UNAUDITED
2020 FINANCIAL STATEMENTS

Heron Resources Limited

ACN 068 263 098

Consolidated Financial Statements

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

	Notes	30 JUNE 2020 $'000	30 JUNE 2019 $'000
OTHER INCOME	3	121	1,186
Administrative expenses		(978)	(469)
Professional services and consultants		(2,054)	(843)
Depreciation and amortisation expense	4a	(1,863)	(170)
Directors fees		(654)	(581)
Employee benefits expense		(2,114)	(1,778)
Equity settled share based reversal / (expense)	29	1,538	(781)
Exploration expenditure expensed		(843)	(1,431)
General expenses from ordinary activities	4b	(470)	(1,105)
Care and maintenance costs		(922)	-
Finance expense	4c	(11,066)	(1,780)
Fair value gain / (loss) on financial instruments	4d	12,909	(9,790)
Fair value gain / (loss) on equity instruments		1,298	(4,182)
Realised foreign exchange loss		998	-
Unrealised foreign exchange loss	4e	(2,349)	(4,038)
Provision for settlement of legal claims	15	(5,736)	(15,000)
Lease termination gain / (loss)	9	79	-
Impairment of mine property	10	(112,267)	-
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(124,973)	(40,763)
INCOME TAX EXPENSE	5	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(124,973)	(40,763)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(124,973)	(40,763)
		$	**$**
Basic earnings per share	6	(0.34)	(0.169)
Diluted earnings per share	6	(0.34)	(0.169)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	30 JUNE 2020 $'000	30 JUNE 2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	9,889	31,465
Trade and other receivables	13	1,529	1,043
Inventories	12	4,616	2,355
Financial assets - equity instruments	11	1,530	1,587
Other assets	14	528	499
TOTAL CURRENT ASSETS		18,092	36,949
NON-CURRENT ASSETS			
Restricted cash	7	3,701	7,777
Other assets	14	110	125
Financial assets - equity instruments	11	-	132
Property, plant and equipment	8	4,431	11,962
Mine property	10	208,867	242,849
Right of use assets	9	11,999	-
TOTAL NON-CURRENT ASSETS		229,108	262,845
TOTAL ASSETS		247,200	299,794
CURRENT LIABILITIES			
Trade and other payables	16	8,042	6,060
Borrowings	18	104,112	126,330
Provisions	15	9,401	15,786
Convertible note	19	56,218	-
Financial liability - derivative	19	1,200	-
TOTAL CURRENT LIABILITIES		178,973	148,176
NON-CURRENT LIABILITIES			
Trade and other payables	16	8,352	-
Borrowings	18	5,626	6,580
Provisions	15	16,001	16,138
TOTAL NON-CURRENT LIABILITIES		29,979	22,718
TOTAL LIABILITIES		208,952	170,894
NET ASSETS		38,248	128,900
EQUITY			
Contributed equity	21	295,601	259,742
Option reserve	22	1,319	2,857
Accumulated losses	22	(258,672)	(133,699)
TOTAL EQUITY		38,248	128,900

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

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 JUNE 2020 $'000	30 JUNE 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(11,443)	(6,698)
Interest received		459	1,184
Interest paid and other finance costs		(1,063)	-
Exploration and development expenditure – expensed		(843)	(1,431)
Receipt of government assistance		186	-
NET CASH USED IN OPERATING ACTIVITIES		(12,704)	(6,945)
CASH FLOWS FROM INVESTING ACTIVITIES			
Woodlawn Mine – asset under construction		(88,059)	(80,623)
Proceeds from sale of commissioning concentrates		12,496	-
Refund / (payment) of bond and bank guarantees		4,076	1,000
Proceeds from sale of financial assets - equity instruments		1,386	-
Payments for plant and equipment		(4,100)	(2,748)
Payments for foreign currency hedge transaction		-	(6)
Proceeds from research and development refund		-	1,796
NET CASH USED IN INVESTING ACTIVITIES		(74,201)	(80,581)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity raising		28,790	-
Payments for capital raising costs		(906)	-
Payment of principal portion of lease liabilities		(3,950)	-
Proceeds from borrowings		47,089	53,587
Payment of borrowing costs		(5,713)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		65,310	53,587
NET INCREASE / (DECREASE) IN CASH HELD		(21,595)	(33,939)
Cash at the beginning of the reporting period		31,465	65,532
Foreign exchange (gain) / loss on translation - unrealised		19	(128)
CASH AT THE END OF THE REPORTING PERIOD		9,889	31,465

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

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

	Notes	Issued Capital $'000	Accumulated Losses $'000	Option Reserve $'000	Total $'000
As at 30 June 2019		259,742	(133,699)	2,857	128,900
Total comprehensive income for the period after tax		-	(124,973)	-	(124,973)
Issue of share capital		37,403			37,403
Share issue costs		(1,544)			(1,544)
Cost of share based payments	29	-	-	220	220
Option reserve reversal due to forfeiture	29	-	-	(1,758)	(1,758)
As at 30 June 2020		295,601	(258,672)	1,319	38,248
As at 30 June 2018		259,742	(92,936)	2,076	168,882
Total comprehensive income for the period after tax		-	(40,763)	-	(40,763)
Cost of share based payments	29	-	-	965	965
Option reserve write back	29	-	-	(184)	(184)
As at 30 June 2019		259,742	(133,699)	2,857	128,900

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

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

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

1.0 Corporate Information

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

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

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

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

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

2.1 Basis of preparation

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

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

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

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

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

Going Concern

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

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

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

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

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

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

The Financial Report for the year ended 30 June 2020 has been prepared on a going concern basis, notwithstanding the aforementioned event of default and the fact that the Group incurred a loss for the year ended 2020 of $125.0M (2019: loss of $40.8M) and a net cash outflow from operating activities of $12.7M (2019: outflow $6.9M).

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

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

Revenue recognition

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

Revenue is recognised at the point when control of the goods passes to the customer, based on the contractual sales International Commercial terms (Incoterms), at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods and services to the customer.

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

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

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

Accounting for concentrate sale in the commercialisation phase

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

Provisionally priced concentrate sales

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

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

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

Cost, Insurance and Freight

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

Trade receivables

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

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

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

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

Inventory

Store stock and consumables

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

Refined metal

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

Convertible Note

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

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

Significant judgements, estimates and assumptions

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

2.2 New and Amended Standards and Interpretations

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Nature of the effect of adoption of AASB 16

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

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

Leases previously classified as finance leases

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

Leases previously accounted for as operating leases

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

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

Based on the above, as at 1 July 2019:

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

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

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

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

Lease modification

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

New standards and interpretations not yet mandatory or early adopted

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

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

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

Interpretation 23 Uncertainty over Income Tax Treatments (Interpretation 23)

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

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

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

The amendments clarify:

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

Basis of consolidation

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

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

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

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

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

Income tax

Current tax

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

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

Deferred tax

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

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

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

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

Significant judgements, estimates and assumptions

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

Goods and Services Tax (GST)

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

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

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

Earnings per Share

Basic earnings per share

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

Diluted earnings per share

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

Interest income

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

Financial Assets – Equity Instruments

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

Cash and cash equivalents

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

Significant judgements, estimates and assumptions

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

Borrowing costs

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Share-based payment transactions

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

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

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

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

Significant judgements, estimates and assumptions

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

Foreign Currency

Presentation and Functional Currency

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

Transactions and Balances

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

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

Trade and other payables

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

Contributed equity

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

Provisions

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

Onerous contracts

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

Restoration, Rehabilitation and Environmental Provision

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

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

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

Significant judgements and estimates

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

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

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

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

Property, plant and equipment

Exploration, Evaluation and Deferred Feasibility Expenditure

Exploration and Evaluation

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

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

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

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

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

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

Interests in Joint Arrangements

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

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

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

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

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

Deferred Feasibility

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

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

Significant judgements, estimates and assumptions

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

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

Assets Under Construction

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

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

Significant judgements, estimates and assumptions

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

Plant and Equipment and Mine Development

Cost

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

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

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

Depreciation and Amortisation

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

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

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

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

The Group has the following depreciation and amortisation policy:

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

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

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

Significant judgements, estimates and assumptions

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

Care and Maintenance

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

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

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

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

Critical accounting judgements, estimates and assumptions

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

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

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

NOTE 2. SEGMENT INFORMATION

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

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

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

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

NOTE 4. OPERATING EXPENSES

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

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

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

		30 June 2020 $'000	30 June 2019 $'000
4d	Unrealised fair value adjustment on financial instruments includes:		
	Silver stream(i)	12,409	8,277
	Zinc stream(i)	1,849	-
	Financial liability - derivative(ii)	5,396	-
	Convertible note(iii)	(6,734)	
	Other	(11)	1,513
		12,909	9,790

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

		30 June 2020 $'000	30 June 2019 $'000
4e	Unrealised foreign exchange loss includes:		
	Senior debt	2,023	2,894
	Convertible notes	336	-
	Other	(10)	1,144
		2,349	4,038

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

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

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

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

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

		30 June 2020 $'000	30 June 2019 $'000
5B	Numerical reconciliation of income tax expense to prima face tax payable is as follows		
	Loss from operations before income tax expense	(124,973)	(40,763)
	Tax at Australian tax rate of 27.5%	(34,368)	(11,210)
	Tax effect of non-temporary differences	(321)	1,232
	Tax effect of equity raising costs debited to equity	(1,115)	(286)
	Over or under provision from previous years	-	-
	Tax effect of tax losses and temporary differences not recognised	32,932	10,264
	Income tax expense at 27.5%	-	-

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

		30 June 2020 $'000	30 June 2019 $'000
5D	Tax Losses		
	Unused tax losses for which no tax loss has been booked as a DTA adjusted for non temp differences	182,214	131,753
	Potential benefit at 27.5%	50,109	36,232

	30 June 2020	30 June 2019
NOTE 6. EARNINGS PER SHARE		
Basic earnings per Share	(0.34)	(0.169)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	367,736,400	241,666,912
Diluted earnings per Share	(0.34)	(0.169)
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	367,736,400	241,666,912
Earnings profit/(loss) used in calculating basic and diluted earnings profit/(loss) per share	(124,973,000)	(40,763,352)

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

NOTE 7. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

		30 June 2020 $'000	30 June 2019 $'000
a)	Reconciliation of operating loss after income tax to the net cash flows from operations:		
	Operating loss after income tax	(124,973)	(40,763)
	Adjustments to reconcile loss after income tax to net operating cash flows		
	Depreciation and amortisation expense	1,863	170
	Finance expense including Sedgman provision discount write back	(2,148)	795
	Equity settled share based (reversals) / payments	(1,538)	781
	Unrealised foreign exchange loss	2,349	4,038
	Unrealised fair value (gain) / loss on financial instruments	(12,909)	10,776
	Unrealised fair value gain on equity instruments	1,298	4,182
	Provision for settlement of legal claims	(5,736)	15,000
	Orion Mine Finance non cash financing	15,093	-
	Lease termination gain / (loss)	79	-
	Impairment of mine property	112,867	-
	Changes in Assets and Liabilities		
	(Increase) / decrease in Other receivables and Other assets	(500)	1,029
	(Increase) / decrease in Inventories	(2,261)	(2,355)
	Increase / (decrease) in Trade and other payables	10,334	(942)
	(Decrease) / increase in Provisions	(6,522)	434
		(12,704)	(6,945)
b)	Reconciliation of Cash		
	Cash on hand	9,889	15,465
	Deposit at call(i)	-	16,000
	Closing cash balance	9,889	31,465
c)	Restricted cash(ii)		
	Environmental bond	3,577	3,577
	Bank Guarantee - Veolia(iii)	-	4,000
	Corporate office and credit card bonds	124	200
		3,701	7,777

Cash

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

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

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

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

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

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

NOTE 9. LEASES

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

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

Lease termination / lease modification

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

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

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

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

Lease disclosure

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

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

The following are the amounts recognised in profit or loss:

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

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

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

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

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

NOTE 10. MINE PROPERTY

30 June 2020	Mine under construction $'000	Rehabilitation Asset $'000	Total $'000
Cost	305,983	15,751	321,734
Accumulated amortisation	-	-	-
Impairment charge	(112,867)	-	(112,867)
	193,116	15,751	208,867
Reconciliation			
Opening carrying value	227,098	15,751	242,849
Additions(i)	92,722	-	92,722
Net proceeds from commissioning concentrate sales	(13,837)	-	(13,837)
Impairment	(112,867)	-	(112,867)
Amortisation	-	-	-
Closing carrying value	193,116	15,751	208,867

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

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

Impairment

Determination of recoverable amount

As at 30 June 2020 a review was performed for indicators of impairment in order to determine whether a formal impairment assessment was required. Indicators were identified, including that the market capitalisation of the Group was below the book value of its equity and the significant delays in the Woodlawn project reaching steady state production. The Woodlawn project has also transition to care and maintenance.

The Woodlawn project is considered the Group's sole cash generating unit ('CGU'). Impairment testing on the Woodlawn project determined a full year impairment loss of $112.9 million. This comprised of an impairment loss of $83.1 million for the year ended 30 June 2020 and $29.8 million for the half year ended 31 December 2019.

The recoverable amount of the CGU of $208.8 million, is determined based on value in use calculations using discounted cash flow projections using financial forecasts covering a period of the life of the Woodlawn project asset.

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

The cash flow projections which are used in determining any impairment require management to make significant estimates and judgements.

Key assumptions in preparing the cash flow projections are set out below.

Key assumptions

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

- Commodity prices are based on current spot pricing;
- AUD/USD exchange rates are based on current spot pricing;
- The pre-tax discount rate of 14% applied to the cash flow projections reflects management's best estimate of the time value of money and the risks specific to the project not already reflected in the cash flows.

Sensitivity

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

The table below demonstrates the sensitivity of the Woodlawn project to the following adverse movements:

Sensitivity	Additional Impairment $A M
1% increase in discount rate	$11.8 million
2% decrease in all commodity prices	$67.1 million
2% appreciation in AUD to USD exchange rate	$13.5 million

NOTE 11. FINANCIAL ASSETS – EQUITY INSTRUMENTS

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

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

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

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

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

NOTE 12. INVENTORIES

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Refined metal - silver bullion	270	-
Store stock and consumables	4,346	2,355
	4,616	2,355

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

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

NOTE 13. TRADE AND OTHER RECEIVABLES

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Accrued interest receivable	-	192
Goods & services tax receivable	103	777
Sundry debtors	50	74
Trade debtors[i]	1,341	-
Other debtors[ii]	35	-
	1,529	1,043

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

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

NOTE 14. OTHER ASSETS

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Prepayments and other	468	499
Energy certificates	60	-
	528	499
NON CURRENT		
Tenement bonds and other	110	125
	110	125

NOTE 15. PROVISIONS

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Employee entitlements	401	786
Sedgman settlement[i]	-	15,000
Pybar settlement[ii]	9,000	-
	9,401	15,786

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

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

	30 June 2020 $'000	30 June 2019 $'000
NON CURRENT		
Employee entitlements	220	357
Rehabilitation provision[iii]	15,781	15,781
	16,001	16,138

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

NOTE 16. TRADE AND OTHER PAYABLES

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Trade and other creditors	5,542	5,507
Sedgman settlement (i)	2,028	-
	7,570	5,507

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.

	30 June 2020 $'000	30 June 2019 $'000
NON CURRENT		
Sedgman settlement(i)	8,824	-
	8,824	-

(i) In October 2019, the Group announced its settlement of the Sedgman legal claim. The settlement included the issue of 10 million shares (issued on 15 October 2019 and escrowed for 2 years) at $0.20 per share and $13 million deferred cash consideration to be paid quarterly instalments. As part of the Strategic Process, Sedgman has agreed to defer the cash consideration instalments beginning in June 2021 until June 2022 and accordingly the cash consideration payable has been reclassified as a non-current financial liability as at 30 June 2020.

NOTE 17. FINANCIAL AND CAPITAL RISK MANAGEMENT STRATEGY

Financial and capital risk management strategy

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

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

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

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

The Group holds the following financial instruments:

	30 June 2020 $'000	30 June 2019 $'000
Financial assets		
Cash and cash equivalents	9,889	31,465
Trade and other receivables	1,529	1,043
Financial assets - equity instruments	1,530	1,587
Restricted Cash	3,701	7,777
Other assets	170	227
	16,819	42,099
Financial liabilities		
Trade and other payables	16,394	6,060
Borrowings	109,738	132,910
Convertible note	56,218	-
Financial liability - derivative	1,200	-
	183,550	138,970

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, foreign currency risk, interest rate risk and other price risk.

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

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

Commodity price risk

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

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

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

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

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

Interest rate risk

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

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

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

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

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

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

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

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies.

The Group's foreign currency risk exposures comprise:

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

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

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

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

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

(b) Credit risk

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

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

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

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

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

	30 June 2020 $'000	30 June 2019 $'000
The Group's exposure to credit risk at the reporting date was:		
Financial assets		
Cash and cash equivalents	9,889	31,465
Trade and other receivables	1,529	1,043
Other assets	170	-
Restricted cash	3,701	7,777
	15,289	40,512

(c) Liquidity risk

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

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

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

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

	Under 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5+ years $'000	Total $'000
30 June 2020					
Financial liabilities					
Trade and other payables	5,542	-	-	-	5,542
Sedgman settlement	2,500	10,500	-	-	13,000
Senior debt	81,951	-	-	-	81,951
Borrowings - equipment finance	191	273	-	-	464
Silver stream	17,438	-	-	-	17,438
Zinc stream	2,357	-	-	-	2,357
Convertible notes	56,218	-	-	-	56,218
Lease liability	2,845	5,573	-	-	8,418
	169,042,	16,346	-	-	185,388

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

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

NOTE 18. BORROWINGS

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

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

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

Silver stream

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

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

Under this agreement, the Group will deliver 80% of the silver extracted from the Woodlawn project (SML20) until it has 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 re-measured at each balance sheet date at fair value through profit or loss. The obligation resulted in an unrealised fair value gain of $12.4M for the period ended 30 June 2020, due mostly to a change in the discount rate used in the modelling, and which has been included in profit or loss (Refer Note 4(d)).

Zinc stream

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

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

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

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

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

Senior debt

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

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

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

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

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

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

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

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

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

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

NOTE 19. CONVERTIBLE NOTES

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

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

Convertible Note

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

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

Derivative

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

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

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

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

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

NOTE 20. FINANCIAL ASSETS AND LIABILITIES

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting classification and fair values

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

	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000
30 June 2020			
Financial assets			
Cash and cash equivalents	-	9,889	9,889
Trade and other receivables	1,341	188	1,529
Financial assets - equity instruments	1,530	-	1,530
Restricted cash	-	3,701	3,701
Other assets	60	110	170
	2,931	13,888	16,819
Financial liabilities			
Trade and other payables	-	5,542	5,542
Sedgman settlement	-	8,352	8,352
Senior debt	-	81,951	81,951
Borrowings - equipment finance	-	464	464
Silver stream	17,438	-	17,438
Zinc stream	2,357	-	2,357
Convertible notes	-	56,218	56,218
Financial liability - derivative	-	1,200	1,200
Lease liability	-	7,528	7,528
	19,795	161,255	181,050
30 June 2019			
Financial assets			
Cash and cash equivalents	-	31,465	31,465
Trade and other receivables	-	1,043	1,043
Financial assets - equity instruments	1,587	-	1,587
Restricted cash	-	7,777	7,777
Other assets	-	227	227
	1,587	40,512	42,099
Financial liabilities			
Trade and other payables	-	6,060	6,060
Finance leases	-	9,411	9,411
Senior debt	-	92,556	92,556
Silver stream	30,943	-	30,943
	30,943	108,027	138,970

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

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2020				
Financial assets				
Cash and cash equivalents	9,889	-	-	9,889
Trade and other receivables	1,529	-	-	1,529
Financial assets - equity instruments	240	1,290	-	1,530
Restricted cash	3,701	-	-	3,701
Other assets	170	-	-	170
	15,529	1,290	-	16,819
Financial liabilities				
Trade and other payables	5,542	-	-	5,542
Sedgman settlement	8,352	-	-	8,352
Senior debt	81,951	-	-	81,951
Borrowings - equipment finance	464	-	-	464
Silver stream	-	-	17,438	17,438
Zinc stream	-	-	2,357	2,357
Convertible notes	-	56,218	-	56,218
Financial liability - derivative	-	1,200	-	1,200
Lease liability	-	7,528	-	7,528
	96,309	64,946	19,795	181,050
30 June 2019				
Financial assets				
Cash and cash equivalents	31,465	-	-	31,465
Trade and other receivables	1,043	-	-	1,043
Financial assets - equity instruments	1,587	-	-	1,587
Restricted cash	7,777	-	-	7,777
Other assets	227	-	-	227
	42,099	-	-	42,099
Financial liabilities				
Trade and other payables	6,060	-	-	6,060
Finance leases	9,411	-	-	9,411
Senior debt	92,556	-	-	92,556
Silver stream	-	-	30,943	30,943
	108,027	-	30,943	138,970

There were no transfers between categories during the reporting period.

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

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

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

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

Sensitivity analysis for Silver Stream

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

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

Sensitivity analysis for Zinc Stream

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

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

NOTE 21. CONTRIBUTED EQUITY

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

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

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

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

NOTE 22. RESERVES

	30 June 2020 $'000	30 June 2019 $'000
Option Reserve		
Option Reserve		
Opening balance	2,857	2,076
Cost of share based payments	220	965
Write back lapsed options expense	(1,758)	(184)
Equity settled share based payments	(1,538)	781
Closing balance	1,319	2,857

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

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

Accumulated Losses

Accumulated Losses		
Opening balance	(133,699)	(92,936)
Net profit/(loss) for the period	(118,239)	(40,763)
Closing balance	(251,938)	(133,699)

NOTE 23. CONTROLLED ENTITIES

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

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

NOTE 24. PARENT ENTITY INFORMATION

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

	30 June 2020 $'000	30 June 2019 $'000
Current assets	9,244	19,441
Total assets	99,800	129,413
Current liabilities	3,259	358
Total liabilities	61,552	513
Contributed equity	295,601	259,742
Option reserve	1,319	2,857
Accumulated losses	(258,672)	(133,699)
Profit or loss of the Parent entity	(7,476)	(27,791)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) of the Parent entity	(7,476)	(27,791)

Commitments

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

Guarantees

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

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

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

Contingent Liabilities

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

NOTE 25. COMMITMENTS

Exploration commitments

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

	30 June 2020 $'000	30 June 2019 $'000
Exploration		
Within one year	770	491
Later than one year but not later than five years	960	-
Later than five years	-	-
	1,730	491

Capital commitments

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

Other commitments

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

NOTE 26. EVENTS SUBSEQUENT TO REPORTING DATE

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

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

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

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

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

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

NOTE 27. CONTINGENCIES

Performance bonds and rental bond commitment

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

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

Agreement with Veolia Environmental Services (Australia) Pty Ltd

The Group has agreed with Veolia:

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

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

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

Other contingent liabilities

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

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

NOTE 28. RELATED PARTY TRANSACTIONS

Directors

The Directors of the Company during the financial year were:

Non-Executive Directors

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

Executive Directors

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

	30 June 2020 $'000	30 June 2019 $'000
Salary and fees including Board and Committee fees	667	1,002
Termination payment	678	-
Superannuation benefits	63	-
Non monetary benefits	-	80
STI -	-	
Share based payments	156	301
	1,564	1,383

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

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

NOTE 29. SHARE-BASED PAYMENTS

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

Employee share option plan

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

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

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

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

Performance rights plan

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

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

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

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

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

NOTE 30. KEY MANAGEMENT PERSONNEL

Key Management Personnel

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

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

	30 June 2020 $'000	**30 June 2019 $'000**
Salary and fees	1,268	1,542
Termination payment	1,928	-
Superannuation benefits	187	139
Non monetary benefits	26	18
STI	-	-
Share based payments	(510)	232
	2,899	1,931

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

NOTE 31. AUDITORS' REMUNERATION

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