-	-	440,000	-
Options (LTI)	165,000	-	-	-	-	-	-	-	165,000	55,000
Charlie Kempson										
Performance Rights (LTI)	255,000	250,000	112,500	-	-	-	-	-	505,000	-
Options (LTI)	165,000	-	-	-	-	-	-	-	165,000	55,000
Brian Hearne										
Performance Rights (LTI)	245,000	200,000	90,000	-	-	-	-	-	445,000	-
Options (LTI)	165,000	-	-	-	-	-	-	-	165,000	-

(A) The number of rights granted during FY2019 includes the FY2018 LTI awards granted on 1 July 2018. There were no award of LTI for the FY2019 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

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 18 (number)**	**Granted (number)**	**Granted (value)**	**Vested during the year (number)**	**Exercised (number)**	**Exercised (value)**	**Lapsed (number)**	**Lapsed (year of grant)**	**Balance as at 30 Jun19 (number)**	**Vested & exercisable at 30 Jun 19**
		(A)	**(B) $**			**$**				
Stephen Dennis										
Performance Rights (LTI)	115,000	-		-	-	-	-	-	115,000	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Fiona Robertson										
Performance Rights (LTI)	90,000	-		-	-	-	-	-	90,000	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Borden Putnam										
Performance Rights (LTI)	90,000	-		-	-	-	-	-	90,000	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Mark Sawyer										
Performance Rights (LTI)	90,000	-		-	-	-	-	-	90,000	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Ricardo De Armas										
Performance Rights (LTI)	90,000	-		-	-	-	-	-	90,000	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Peter Rozenauers										
Performance Rights (LTI)	90,000	-		-	-	-	-	-	90,000	-
Options (LTI)	100,000	-	-	-	-	-	-	-	100,000	33,333
Ian Pattison										
Performance Rights (LTI)	-	90,000	40,500	-	-	-	-	-	90,000	-
Options (LTI)	-	-	-	-	-	-	-	-	-	-

(A) The number of rights granted during FY2019 includes the FY2018 LTI awards granted on 1 July 2018. There were no award of LTI for the FY2019 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.

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 2018	Received on vesting and excersice of LTI	Received as remuneration	Other net change	Held at 30 June 2019
DIRECTORS					
Stephen Dennis	179,429	-	-	-	179,429
Wayne Taylor	250,740	-	-	22,000	272,740
Borden Putnam II	-	-	-	-	-
Fiona Robertson	71,429	-	-	-	71,429
Mark Sawyer	-	-	-	-	-
Ricardo de Armas	-	-	-	-	-
Peter Rozenauers	-	-	-	-	-
Ian Pattison	51,429	-	-	-	51,429
EXECUTIVE					
Andrew Lawry	17,000	-	-	1,429	18,429
Simon Smith	60,000	-	-	-	60,000
David von Perger	60,814	-	--	-	60,814
Charlie Kempson	485,130	-	-	-	485,130
Brian Hearne	-	-	-	-	-

EMPLOYEE DIVERSITY

Women currently represent 23% of employees in the Company as a whole. There is currently one woman 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 wilful 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.

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
Sydney, 30 September 2019

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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 2019, 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 Jarrett
Partner
Sydney
30 September 2019

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30 JUNE 2019 $'000	30 JUNE 2018 $'000
OTHER INCOME	3	1,186	3,635
Administrative expenses		(469)	(57)
Professional services and consultants		(843)	(372)
Depreciation and amortisation expense	4a	(170)	(55)
Directors fees		(581)	(488)
Employee benefits expense		(1,778)	(1,204)
Equity settled share based payments	20	(781)	(587)
Exploration expenditure expensed		(1,431)	(1,011)
General expenses from ordinary activities	4b	(1,105)	(2,025)
Interest expense		-	(227)
Hedge financing costs		-	(776)
Finance expense amortised		(795)	(507)
Fair value and other loss on financial instruments		(10,776)	(1,018)
Unrealised fair value (loss) / gain on equity instruments	10	(4,182)	561
Unrealised foreign exchange loss		(4,038)	(1,688)
Sedgman settlement provision	14	(15,000)	-
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(40,763)	(5,819)
INCOME TAX EXPENSE	5	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(40,763)	(5,819)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(40,763)	(5,819)
		$	**$**
Basic earnings per Share	6	(0.169)	(0.028)
Diluted earnings per Share	6	(0.169)	(0.028)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	30 JUNE 2019 $'000	30 JUNE 2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	31,465	65,532
Trade and other receivables	12	1,043	1,777
Inventories	11	2,355	-
Financial assets - equity instruments	10	1,587	-
Other assets	13	499	795
TOTAL CURRENT ASSETS		36,949	68,104
NON-CURRENT ASSETS			
Restricted cash	7	7,777	8,777
Other assets	13	125	35
Financial assets - equity instruments	10	132	5,901
Property, plant and equipment	8	11,962	647
Mine property	9	242,849	156,517
TOTAL NON-CURRENT ASSETS		262,845	171,877
TOTAL ASSETS		299,794	239,981
CURRENT LIABILITIES			
Trade and other payables	15	6,060	7,002
Borrowings	17	126,330	-
Provisions	14	15,786	547
TOTAL CURRENT LIABILITIES		148,176	7,549
NON-CURRENT LIABILITIES			
Borrowings	17	6,580	47,607
Provisions	14	16,138	15,943
TOTAL NON-CURRENT LIABILITIES		22,718	63,550
TOTAL LIABILITIES		170,894	71,099
NET ASSETS		128,900	168,882
EQUITY			
Contributed equity	19	259,742	259,742
Option reserve	20	2,857	2,076
Accumulated losses	20	(133,699)	(92,936)
TOTAL EQUITY		128,900	168,882

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

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30 JUNE 2019 $'000	30 JUNE 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,184	1,174
Payments to suppliers		(6,698)	(7,774)
Exploration and development expenditure – expensed		(1,431)	(1,011)
NET CASH USED IN OPERATING ACTIVITIES		(6,945)	(7,611)
CASH FLOWS FROM INVESTING ACTIVITIES			
Woodlawn Mine – asset under construction		(80,623)	(112,038)
Refund / (payment) of bond and bank guarantees		1,000	(8,577)
Proceeds from sale of investments		-	2,584
Payments for plant and equipment		(2,748)	(663)
Payments for foreign currency hedge transaction		(6)	(776)
Proceeds from research and development refund		1,796	1,839
NET CASH USED IN INVESTING ACTIVITIES		(80,581)	(117,631)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity raising		-	140,115
Payments for capital raising costs		-	(4,623)
Realised foreign exchange loss – Woodlawn equity raising		-	(4,956)
Proceeds from silver stream		-	21,648
Proceeds from drawdown of senior debt		53,587	27,060
NET CASH PROVIDED BY FINANCING ACTIVITIES		53,587	179,244
NET INCREASE / (DECREASE) IN CASH HELD		(33,939)	54,002
Cash at the beginning of the reporting period		65,532	11,690
Foreign exchange (gain) / loss on translation - unrealised		(128)	(160)
CASH AT THE END OF THE REPORTING PERIOD		31,465	65,532

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Issued Capital $'000	Accumulated Losses $'000	Option Reserve $'000	Total $'000
As at 30 June 2018		259,742	(92,936)	2,076	168,882
Total comprehensive income for the period after tax		-	(40,763)	-	-
Cost of share based payments	20	-	-	965	-
Option reserve write back	20	-	-	(184)	-
As at 30 June 2019		259,742	(133,699)	2,857	168,882
As at 30 June 2017		129,638	(87,117)	1,489	44,010
Total comprehensive income for the period after tax		-	(5,819)	-	(5,819)
Issue of share capital	19	140,115	-	-	140,115
Share issue costs	19	(5,055)	-	-	(5,055)
Realised foreign exchange loss	19	(4,956)	-	-	(4,956)
Cost of share based payments	20	-	-	646	646
Option reserve write back	20	-	-	(59)	(59)
As at 30 June 2018		259,742	(92,936)	2,076	168,882

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 2019

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Corporate Information

Heron Resources Limited is a company 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 financial report of Heron Resources Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 30 September 2019.

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 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

Under the senior debt and silver stream lending arrangements the Group must maintain a minimum forecast cash balance of not less than $15m. Due to the extent of the delays in commissioning Woodlawn, the Group identified that the aforementioned covenant was not met when preparing the cash flow forecast as at 30 June 2019. As a result, all amounts owing under the senior debt and silver stream lending arrangements have been classified as current liabilities as at 30 June 2019. This indicates a material uncertainty related to the Group's ability to continue as a going concern.

As noted in the Company's ASX release dated 30 August 2019, the Company is engaged with its major shareholders and senior debt provider with the objective of finalising a finance package which will address the Company's working capital requirements, provide the additional funding necessary to complete commercialisation of Woodlawn and defer payments otherwise due under the senior debt and silver stream arrangements. As noted in the announcement, the senior debt provider agreed to a standstill arrangement until 27 September 2019 and this standstill letter was subsequently extended until 11 October 2019 in order to allow for finalisation of the finance package. As at the date of this report, the negotiations with the major shareholders and senior debt provider are well advanced and the Group expects to make an announcement on a finance package in early October 2019.

As a result of the advanced stage of negotiations on the finance package and the expectation that it will be finalised under the terms currently being contemplated, the Directors are of the opinion that the Group can continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

New and Amended Standards and Interpretations

The Group has adopted the following new and amended AASB Standards and AASB Interpretations from 1 July 2018. The change in accounting policies were assessed to have no material impact on the Group. Several other amendments and interpretations apply for the first time from 1 July 2018, but do not have an impact on the consolidated financial statements of the Group.

AASB 15	Revenue from Contracts with Customers
AASB 9	Financial Instruments
AASB Interpretation 22	Foreign Currency Transactions and Advanced Consideration

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 21.

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 an 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.

Revenue recognition

Revenue is recognised when control of the promised goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Commodity concentrate sales

The Group currently does not yet generate any revenue from commodity concentrate sales.

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.

Trade and other receivables

Receivables to be settled within 30 - 120 days are carried at amounts due. The collectability of debts is assessed at the reporting date and specific allowance is made for any expected credit losses.

Inventories

Store stock and consumables are valued at the lower of cost and net realisable value. Regular reviews are undertaken to establish whether any items are obsolete or damaged, and if so their carrying value is written down to net realisable value.

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 mine 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 2019.

Impairment test

The Group has assessed the Woodlawn mine 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 mine. As a result of the analysis, the Group has assessed that there is no impairment to the Woodlawn mine project assets.

Key assumptions used in the value in use model and sensitivity to changes in assumptions

The calculation of value in use is most sensitive to the following assumptions

- Zinc, Lead, Copper, Silver and Gold metal prices – these have been derived from market pricing. A 5% decrease would result in an impairment of $14.3 million.
- US dollar to Australian dollar foreign exchange rate – this has been derived from market exchange rates. A 5% unfavourable change would result in an impairment of $13.9 million.

- Discount rate – this has been derived from the weighted average cost of capital. A 1% increase in the discount rate would not result in impairment.

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. Significant judgement is required in determining the achievement of non-market conditions.

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.

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.

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.

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.

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 9. Mine property
- Note 14. Provisions
- Note 17. Borrowings
- Note 20. 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 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 2019 $'000	30 June 2018 $'000
NOTE 3. OTHER INCOME		
Interest received	1,140	1,410
Proceeds from exercise of Alchemy / Siberia agreement	-	170
Gain from sale of listed investments	-	1,979
Sundry income	46	76
	1,186	3,635

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 2019 $'000	30 June 2018 $'000
4a	Depreciation of:		
	Plant and equipment	33	27
	Motor vehicles	137	28
		170	55
4b	Rental expense	125	167
	Listing expense	83	187
	Investor relations	154	319
	Information technology	33	168
	Other expense	710	1,184
		1,105	2,025

NOTE 5. INCOME TAX EXPENSE

		30 June 2019 $'000	30 June 2018 $'000
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.

		30 June 2019 $'000	30 June 2018 $'000
5B	Numerical reconciliation of income tax expense to prima face tax payable is as follows		
	Loss from operations before income tax expense	(40,763)	(5,819)
	Tax at Australian tax rate of 27.5%	(11,210)	(1,600)
	Tax effect of non-temporary differences	1,232	(584)
	Tax effect of equity raising costs debited to equity	(286)	(286)
	Over or under provision from previous years	-	-
	Tax effect of tax losses and temporary differences not recognised	10,264	2,470
	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.

		30 June 2019 $'000	30 June 2018 $'000
5D	Tax Losses		
	Unused tax losses for which no tax loss has been booked as a DTA adjusted for non temp differences	131,753	123,058
	Potential benefit at 27.5%	36,232	33,841

NOTE 6. EARNINGS PER SHARE

	30 June 2019 $'000	30 June 2018 $'000
Basic earnings per Share (dollars per share)	(0.169)	(0.028)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	241,666,912	205,191,724
Diluted earnings per Share (dollars per share)	(0.169)	(0.028)
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	241,666,912	205,191,724
Earnings profit/(loss) used in calculating basic and diluted earnings profit/(loss) per share	(40,763)	(5,819)

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 2019 $'000	30 June 2018 $'000
a)	Reconciliation of loss after income tax to the net cash flows from operations:		
	Operating loss after income tax	(40,763)	(5,819)
	Adjustments to reconcile loss after income tax to net operating cash flows		
	Depreciation and amortisation expense	170	55
	Finance expense amortised	795	507
	Equity settled share based payments	781	587
	Exploration and evaluation costs expensed	-	1,011
	Unrealised foreign exchange loss	4,038	1,688
	Unrealised fair value loss on financial instruments	10,776	1,018
	Unrealised fair value (loss) / gain on equity instruments	4,182	(561)
	Sedgman settlement provision	15,000	-
	Changes in Assets and Liabilities		
	Decrease / (increase) in Other receivables and Other assets	1,029	(1,749)
	(Increase) / decrease in Inventories	(2,355)	-
	Increase / (decrease) in Trade and other payables	(942)	(4,348)
	Increase / (decrease) in Provisions	434	-
		(6,945)	(7,611)
b)	Reconciliation of Cash		
	Cash on hand	15,465	15,532
	Deposit at call [1]	16,000	50,000
	Closing cash balance	31,465	65,532
c)	Restricted cash [2]		
	Environmental bond	3,577	3,577
	Bank Guarantee - Veolia [3]	4,000	5,000
	Westpac corporate credit card bond	200	200
		7,777	8,777

Cash

(1) Deposit at call are Term Deposits of range between 1 to 3 months. The yield on the Term Deposits during the year ranges between 1.5% to 2.73%.
(2) Restricted cash is classified as non current and relates to cash held in deposits as security.
(3) During the financial year $1M of the Bank Guarantees required under the Veolia Cooperation Deed was returned to the Group.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

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 [1]	11,492	667	12,159
Disposals	-	-	-
Depreciation expense	(33)	(137)	(170)
Closing carrying value	11,688	948	12,636

30 June 2018	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost	1,483	662	2,145
Accumulated depreciation	(1,254)	(244)	(1,498)
	229	418	647
Reconciliation			
Opening carrying value	26	13	39
Additions	230	433	663
Disposals	-	-	-
Depreciation expense	(27)	(28)	(55)
Closing carrying value	229	418	647

(1) The Group entered into finance leases arrangements for the purchase of Plant and equipment and Motor vehicles during FY 2019.

NOTE 9. MINE PROPERTY

30 June 2019	Mine under construction $'000	Rehabilitation asset $'000	Total $'000
Cost	227,098	15,751	242,849
	227,098	15,751	242,849
Reconciliation			
Opening carrying value	140,766	15,751	156,517
Additions [1]	86,332	-	86,332
Transfers	-	-	-
Amortisation	-	-	-
Closing carrying value	227,098	15,751	242,849

30 June 2018	Mine under construction $'000	Rehabilitation asset $'000	Total $'000
Cost	140,766	15,751	156,517
	140,766	15,751	156,517
Reconciliation			
Opening carrying value	26,434	-	26,434
Additions	115,854	15,751	131,605
Transfers	(1,522)	-	(1,522)
Amortisation	-	-	-
Closing carrying value	140,766	15,751	156,517

(1) Mine under construction includes non-cash capitalised interest of $6.7M during FY 2019.

NOTE 10. FINANCIAL ASSETS – EQUITY INSTRUMENTS

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

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. The underlying Ardea share price as at 30 June 2019 was $0.37 cents. The carrying value of the Group's investment in Ardea has been calculated using the Black Scholes valuation model and has been calculated at $0.15 cents per option. Refer to subsequent event note for details on sale of Ardea options in August and September 2019.

The options in Ardea expire in February 2020 and so have been classified as a Current asset.

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 2019 was $0.011 cents. The options have been valued at nil as at reporting date.

	30 June 2019 $'000	30 June 2018 $'000
CURRENT		
Ardea Resources Limited	1,587	-
	1,587	-
NON CURRENT		
Alchemy Resources Limited	132	180
Ardea Resources Limited	-	5,721
	132	5,901

NOTE 11. INVENTORIES

	30 June 2019 $'000	30 June 2018 $'000
CURRENT		
Store stock and consumables	2,355	-
	2,355	-

Store stock and consumables represents commissioning spares, chemical reagents, and other spare parts required at the Woodlawn mine. Store stock and consumables are valued at cost.

NOTE 12. TRADE AND OTHER RECEIVABLES

	30 June 2019 $'000	30 June 2018 $'000
CURRENT		
Accrued interest receivable	192	236
Goods & services tax receivable	777	1,488
Sundry debtors	74	53
	1,043	1,777

NOTE 13. OTHER ASSETS

	30 June 2019 $'000	30 June 2018 $'000
CURRENT		
Prepayments and other	499	795
	499	795
NON CURRENT		
Tenement bonds and other	125	35
	125	35

	30 June 2019 $'000	30 June 2018 $'000
NOTE 14. PROVISIONS		
CURRENT		
Employee entitlements	786	547
Sedgman settlement [1]	15,000	-
	15,786	547
NON CURRENT		
Employee entitlements	357	162
Rehabilitation provision [2]	15,781	15,781
	16,138	15,943

(1) Sedgman legal claim - On 1 February 2019 and 1 March 2019, the Company received progress claims from Sedgman for costs of $53M in excess of their Guaranteed Maximum Price EPC contract. Discussions between the Company and Sedgman have been ongoing through to the date of this report. Negotiations are now in their final stages and the Company expects a final resolution of all claims from Sedgman and counter claims from Heron to be concluded in October 2019. As at 30 June 2019 the Company's best estimate of the cost to fully settle the claim and all counter claims was $15M and accordingly a provision for this amount was recorded. The Company has recorded the estimated settlement as an expense through the consolidated statement of profit and loss and comprehensive income on the basis that the amount to be paid pertains to significant inefficiencies incurred by Sedgman. The Company was required to reach a settlement agreement under the terms of the funding package currently being finalised

(2) The rehabilitation provision for the Woodlawn mine project is based on the assessment of an independent environmental consultant using the NSW Department of Resources and Energy (DRE) rehabilitation cost estimation tool.
Veolia Environmental Services (Australia) Pty Ltd (Veolia) has been instructed by the Environmental Protection Agency (EPA) to halt production of the mulch material it produces at their Woodlawn Bio-Reactor site for a period of 12 months whilst further studies are undertaken.
This mulch material is to be used by the Group free of charge to rehabilitate the Woodlawn mine site. If the Group is unable to use Veolia's mulch then the rehabilitation provision may increase.

NOTE 15. TRADE AND OTHER PAYABLES

Trade and other creditors	6,060	7,002
	6,060	7,002

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.

NOTE 16. 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 2019 $'000	30 June 2018 $'000
Financial assets		
Cash and cash equivalents	31,465	65,532
Other receivables	1,043	1,777
Financial assets - equity instruments	1,587	5,901
Other assets	227	128
	34,322	73,338
Financial liabilities		
Trade and other payables	6,060	7,002
Borrowings	132,910	-
	138,970	7,002

(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 mine and the future profitability of the Group is directly related to the movements in the zinc, lead, copper, silver and gold prices.

As the Group moves closer to commercial production, the Group will assess the appropriateness of commodity hedging strategies.

The Group's exposure at 30 June 2019 to the impact of movements in commodity prices on commodity concentrate sales was nil. The Group did not enter into any commodity concentrate sales transactions during the reporting period.

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 2019				
Financial assets				
Cash and cash equivalents	2.30%	31,465	-	31,465
		31,465	-	31,465
Financial liabilities				
Finance leases	7.20%	-	9,411	9,411
Senior debt	LIBOR + 7.25%	92,556	-	92,556
		92,556	9,411	101,967
30 June 2018				
Financial assets				
Cash and cash equivalents	2.30%	65,532	-	65,532
		65,532	-	65,532
Financial liabilities				
Senior debt	LIBOR + 7.25%	24,941	-	24,941
		24,941	-	24,941

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 2019			
Financial assets			
Cash and cash equivalents		157	-
		157	-
Financial liabilities			
Finance leases		47	-
Senior debt		463	-
		510	-

	+/- 50 basis point change	Effect on profit / (loss) before tax $'000	Effect on pre -tax equity $'000
30 June 2018			
Financial assets			
Cash and cash equivalents		328	-
		328	-
Financial liabilities			
Senior debt		125	-
		125	-

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 mine development expenditure, the silver stream 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 2019			
Foreign currency			
- increase foreign currency	5%	3,312	-
- decrease foreign currency	5%	(3,312)	-
30 June 2018			
Foreign currency			
- increase foreign currency	5%	922	-
- decrease foreign currency	5%	(922)	-

(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. The Group did not enter into any commodity concentrate sales transactions during the reporting period.

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

	30 June 2019 $'000	30 June 2018 $'000
The Group's exposure to credit risk at the reporting date was:		
Financial assets		
Cash and cash equivalents	31,465	65,532
Other receivables	1,043	1,777
	32,508	67,309

(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. Refer to Note 17 Borrowings.

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 2019					
Financial liabilities					
Trade and other payables	6,060	-	-	-	6,060
Finance leases	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

	Under 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5+ years $'000	Total $'000
30 June 2018					
Financial liabilities					
Trade and other payables	7,002	-	-	-	7,002
Senior debt	-	4,717	20,224	-	24,941
Silver stream	2,091	8,768	28,615	23,855	63,330
	9,093	13,485	48,839	23,855	95,273

	30 June 2019 $'000	30 June 2018 $'000
NOTE 17. BORROWINGS		
CURRENT		
Senior debt	92,556	-
Silver stream	30,943	-
Finance leases	2,831	-
	126,330	-
NON CURRENT		
Senior debt	-	24,941
Silver stream	-	22,666
Finance leases	6,580	-
	6,580	47,607

The Silver Stream and Senior Debt Loan are held with OMF Fund II (H) Ltd. As stated at Note 1, with respect to Going Concern, the Group received an interim debt waiver letter suspending the exercise of their rights with respect to payment to allow for finalisation of the finance package. The Group has classified the silver stream and Senior Debt Loan as a current liability.

Senior Debt

A loan facility for USD $60 million, with funds to be 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. Under the agreement, the Group has to maintain a cash balance of not less than AUD $15 million in its Tarago Operations Pty Ltd subsidiary operating accounts.

As the Senior Debt Loan is classified as current, it has been remeasured to its face value.

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 USD $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 and Other Comprehensive Income. Under this agreement, the Group will deliver 80% of the silver extracted from the Woodlawn Mine (SML20) until it has delivered 2,150,000 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 remeasured at each reporting date at fair value through profit or loss.

30 June 2019	Opening carrying value $'000	Drawdown $'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	2,297	-	92,556
Silver stream	22,666	-	-	-	-	8,277	30,943
	47,607	55,717	2,894	6,707	2,297	8,277	123,499

30 June 2018	Opening carrying value $'000	Drawdown $'000	Foreign exchange loss/(gain) $'000	Accrued Interest $'000	Debt finance costs $'000	Fair value loss/(gain) $'000	Closing carrying value $'000
Senior debt	-	26,664	396	227	(2,346)	-	24,941
Silver stream	-	20,516	-	-	-	2,150	22,666
	-	47,180	396	227	(2,346)	2,150	47,607

NOTE 18. 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 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
Other assets	-	227	227
	1,587	32,735	34,322
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
30 June 2018			
Financial assets			
Cash and cash equivalents	-	65,532	65,532
Trade and other receivables	-	1,777	1,777
Financial assets - equity instruments	5,901	-	5,901
Other assets	-	128	128
	5,901	67,437	73,338
Financial liabilities			
Trade and other payables	-	7,002	7,002
Senior debt	-	24,941	24,941
Silver stream	22,666	-	22,666
	22,666	31,943	54,609

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.

All financial instruments except the investments in listed companies (Level 1) and the Silver Stream (Level 3) are measured using Level 2 valuations inputs.

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 Silver Stream valuation is classified as Level 3. Refer to: Note 17 Borrowings for additional details.

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 $995,563.

NOTE 19. CONTRIBUTED EQUITY

	30 June 2019 Shares	30 June 2018 Shares	30 June 2019 $'000	30 June 2018 $'000
Issue of ordinary shares				
Opening balance	241,666,912	415,009,381	259,742	129,638
Issue of shares	-	2,001,562,259	-	140,115
1 for 10 Share Consolidation	-	(2,174,904,728)	-	-
Share issue costs	-	-	-	(5,055)
Realised foreign exchange loss	-	-	-	(4,956)
Closing balance	241,666,912	241,666,912	259,742	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 20. RESERVES

	30 June 2019 $'000	30 June 2018 $'000
Option Reserve		
Opening balance	2,076	1,489
Cost of share based payments	965	646
Write back lapsed options expense	(184)	(59)
Equity settled share based payments	781	587
Closing balance	2,857	2,076

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.

	30 June 2019 $'000	30 June 2018 $'000
Accumulated Losses		
Opening balance	(92,936)	(87,117)
Net profit/(loss) for the period	(40,763)	(5,819)
Closing balance	(133,699)	(92,936)

NOTE 21. 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 2019	Percentage Holding 2018
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 22. PARENT ENTITY INFORMATION

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

	30 June 2019 $'000	30 June 2018 $'000
Current assets	19,441	24,393
Total assets	129,413	169,407
Current liabilities	358	342
Total liabilities	513	525
Contributed equity	259,742	259,742
Option reserve	2,857	2,076
Accumulated losses	(133,699)	(92,936)
Profit or loss of the Parent entity	(27,791)	(3,085)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) of the Parent entity	(27,791)	(3,085)

Commitments

The Company's capital commitments are disclosed in Note 23.

Guarantees

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 the wholly-owned controlled entities Tarago Operations Pty Ltd and Woodlawn Mine 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 25.

NOTE 23. COMMITMENTS

Operating lease commitments

	30 June 2019 $'000	30 June 2018 $'000
Operating leases		
Within one year	308	242
Later than one year but not later than five years	831	653
Later than five years	-	-
	1,139	895

Finance lease and hire purchase commitments

	30 June 2019		30 June 2018	
	Minmum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Finance lease and hire purchase				
Within one year	2,929	2,330	-	-
Later than one year but not later than five years	2,924	2,498	-	-
Later than five years	4,893	4,584	-	-
	10,746	9,413	-	-

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 2019 $'000	30 June 2018 $'000
Exploration		
Within one year	638	491
Later than one year but not later than five years	2,575	-
Later than five years	1,260	-
	4,473	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 mine project. The terms of the agreement includes a consumption variation of +/- 30%.

NOTE 24. 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 2019, of the Group or the results of those operations.

Capital Raise

As a consequence of completion of plant construction running seven months behind schedule, the Company will require additional working capital to bridge the delay in achieving full production.

As noted in the Company's ASX release dated 30 August 2019, the Company is engaged with its major shareholders and senior debt provider with the objective of finalising a finance package which will address the Company's working capital requirements, provide the additional funding necessary to complete commercialisation of Woodlawn and defer payments otherwise due under the senior debt and silver stream arrangements. As noted in the announcement, the senior debt provider agreed to a standstill arrangement until 27 September 2019 and this standstill letter was subsequently extended until 11 October 2019 in order to allow for finalisation of the finance package. As at the date of this report, the negotiations with the major shareholders and senior debt provider are well advanced and the Group expects to make an announcement on a finance package in early October 2019.

Sedgman legal claim

On 1 February 2019 and 1 March 2019, the Company received progress claims from Sedgman for costs of $53M in excess of their Guaranteed Maximum Price EPC contract. Discussions between the Company and Sedgman have been ongoing through to the date of this report. Negotiations are now in their final stages and the Company expects a final resolution of all claims from Sedgman and counter claims from Heron to be concluded in October 2019. As at 30 June 2019 the Company's best estimate of the cost to fully settle the claim and all counter claims was $15M and accordingly a provision for this amount was recorded.

The Company has recorded the estimated settlement as an expense through the consolidated statement of profit and loss and comprehensive income on the basis that the amount to be paid pertains to significant inefficiencies incurred by Sedgman. The Company was required to reach a settlement agreement under the terms of the funding package currently being finalised

Sale of Ardea Resources Limited Options

During August and September 2019, the Group sold 3.9M of the 10M options it holds in Ardea Resources Ltd for cash proceeds of $382,313.

NOTE 25. 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 leased offices and residential premises.

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 mine 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 mine site.

(iv) To provide staged bank guarantees in favour of Veolia up to $9 million of which $4 million has been provided as at reporting date. A further $5 million bank guarantee will be provided in favour of Veolia approximately 36 months after commencement of the box cut.

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 26. RELATED PARTY TRANSACTIONS

Directors

The Directors of the Company during the financial year were:

Non-Executive Directors

Stephen Dennis
Fiona Robertson
Borden Putnam III
Mark Sawyer
Peter Rozenauers
Ricardo de Armas
Ian Pattison

Executive Directors

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

	30 June 2019 $'000	30 June 2018 $'000
Salary and fees	1,002	858
Share based payments	301	197
Superannuation benefits	80	80
STI	-	33
	1,383	1,168

Detailed remuneration disclosures are provided in the remuneration report on pages 27-37 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 27. 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 mine 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 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

30 June 2018			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 March 2013	5 March 2018	$2.90	100,000	-	-	(100,000)	-
5 August 2014	23 October 2017	$1.20	21,459	-	-	(21,459)	-
5 August 2014	20 November 2018	$0.70	85,836	-	-	-	85,836
5 December 2015	4 December 2020	$0.72	1,950,000	-	-	(300,000)	1,650,000
1 February 2017	1 February 2022	$1.10	265,000	-	-	-	265,000

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 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[(1)]	(345,000)	2,640,000
2018 Grant	-	1,788,334	-	1,788,334
	2,895,000	1,878,334	(345,000)	4,428,334

(1) the issue of 90,000 performance rights in FY19 was to Non executive Director Ian Pattison on the same terms as those issued to other Non executive Directors.

30 June 2018	**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	-	2,895,000
	-	2,895,000	-	2,895,000

NOTE 28. 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 Operating Officer	Andrew Lawry (ceased on 27 September 2019)
General Manager - Finance and Company Secretary	Simon Smith
General Manager - Exploration Manager	David von Perger
General Manager - Strategy and Business Development	Charlie Kempson
General Manager – Woodlawn	Brian Hearne

	30 June 2019 $'000	**30 June 2018 $'000**
Salary and fees	1,542	1,485
Non monetary benefits	18	7
Superannuation benefits	139	153
STI	-	123
Share based payments	232	227
	1,931	1,995

Detailed remuneration disclosures are provided in the remuneration report on pages 27-37 of the Directors report.

	30 June 2019 $'000	30 June 2018 $'000
NOTE 29. AUDITORS' REMUNERATION		
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the Group:	210	89
	210	89

NOTE 30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Standards issued but not yet effective

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.

AASB Interpretation 23	Uncertainty over Income Tax treatment	Application date: 1 January 2019
AASB 16	Leases	Application date: 1 January 2019
AASB 2018-1	Amendments to Australian Accounting Standards, Annual Improvements, 2015-2017 Cycle	Application date: 1 January 2019

AASB 16 Leases

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation-115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 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 similar to the accounting for finance leases under AASB 117.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to AASB 16

The Group plans to adopt the modified retrospective transition approach with respect to AASB 16. This approach does not require the re-statement of prior periods. The Group will recognise the cumulative effect of initially applying the new standard as an adjustment to equity at the date of initial application.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

During 2019, the Group commenced a detailed impact assessment of AASB 16 and is finalising the impact of adopting AASB 16. The Group expects to recognise a right of use asset and a lease liability for operating leases on the Statement of Financial Position. The Group is continuing to assess whether embedded leasing arrangements are contained within its contracts.

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 2019 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 Financial Officer required by section 295A of the Corporations Act 2001.

On behalf of the Board

S Dennis
Chairman

Sydney, 30 September 2019

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

Report on the Audit of the Financial Report

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 2019, 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, 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 2019 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 Opinion

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 opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 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 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 opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going*

Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, 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 these matters. 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 audit opinion on the accompanying financial report.

Impairment of Woodlawn Mine Development

Why significant	How our audit addressed the key audit matter

The Group identified an indicator of impairment with respect to the carrying value of the Woodlawn Mine Development asset at 30 June 2019. In accordance with the requirements of Australian Accounting Standards, the Group performed an impairment test.
 	
A value in use model based on a discounted cash flow forecast was used to calculate the recoverable value.
 	
Due to the significance of the Woodlawn Mine Development balance and the judgement involved in forecasting cash flows and selecting an appropriate discount rate, we considered this to be a key audit matter.
 	
Refer to Note 9 to the financial statements for the amounts held on the Consolidated Statement of Financial Position by the Group as at 30 June 2019 and related disclosure.
	Our audit procedures in respect of the impairment of Woodlawn Mine Development 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 the following procedures related to the forecast cash flows including:
	  • We assessed the appropriateness of key assumptions used in the model, such as sales pricing and volumes, production costs, foreign exchange rate and discount rate by reference to both internal and external data;
	  • We tested the mathematical accuracy of the model; and
	  • We performed sensitivity analysis and evaluated whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable value.
	• Assessed the adequacy of the related disclosure in the financial report, including those made with respect to judgements and estimates.

Measurement of the Silver Stream Debt Facility

Why significant	How our audit addressed the key audit matter
As described in Note 17, to the financial statements, the Group is party to a Silver Stream debt facility ("Silver Stream"). The facility is accounted for as a financial liability measured at fair value through profit or loss. Significant estimation was required to determine the fair value of the debt facility as at 30 June 2019. Accordingly, this was considered to be a key audit matter.	In performing our procedures, we: • Evaluated the Group's methodology for measuring the fair value of the Silver Stream at 30 June 2019 for consistency with the requirements of Australian Accounting Standards, including considering the appropriateness of key input assumptions used. • Involved our valuations specialists to assess the discount rates used by management to measure the fair value of the Silver Stream. • Re-calculated the fair value of the Silver Stream as at 30 June 2019. • Assessed the adequacy of the Group's disclosure of the Silver Stream in Note 17 of the financial report.

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 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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.

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.

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 27-37 in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Heron Resources Limited for the year ended 30 June 2019, 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 Jarrett
Partner
Sydney
30 September 2019

Shareholder Information

AT 23 OCTOBER 2019

1. Issued Shares and Options

a) Distribution of Shareholders:

Size of Holding			Number of Holders	Shares Held
1	-	1,000	354	232,656
1,001	-	5,000	863	2,165,060
5,001	-	10,000	254	1,998,576
10,001	-	100,000	475	15,339,773
100,001	-		95	290,247,067
			2,041	309,983,132

b) The twenty largest shareholders hold 87.50% 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	45,262,790	14.60%
ORION MINE FINANCE	70,663,685	22.80%
CASTLELAKE LP	88,880,568	28.67%

d) There were 849 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 as at 6 September 2018

		Number of Shares	%
1	CITICORP NOMINEES PTY LIMITED	54,128,461	17.46%
2	GREENSTONE MANAGEMENT (DELAWARE) LLC <GREENSTONE HRR HLDGSII LP AC>	45,262,790	14.60%
3	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	37,850,741	12.21%
4	ORION MINE FINANCE FUND II LP	29,874,211	9.64%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	23,335,069	7.53%
6	CASTLELAKE IV LP	17,090,605	5.51%
7	CL V INVESTMENT SOLUTIONS LLC	10,619,811	3.43%
8	SEDGMAN PTY LIMITED	10,000,000	3.23%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,857,792	3.18%
10	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,874,484	2.86%
11	J PAUL GETTY TRUST	4,854,529	1.57%
12	G LTP LLC	4,096,685	1.32%
13	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	3,836,320	1.24%
14	NATIONAL NOMINEES LIMITED	2,393,375	0.77%
15	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	2,346,017	0.76%
16	MBM CORPORATION PTY LTD	1,502,000	0.48%
17	FRETENSIS PTY LTD	1,500,000	0.48%
18	G JBD LLC	1,311,529	0.42%
19	G HSP LLC	1,259,952	0.41%
20	CANADIAN REGISTER <CONTROL ACCOUNT>	1,227,544	0.40%
TOTAL		**271,221,915**	**87.50%**
Total issued capital		309,983,132	100.00%

f) Distribution of Option/Performance Rights holders

1	1,085,000	exercisable on or before 4 December 2020 for a payment of $0.72 per option
2	165,000	exercisable on or before 1 February 2022 for a payment of $1.10 per option
3	1,860,000	Vesting on 30 June 2020 for a payment of $Nil per Right subject to TSR vesting conditions
4	1,016,667	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 as at 23 October 2019

		Number of Options	% of Issued Options
1	Employees & directors	4,126,667	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 by Ms Katie Yamaguchi, who is 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 consents to the inclusion in this 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 Mr David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional – Geology). Mr von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition). Mr von Perger consents to the inclusion of the exploration results in the form and context in which they appear.

Interest in Mining Tenements

New South Wales Projects

Woodlawn Project

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
EL7257	40km SSW of Goulburn	100	Live		EL7468	5km E of Collector	100	Live	
EL7469	15km E of Bungendore	100	Live		EL8325	60km ENE of Canberra	100	Live	
EL8353	7.5km SE of Woodlawn	100	Live		ELA5811	20km southeast of Woodlawn	100	Pending	
S(C&PL)L20	40km SSW of Goulburn	100	Live		ELA5832	20km southeast of Woodlawn	100	Pending	
EL8623	90km north of Woodlawn	100	Live		EL8712	90km north of Woodlawn	100	Live	
EL8796	65km south of Woodlawn	100	Live		EL8797	65km south of Woodlawn	100	Live	

Alchemy Farm-in & JV Tenements

Girilambone Project

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
EL8318	27km NW of Nyngan	49	Live	1					

Overflow/Eurow/Parkes

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
EL5878	100km NW of Condobolin	49	Live	1	EL7941	100km NW of Condobolin	49	Live	
EL8267	70km SE of Cobar	49	Live	1	EL8356	59km WSW of Tottenham	49	Live	
EL8192	23km SE of Parkes	49	Live	1					

Barraba-Manilla Project / Nyngan Project

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
EL8711	90km west of Armidale	49	Live		EL8631	10km NW of Nyngan	49	Live	

Sky Metals Farm-in Tenements[3]

Cullarin & Kangiara Projects

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
EL7954	25km W of Goulburn	100	Live	2	EL8400	27km NNE of Yass	100	Live	2
EL8573	30km NNW of Yass	100	Live	2					

Western Australia Projects – Royalty Interests

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
E24/00203	78km NW of Kalgoorlie	Retains Gold royalty	Pending	3	M24/00683	78km NW of Kalgoorlie	Retains Gold royalty	Live	3
E29/00889	78km NW of Kalgoorlie	Retains Gold royalty	Live	3	M24/00772	71km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00634	78km NW of Kalgoorlie	Retains Gold royalty	Live	3	M24/00797	78km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00660	75km NW of Kalgoorlie	Retains Gold royalty	Live	3	M24/00757	63km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00663	75km NW of Kalgoorlie	Retains Gold royalty	Live	3	P24/04395	70km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00664	75km NW of Kalgoorlie	Retains Gold royalty	Live	3	P24/04396	70km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00686	75km NW of Kalgoorlie	Retains Gold royalty	Live	3	P24/04400	70km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00915	78km NW of Kalgoorlie	Retains Gold royalty	Live	3	P24/04401	70km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00916	78km NW of Kalgoorlie	Retains Gold royalty	Live	3	P24/04402	70km NW of Kalgoorlie	Retains Gold royalty	Live	3
M24/00665	75km NW of Kalgoorlie	Retains Gold royalty	Live	3	P24/04403	70km NW of Kalgoorlie	Retains Gold royalty	Live	3
E15/01010	60km SSE of Kalgoorlie	Base metals and gold royalty	Live	4					

Notes:

1 1 Alchemy: Subject to Farm-in and Joint Venture between Alchemy Resources Ltd and Heron where Alchemy earning 80% by spending $2M over 5 years

2 Sky Metals Ltd: Subject to Farm-In agreement between Heron and Sky where Sky earning 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