Annual Report 2018

Heron Resources Limited

Corporate Directory

ABN 30 068 263 098

DIRECTORS
Chairman (Non-Executive)
Stephen Dennis BCom BLL.B GDipAppFin(Finsia)
Managing Director (Executive)
Wayne Taylor BEng (Mining), MBA, MAusIMM
Director (Non-Executive)
Borden Putnam III MSc (Geol), RPG, FAusIMM
Director (Non-Executive)
Fiona Robertson MA (Oxon) (Geology), MAusIMM, FAICD
Director (Non-Executive)
Mark Sawyer LL.B.
Director (Non-Executive)
Ricardo De Armas B.S. M.B.A (Harvard)
(appointed 22 September 2017)
Director (Non-Executive)
Peter Rozenauers BME (Hons I), MAppFin, MAusIMM
(appointed 22 September 2017)
Director (Non-Executive)
Ian Pattison B Sc (Hons), PhD, MAusIMM
(appointed 29 November 2017)

COMPANY SECRETARY
Simon Smith B.Bus, CA

REGISTERED OFFICE (head office)
and Address for Correspondence
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Sydney New South Wales 2000

BANKERS
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SHARE REGISTRY
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Sydney New South Wales 2000
Telephone: 1300 288 664
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SOLICITORS TO THE COMPANY
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Resources Legal Pty Ltd
1A Rosemead Rd, Hornsby New South Wales 2077

STOCK EXCHANGE
Australian Securities Exchange Limited
2 The Esplanade, Perth Western Australia 6000

ASX CODE HRR

INDUSTRY CLASSIFICATION
GICS classification code is 15104020
Diversified Metals and Mining

ISIN AU000 000 HRR6

Front and inside cover- Construction of Woodlawn Project is advanced

Highlights for FY2018

- **Construction of Woodlawn mine progressing on schedule and on budget – now over 80% complete**
- **On track to begin commissioning in late 2018, production to begin in early 2019**
- **Underground Mine development has commenced**
- **Systems and processes in place and recruitment well advanced in preparation for start of mine operations**
- **Continued exploration success on tenements proximal to Woodlawn**
- **Supportive Community and key stakeholders**

Forward Looking Statements

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

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

Heron Resources Limited

ABN 30 068 263 098

2018 Annual Report

"2018 has been a major milestone in the over twenty year history of Heron. This is the year in which we have made the transition from junior explorer to developing our first mine at Woodlawn, which we expect to start commissioning in just a few months from now."

Stephen Dennis, Chairman

1.1 Chairman's Letter

Dear Shareholders,

It is with great pleasure that I write to you to declare that 2018 has been a major milestone in the over twenty year history of Heron. This is the year in which we have made the transition from junior explorer to developing our first mine at Woodlawn, which we expect to start commissioning in just a few months from now.

There are many images in our Annual Report which record the remarkable transformation which has taken place at Woodlawn over the last 12 months. It has been an exciting time for all involved, and I am pleased to report that plant construction by Sedgman, our project engineer, is now over 80% complete, and that the project remains on schedule and on budget. Our mining contractor, Pybar, recently mobilised to site, and underground mine development is also now under way. The pace of activity at site will only continue to increase as we prepare for the start-up of commissioning activities in December.

I would like to congratulate our CEO Mr Wayne Taylor and our dedicated management team for their efforts in readying Woodlawn for operations. There exists at site a strong culture of safety and efficiency, and I am certain that we are well equipped to meet the technical challenges that can inevitably arise during the early start-up phase of any new operation. We also continue to build up our operations team in readiness for start-up, and we welcome the many new employees who have joined Heron as we make the transition towards production.

As to matters outside of Woodlawn, I note that in March this year we took the decision to de-list Heron from the Toronto Stock Exchange. This was purely an economic decision. The percentage shareholding held by North American shareholders and the lack of liquidity in that market meant we could no longer justify the cost of maintaining a dual listing.

I am pleased to say that Heron is supported by a particularly strong board, and I would like to thank all Directors for their continued counsel and support. In November last year, we welcomed Dr Ian Pattison to the Board. Ian is a respected metallurgist who brings considerable operational experience to Heron, having also had an earlier association with Woodlawn through the mine's previous owners.

Finally, thank you to all of our shareholders for your ongoing support. As a shareholder, I would like to think that the market will eventually reward us with a higher share price as Woodlawn nears to production. Whilst metal prices have declined significantly this year, the fundamentals for our products, particularly zinc, remain strong, and we are anticipating a favourable price environment as Woodlawn comes on stream.

I look forward to bringing you further reports of our progress as we complete construction at Woodlawn and commence operations.

Sincerely

Stephen Dennis
Chairman

1.2 Directors

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

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

WAYNE TAYLOR BEng (Mining), MBA, MAusIMM
MANAGING DIRECTOR (EXECUTIVE)

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

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

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

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

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

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

Mr Sawyer co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, Mr Sawyer was GM and Co-Head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities for Xstrata. Prior to Xstrata, Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc. Mr Sawyer is a solicitor and a resident of the United Kingdom.

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

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

PETER ROZENAUERS BME (Hons I), MAppFin, MAusIMM
DIRECTOR (NON-EXECUTIVE)

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

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

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

Box Cut for underground access

1.3 Management

ANDREW LAWRY BAppSc (Metallurgy), FAusIMM, GAICD
CHIEF OPERATING OFFICER

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

SIMON SMITH B.Bus, CA.
GENERAL MANAGER FINANCE AND COMPANY SECRETARY

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

DAVID VON PERGER BSc (Hons) MAusIMM (CP Geo)
GENERAL MANAGER EXPLORATION

David von Perger was appointed in 2004. Mr von Perger is a geologist with some 25 years' experience in mineral exploration having worked in several locations around Australia. Mr von Perger has worked on various styles of mineral deposits including Archaean gold and nickel, and Proterozoic base-metals and iron-ore. His experience includes four years as a business analyst for a major mining group involving analysis of mining operations, project development and assessment of new opportunities. Since his appointment with Heron in February 2006, Mr von Perger has been responsible for the identification and acquisition of several new nickel, gold, iron-ore and base-metal projects.

CHARLIE KEMPSON MEng (Oxon) MBA GAICD
GENERAL MANAGER STRATEGY & BUSINESS DEVELOPMENT

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

BRIAN HEARNE BAppSc (Metallurgy)
GENERAL MANAGER - WOODLAWN MINE

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

1.4 Managing Director's Report

In September last year we saw the commencement of construction at our Woodlawn Zinc-Copper Project and it has been a year of solid progress with the project literally rising out of the ground in Hickory's paddock. As anticipated, we are into the final stages of the build and significant effort is being placed into gearing ourselves for the start of commissioning prior to our first production. These are exciting times for the Company as it transitions to become the newest Australian base metal producer.

Taking a look at the industry in general, the uplift in zinc prices in the last two years has seen renewed interest in zinc project developments, typically characterised by the refurbishment of former projects and plants that had previously seen their best days. We believe a significant competitive advantage of our Woodlawn Project is the new, 'state of the art' processing facility with this plant tailored specifically for our project, incorporating the best process technology the industry has to offer. This will ensure we achieve optimal results from the high grade Woodlawn deposit.

Progress over the year has seen the completion of extensive earthworks to prepare the site foundations, tailings storage infrastructure and the establishment of the box cut for underground access. This was followed by completion of the concrete foundations and the erection of a large quantity of structural steelwork. Next saw the installation of key process equipment such as the IsaMill™ which represents the step-change in processing technology, facilitating cost effective mineral liberation to the optimal grind size. The last of the construction work is heavily focused on the piping and electrical work which is well underway.

In parallel with the process plant, we are currently establishing two mining fronts for the commencement of production. The mobilisation and recent commencement of the decline by Pybar Mining Services signifies a further significant milestone in the project development schedule. We are now on our way to accessing the high grade massive sulphide mineralisation that makes Woodlawn a standout project amongst its global peers. We expect to get a first "in-situ" look at this orebody in the next few months with the development of the newly discovered G2 lens. The second mining front is the hydraulicing of the former tailings, with construction of the required pumping station and trash screen well advanced.

We have been progressively awarding all of the major operational contracts required to support our production activities covering aspects such as power supply, transport of concentrates to port and the supply of reagents and consumables. We have been very pleased with the level of competitive interest shown in assisting our business into production.

Production readiness is now in full swing. We have secured the key management, supervisory and technical roles and we are now placing significant effort into the recruitment of personnel for production operations. The interest we have received has been pleasing with the project location and the opportunity to be part of an exciting new operation proving to be major drawcards. The next few months will see our employee count swell to more than triple our current size as we move to full manning numbers.

Turning to exploration, and while it has been a quieter year than 2017, our results continue to reinforce the discovery potential within the immediate mine area and also in the regional district. Follow-up drilling on the G2 lens, the first mineralisation to be accessed underground, continues to deliver some very high grade results along with very good metallurgical test work results. This material will be excellent ore to test the performance of the plant. We continue to add strategic ground to our tenement portfolio targeting the felsic volcanic occurrences proximal to Woodlawn. Heron is one of the few active explorers in the district and has been able to acquire prime exploration ground.

Of paramount importance to the Company is the health, safety and welfare of our employees and contractors. While overall performance has been commendable, in the past 12 months we recorded one lost time injury, along with a handful of minor injuries and incidents and shows that we have more room for improvement and a lot more to do to achieve a zero harm result. We have progressively developed and implemented the supporting systems to ensure our operating activities are undertaken with minimal risk to our workforce and the wider environment.

The commencement of significant on site activity has made it possible to establish commercial arrangements with a number of local suppliers and to utilise local specialist contractors. They have all been, and remain, singularly focused on the delivery of the Woodlawn Project and I would like to take this opportunity to express my thanks for their efforts. Importantly, sitting behind this is the supportive guiding hand of the Heron Board of Directors. The considerable accumulated technical, operational and commercial experience of the Board was further bolstered with the appointment of Dr Ian Pattison who is not only a well experienced base metal metallurgist but also brings with him previous experience of Woodlawn that will be a valuable source of knowledge as we enter production.

We continue to have a very positive relationship with the local community. The commencement of significant on site activity has made it possible to establish commercial arrangements with a number of local service and equipment providers and opportunities to utilise local specialist contractors. Our recruitment activities also continue to have a strong focus on sourcing candidates from the local area.

Our lead in to the commencement of production looks to be well timed with the commodity markets remaining supportive with good supply-demand fundamentals. The zinc market has seen a continuation of the steady draw on the available global stocks throughout the year although prices, which remain well above the 2016 Feasibility Study assumptions, have experienced some volatility as a result of the perceived risks associated with the escalating US-China trade war. We maintain a view that the pull-back in the zinc price is not consistent with the market fundamentals, the global zinc stock trends, and mine production shortfalls. We also see that the price volatility is likely to reduce the probability of financing of new zinc projects (especially those at the higher end of the cost curve) further impinging on potential new supply. The longer term outlook for our major commodity suite (zinc, copper and lead), on the back of continued global growth trends, remains highly supportive for the Company's activities.

We are looking forward to delivering our first concentrate production into the international markets early in 2019 and, after a long journey, this will mark the formal transition for Heron from an 'explorer' at its inception to finally becoming a 'producer'. I look forward to keeping shareholders well informed on this progress throughout the remainder of 2018 and into 2019.

Heron Projects

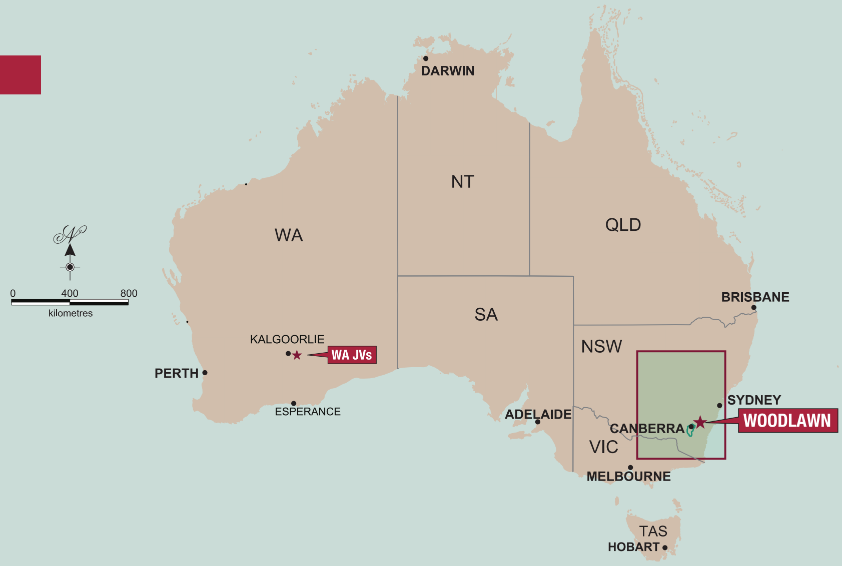
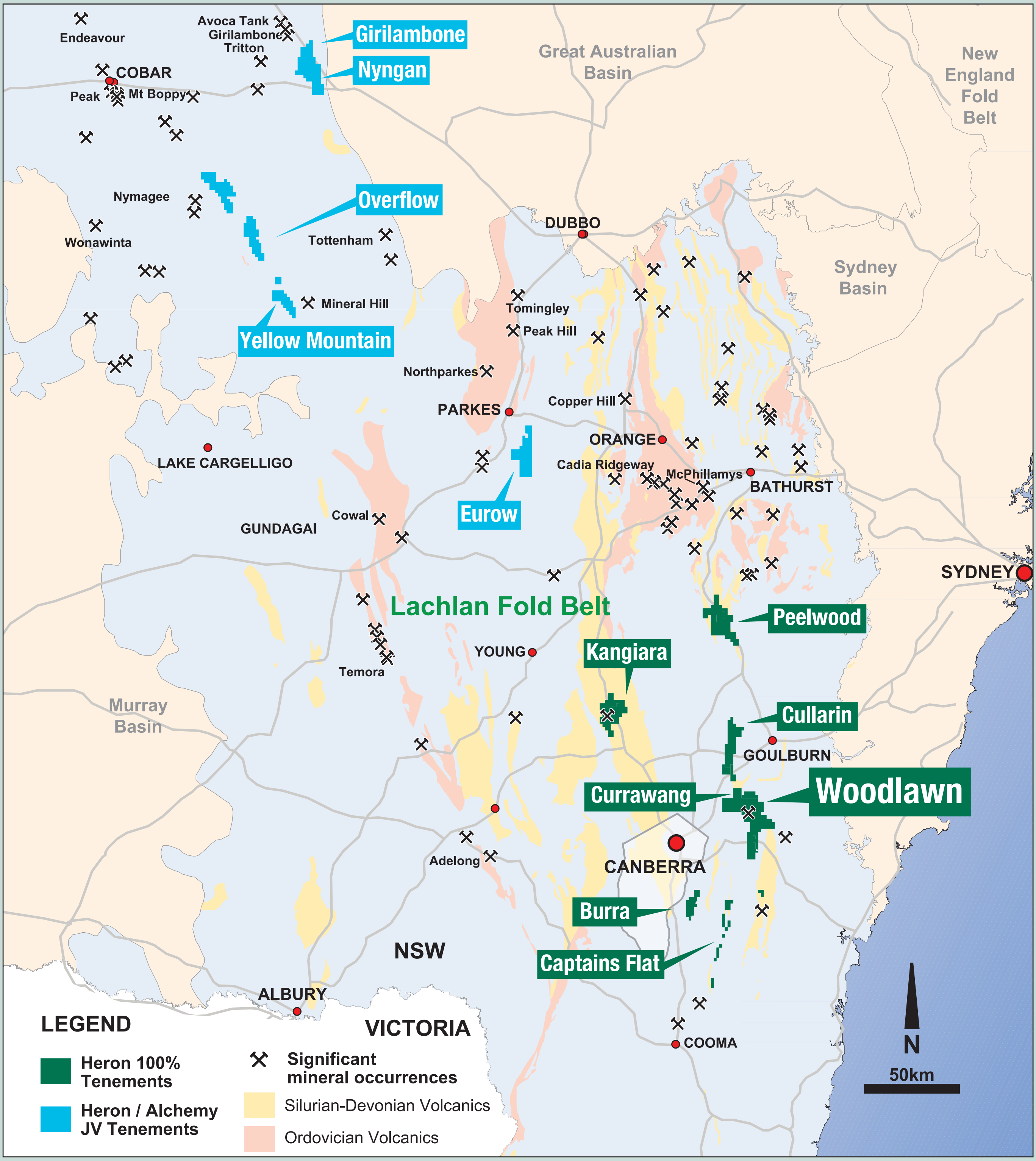


Figure 1: Heron Resources - Project locations



2.0 Operations Report

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

Heron continues to demonstrate its commitment to "Zero Harm" to the Company's employees, contractors and the communities in which Heron works and to the environment.

HEALTH AND SAFETY

With the commencement of construction activities at site, Heron incurred one Lost Time Injury (LTI's) during 2018 (2017 - Nil LTI's). While the Company strives for zero harm through the highest levels of safety standards, the LTI provides a reminder that we have more to do. The Company continues to develop risk management systems and processes to support our increased levels of activities. These resources will continue to be refined as we target further improvements in this critical management area.

ENVIRONMENT

Heron's HSEC Management System continues to be refined as we accommodate the increased site activity. The Company is committed to minimising the environmental impacts of our activities and meeting our regulatory obligations. Our work places continue to be monitored and assessed by both internal and external audits. With the expanded area of disturbance due to the construction activities on site, our environmental staff have increased their activities to ensure compliance with applicable laws.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

Heron continues to increase its involvement and interaction with the local community in parallel with the ramp-up in site activity. The Company aims to enhance the communities in which we operate through support of local initiatives and by partnering with organisations and not-for-profit groups to provide better services and improve the livability of the region.

During 2018, the Company undertook quarterly Community Consultation Committee meetings comprising members of the local community, representatives from the Goulburn-Mulwaree Council, the Tarago Progress Association (TADPAI) and also Veolia Environmental Services, the operators of the landfill located at the Woodlawn site. The meetings provide a conduit for information flow from the Company to the community and also to raise matters of interest along with considering the areas which Heron can provide a constructive influence in the local area. The Community Consultation Committee completed its 2-year term during the year and a new committee is in the process of being established with an independent Chair being appointed by the Department of Planning and Environment.

Heron presence at the Annual Tarago Show

WOODLAWN PROJECT

With the completion of Woodlawn financing in September last year, 2018 has been a year of construction and activity at Woodlawn. We expect to be commissioning the project in late 2018 and into production in early 2019. We will be delivering zinc into a market which is becoming increasingly constrained from a shortage of mine supply and underlying strong demand.

The Woodlawn Project remains one of only a few new zinc projects that has secured development funding and Heron's transition to becoming a significant producer of zinc and other metals will be a major milestone for the Company.

Shotcreting the box cut in preparation to start underground development

Woodlawn Project – Development Progress

Construction activities commenced in September 2017, and overall works are now over 80% complete. Structural, mechanical and piping installation is well advanced, and civil works are 100% complete. Electrical and instrumentation works have commenced. The project remains on schedule to commence commissioning of the processing plant late in 2018 and deliver the first shipment of concentrate to market in the first quarter of 2019. Recent project developments include:

- **Safety & Environment:** Disappointingly the project recorded its first lost time injury in August 2018 with investigation recommendations being adopted and acted on. The Company remains focused on the continual improvement of its risk management systems and processes that target the wellbeing of our employees and contractors and it remains committed to achieving zero harm. There has been a significant increase in resources applied to environmental management on site commensurate with the ramp-up in site activity. While there has been a rapid change in site activities we have not only managed these operational aspects but also commenced the trial works that will support the longer term site rehabilitation.
- **Project Development Schedule**: The EPC Contractor, Sedgman, is reporting the overall project schedule remains on track for the commencement of commissioning in the December quarter and at the end of the September quarter the overall project progress was reported at over 80% complete.
- **Earthworks**: All major earthworks are complete with only minor items to be finalised. This included the preparation of Hickory's paddock for process plant construction, the building and refurbishment of site wide access roads, construction of the tailings storage facility and the excavation of the box cut to permit access to the underground mine.
- **Project EPC Works:** Engineering design and procurement are now both complete. Of special note is the 3MW IsaMill™ which was delivered to site on 23 July and was craned into position on 15 August. Current work is focused on piping and electrical works. Off-site fabrications are complete.
- **Water Treatment:** The supply, installation and commissioning of a water treatment plant continues with civil work now underway.
- **Underground Mine:** The underground mining contractor, Pybar Mining Services, has mobilised to site (office, equipment lay down area etc.) with a specialised underground mining fleet for the initial mine access works. This is typical of a fleet for this scope and consists of a twin boom development drill, load haul dump unit, underground dump truck, charge-up unit, shotcrete machine and utility vehicles. This equipment list will be expanded as additional work areas underground are opened up and activities move to include ore production. Additional infrastructure to support the underground mine is either in place, or under construction including concrete batch plant, explosives emulsion plant, heavy vehicle workshop and paste plant. At the end of the September quarter access works to the underground had included final ground support to the box cut and the initial few metres of decline development advance that signified the commencement of the Woodlawn Underground Mine. The completion of the G2 drilling in the year has provided the opportunity to access earlier production for the first ore with mine planning work being revised to include this into the activity schedule. Mine planning work continues on the establishment of the primary ventilation infrastructure, second means of egress, power and pumping installations.
- **Tailings Mining:** The mining equipment supply, installation and commissioning contract has been awarded to National Pump & Energy, and the specialist hydraulic mining services contract has been awarded to Paragon Tailings Australia. The combination of project partners brings the complementary skill sets of proven equipment supply and operational expertise to the tailings hydraulic mining operations. In addition, these two groups are being employed under a similar arrangement with another Australian operation, also recovering zinc rich tailings for reprocessing, and this provides a local experience base to call upon. Work is advancing on the hydraulic mining plant and includes overland pipelines which is progressing to schedule.
- **Electricity Supply:** Under a competitive bid process, the Company entered into an electricity supply contract with a major electricity provider. Stage 1 power was delivered to site by the end of September and upgrade works to the site substation for the delivery of Stage 2 power is almost complete.
- **Concentrate Transportation:** The domestic transportation of the base metal concentrates to Port Botany and Port Kembla has been awarded to a Goulburn-based road and rail services provider, Crawford's Freightliners Pty Ltd. The construction of a dedicated concentrate container has commenced and will be ready for the planned output from the operation.
- **Water Management:** The Company and Veolia, continue to manage site water in line with the zero discharge requirements for the site. The EPA has approved Stage 3 dewatering (ongoing operations). A new water bore for mine dewatering is under construction and will be put into operation in the December quarter.
- **Community:** The Company continues to hold quarterly Woodlawn Community Consultation Committee meetings. The Company also continues to receive very supportive local feedback for the project development and the wider benefits it will provide the community through employment opportunities, use of local suppliers and as an active participant in further community advancement.
- **Personnel:** The Company has made good progress in the recruitment of project personnel with applicants being attracted to a new project and the unique residential options that Woodlawn offers. Senior management, technical and support staff are largely in place and over the December quarter it is expected that the employee numbers will expand significantly as operational personnel are on-boarded in preparation for the start of commissioning.

Figure 2: Woodlawn construction site - flotation area (front right), concentrate thickening and filtration (front left)

Figure 3: Concentrate storage tanks and thickener (background)

Figure 4: Flotation building – first floor structural steelwork

Figure 5: Concentrate handling area

Figure 6: Installation of Flotation tanks in progress

Figure 7: IsaMill™ craned into position 15 August

Figure 8: Trash screen and transfer station for the hydraulic mining of the tailings

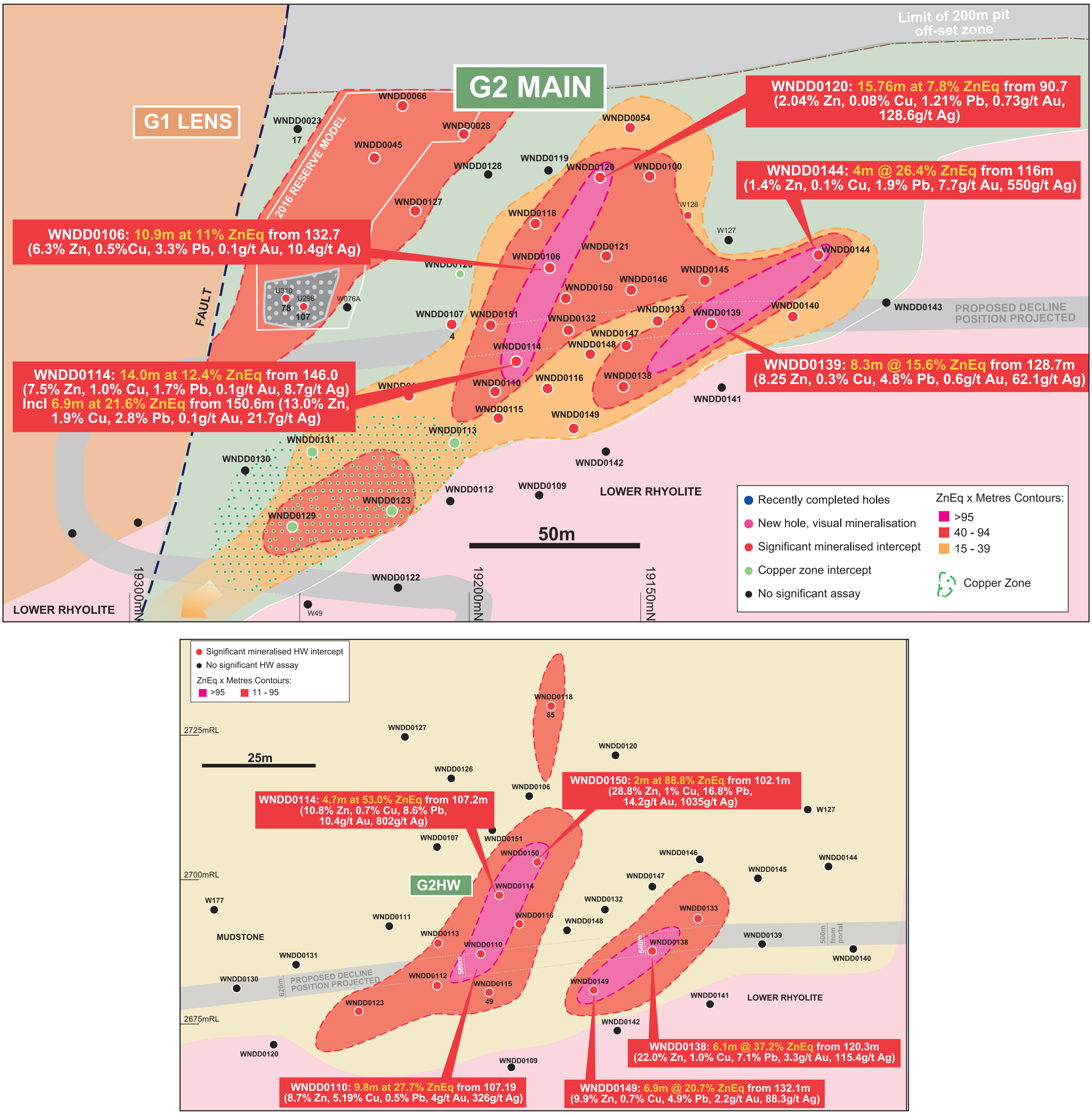
Figure 9: Shotcreting the box cut in preparation to start underground development

Woodlawn Project – Exploration Drilling Programs

A diamond core drilling (DDH) program commenced in March 2018 aimed at better delineating the Lisa and G2 lenses for extraction in the early mine schedule. The program was completed in June with 17 holes for 3,225m being drilled. The majority of the drilling was focused on the G2 Lens with significant assays received to date including:

- 6.1m grading 37.2% ZnEq from 120.3m (22.0% Zn, 1.0% Cu, 7.1% Pb, 3.3g/t Au, 115g/t Ag) WNDD0138
- 8.3m grading 15.6% ZnEq from 128.7m (8.2% Zn, 0.3% Cu, 4.8% Pb, 0.6g/t Au, 62g/t Ag) WNDD0139
- 4m grading 26.4% ZnEq from 116.0m (1.4% Zn, 0.1% Cu, 1.9% Pb, 7.7g/t Au, 549.8g/t Ag) WNDD0144
- 3.4m grading 15.6% ZnEq from 124.7m (6.5% Zn, 0.3% Cu, 3.1% Pb, 4g/t Au, 67.8g/t Ag) WNDD0145
- 3.2m grading 20.9% ZnEq from 140.0m (11.2% Zn, 0.5% Cu, 6.9% Pb, 0.5g/t Au, 69.3g/t Ag) WNDD0146
- 6.9m grading 20.7% ZnEq from 132.1m (9.9% Zn, 0.7% Cu, 4.9% Pb, 2.2g/t Au, 88.3g/t Ag) WNDD0149
- 2m grading 88.8% ZnEq from 102.1m (28.8% Zn, 1% Cu, 16.8% Pb, 14.2g/t Au, 1034.9g/t Ag) WNDD0150
- 3m grading 27.9% ZnEq from 153.0m (19.5% Zn, 1.4% Cu, 4.3% Pb, 0.2g/t Au, 14.3g/t Ag) WNDD0151

Figure 10: Long-section of the G2 Main Lens (top) G2HW bottom, showing interpreted lens shape, previous drill pierce points and selected drill intercepts. View to northeast.



The intercepts confirm the high-grade base-metal mineralisation within the lens and have better defined the limits of the area. The G2 Lens will provide early-stage production for the operation. The G2 Hanging Wall surface continues to be characterised by high grade gold and silver levels within the massive and stringer sulphide zones with results up to 14.2g/t Au and 1,035g/t Ag over 2.0m in hole WNDD0150. These are some of the highest precious metal intercepts recorded at Woodlawn. The program has extended the G2 lens further towards the rhyolite contact in the south.

Drilling at Lisa Lens consisted of 3 holes for 725m in the upper part of the lens. The central hole intersected a strong copper result of:

- 8.6m @ 3.6% Cu from 203m (WNDD0135)

This high grade copper intercept in the upper part of the lens is encouraging. Further drilling is warranted (from underground) to better define this position which maintains good potential to add to the early mine production profile.

Full details of these drilling results, including JORC compliance tables can be found in the ASX release dated 4 June 2018 and 21 Sept 2018.

Additional In - Mine Exploration Targets

A number of mine exploration targets are currently being reviewed for their potential to add significantly to the mining inventory further into the mine life. One of the immediate targets is the combination of the B Extension Lens and the B Copper Lens. The B Extension Lens was drilled in November 2016 and an Exploration Target of 0.6 – 1.1Mt at grades between 7.0 and 14% ZnEq was defined. The B Copper Lens has an Inferred Resource of approximately 325,000t grading 2.7% Cu at a 0.5% cutoff (2017 estimate) with a number of key intercepts that are open and warrant additional drilling including:

- 26m @ 2.7% Cu from 383m (U458), true width approximately 18m
- 30m @ 2.4% Cu from 849m (WLTD011), true width approximately 28m

A review of the 2014 electro-magnetic surveys has been completed in this area, with at least one anomaly of interest providing a follow-up target. Drilling requirements are also being reviewed and include an assessment of whether surface or underground drilling is best suited (or a combination of both).

1 An Exploration Target is a term used within the JORC 2012 Code for an estimate of the exploration potential of a mineral deposit. As used in this release the stated exploration target is based upon the parameters described in the text, however the potential quantity and grade is conceptual in nature and there is insufficient information to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource in this area of recent drilling.

Woodlawn Regional Gravity Survey

A detailed, infill, gravity survey over the prospective 'north-west corridor' from Woodlawn to Currawang was recently completed. The survey covered an area of approximately 62km^2 over private land adjacent to the Woodlawn site. A regional scale gravity high has been noted in the Currawang area since the 1970's although has not been follow-up since then. Gravity surveys measure the density of the underlying rocks and can in certain situations directly detect certain types of mineralisation. The gravity survey has highlighted the main lithological contacts between the Currawang Basalt and Woodlawn Volcanics within the north-west corridor and this data combined with the aeromagnetic data acquired in 2015 has aided the geological interpretation of the regional Woodlawn area. Specific gravity features will be modelled in greater detail to determine if direct drilling targets present.

The gravity data has highlighted the Wattle and Montrose Electro-Magnetic (EM) anomalies that were identified from historic surface EM surveys undertaken in the late 1990's and early 2000's. Both these prospects lie over a gravity gradient which indicates the favourable stratigraphic location between the mafic and felsic volcanic units. These two prospects are located to the north-west of the Woodlawn Mine with the geophysical responses being modelled in greater detail and are targeted for drilling in the next quarter. Land access agreements and drilling approvals are being finalised.

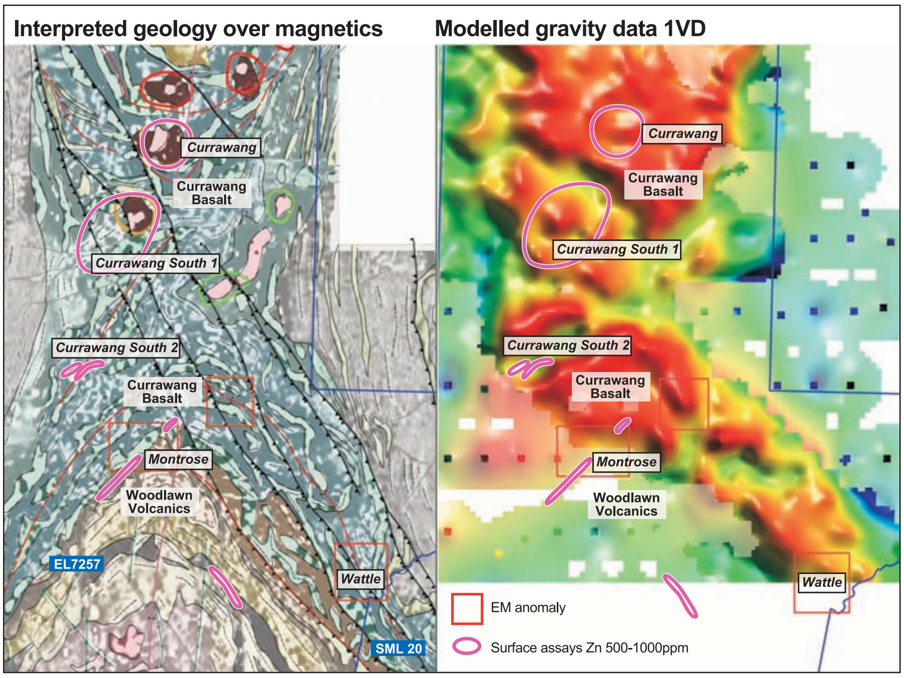


Figure 11: Gravity Survey of Woodlawn north-east corridor

G2 Lens - Metallurgical Results

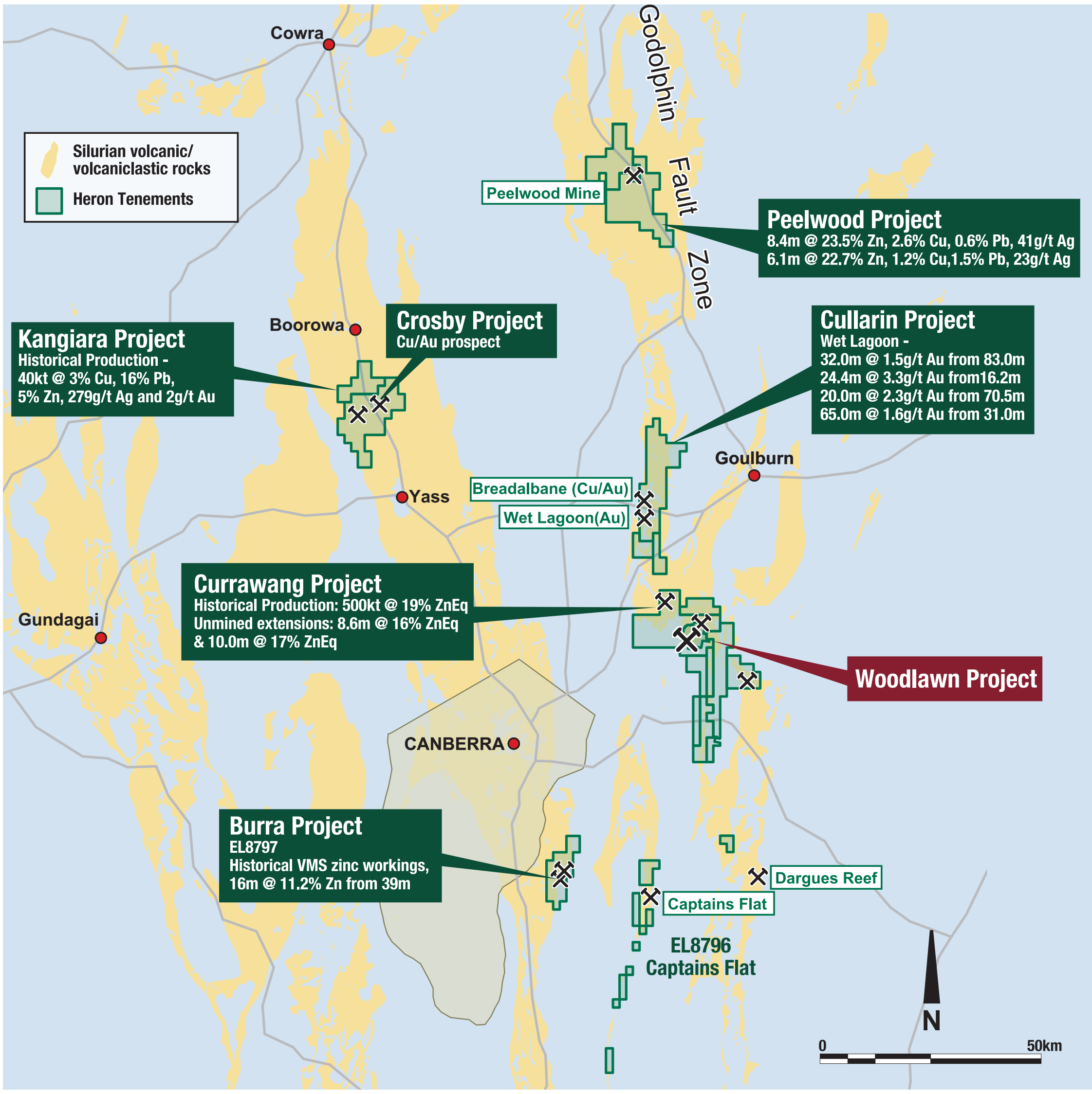
The G2 lens contains three key geo-metallurgical types: 1) G2 Hanging Wall (G2HW) – high grade polymetallic mineralisation with elevated precious metals; 2) G2 Main Lens (G2 Main) – polymetallic and zinc stringer mineralisation; and 3) G2 Copper (GC) – copper mineralisation. Composite samples of each G2 lens type and representative of run-of-mine ore (including dilution) were sent for metallurgical test work to test flotation yields of zinc, copper and lead mineral concentrates. The metallurgical test work for the G2 Lens provided results that indicated better performance than the feasibility study assumptions. Copper and lead concentrates are of very good quality, and are well above the targets that were established for the feasibility. Zinc concentrate grades and recoveries are also good, being on or slightly better than target. Also, the G2HW sample contained notably higher grades of precious metals in the feed ore with resulting elevated silver and gold grades reporting through to the copper and lead concentrates, dramatically increasing the value of these concentrates.

The strong metallurgical test work results returned for the G2 mineralisation provides the Company with confidence that these ore types will be able to be readily processed through the plant and may provide the project with improved revenue results in the early stages of underground mining operations. Full results were provided in the ASX release dated 8 May 2018.

WOODLAWN REGIONAL PROSPECTS

Heron continues to maintain and explore a strategic 1,206km^2 tenement package over the prospective Silurian volcanic rocks which host the Woodlawn VMS deposit. Heron's exploration strategy is to focus on known mineralisation zones with comparable grade and metallurgy to Woodlawn and within potential trucking distance of the Woodlawn processing facility. The key project areas include Currawang, Peelwood, Kangiara and Cullarin. In addition, the Burra Project, 60km south of Woodlawn was acquired during the September quarter. Figure 12 shows the location of these projects.

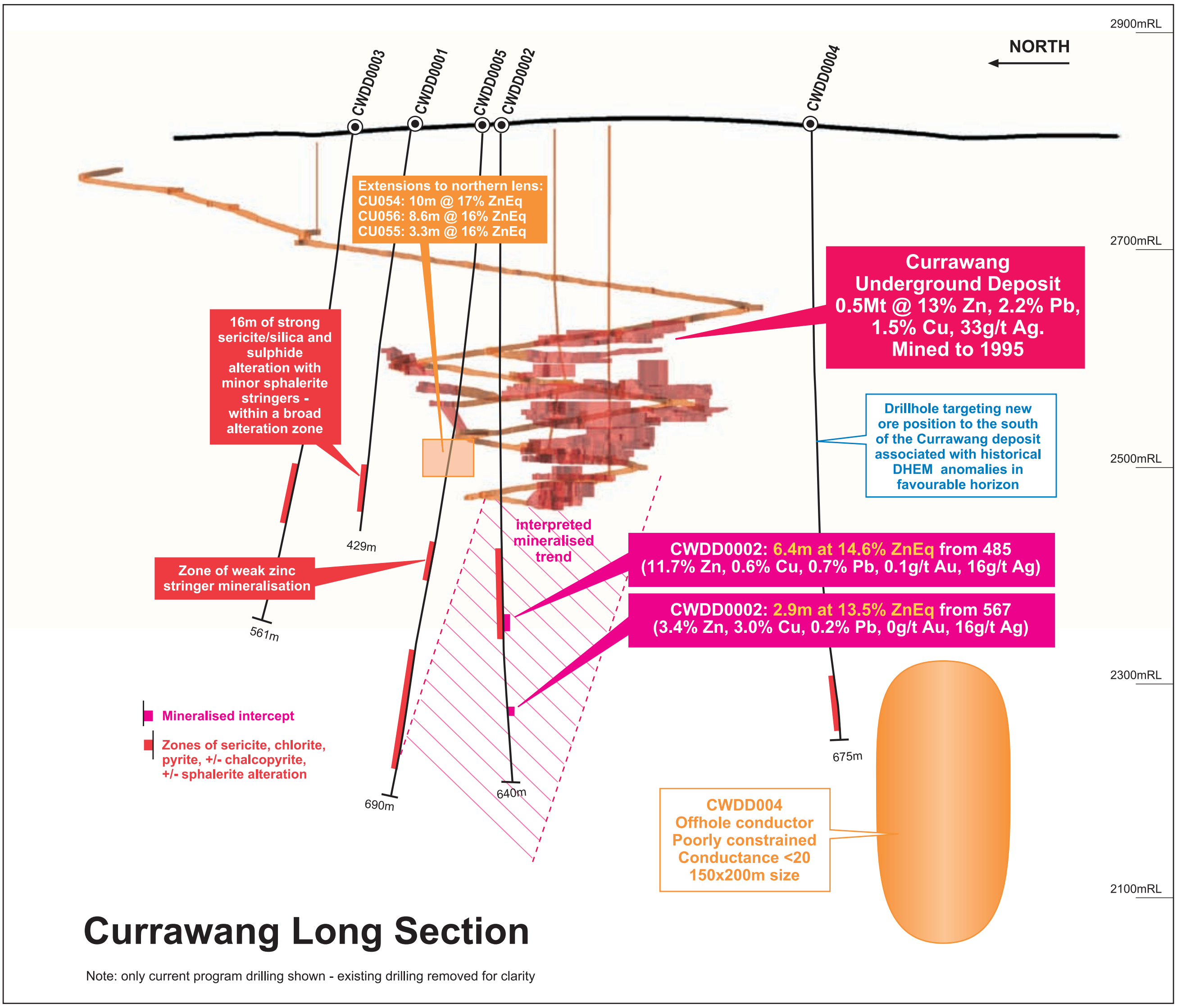
Figure 12: Regional Prospect Locations



Currawang Prospect

During the year the results of the Down-Hole Magneto Metric Resistivity (DHMMR) program (completed March 2018) were assessed for four of the Currawang drill holes (5 DDH holes drill in total for 2,994m, ASX release 16 October 2017). DHMMR is designed to detect poorly conducting mineralisation such as sphalerite (zinc sulphide) rich bodies and did show a significant anomaly to the east and below the existing drilling. A review of this anomaly is being undertaken in relation to the geology and alteration in this zone. A review of the other geophysical data-sets available for the area is also being undertaken.

Figure 13: Currawang Long Section



Peelwood Project

The Peelwood Project[1] is located 165km west of Sydney, and 105 kilometres north from the Company's Woodlawn Zinc-Copper Project in New South Wales, Australia. (Figures 1,12). It lies within undulating, mostly forested country 800m above sea level, and is underlain by Silurian aged rocks consisting of the shales and other fine grained sedimentary rocks of the Cuddyong Formation, and the felsic volcanic rocks of the Kangaloolah Volcanics. VMS style deposits were first mined here in 1890's with three key centres occurring on the tenements newly pegged by Heron, namely the Peelwood, John Fardy and Cordillera deposits (Figure 14). Each of these historical deposits includes a number of massive sulphide lenses located at, or adjacent to, the sheared contact between the Cuddyong Formation and the Kangaloolah Volcanics.

[1] The geological description for the Peelwood deposits are adapted from the publication: Downes, P.M., 2017.

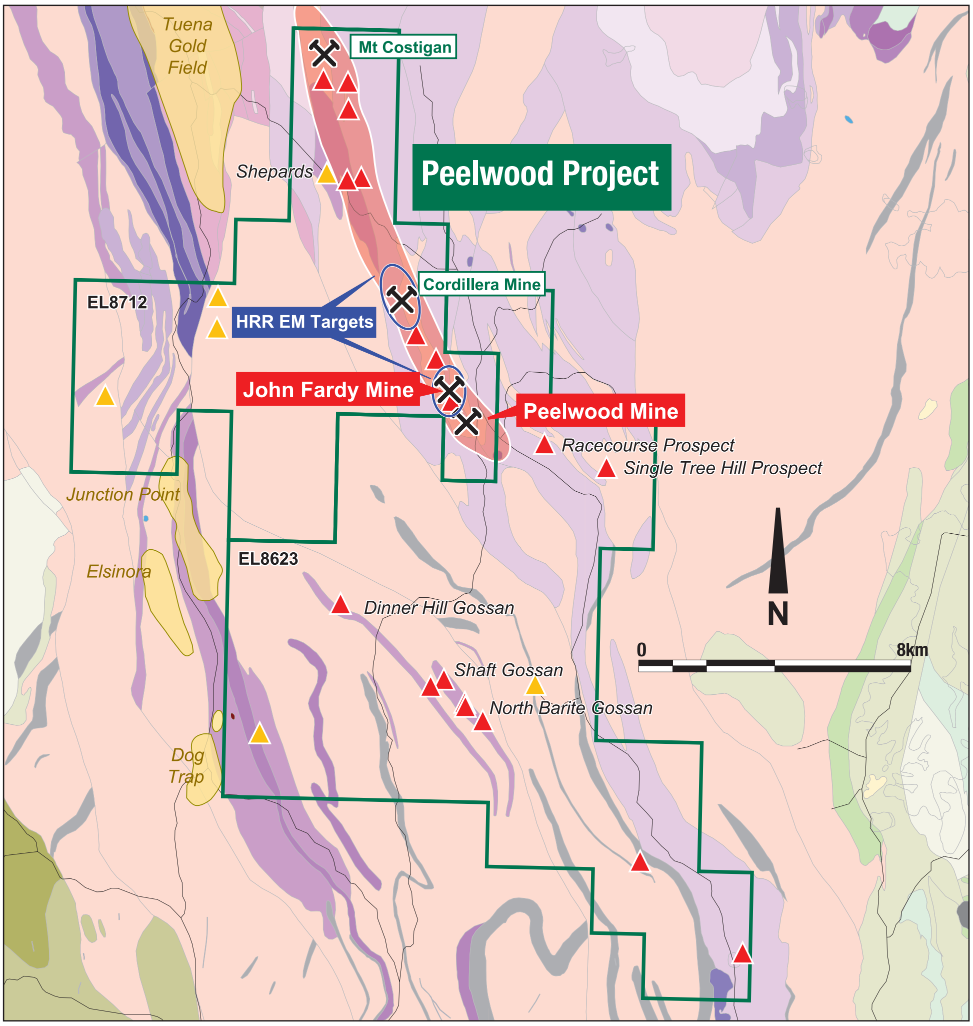


Figure 14: Geological Map of the Peelwood area showing the location of the key EM anomalies.

John Fardy Deposit

The John Fardy VMS deposit, located 1km northwest of the Peelwood mine, was discovered in the early 1950s. It is hosted by a steeply west-dipping sequence of shales (Cuddyong Formation) at the contact with rhyodacitic crystal tuffs of the Kangaloolah Volcanics.

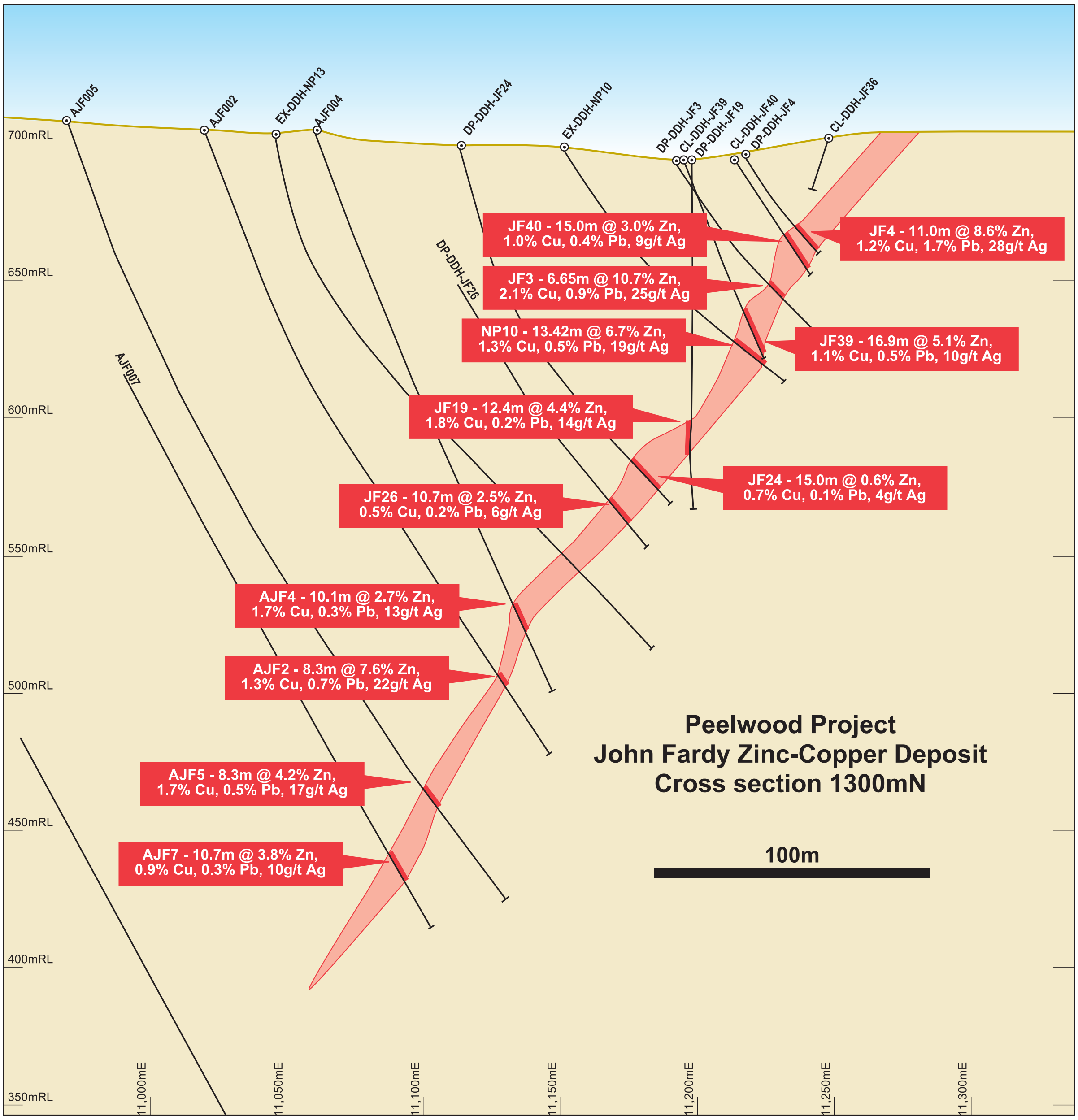
The mineralisation at John Fardy comprises disseminated and massive sulphides up to 20m thick within two lenses separated by a 0.5-5m zone of altered shale and a pyritic and cherty exhalate which also occurs above and below the mineralised horizon. The massive sulphides are commonly banded and consist of fine to coarse grained pyrite and sphalerite with minor galena, chalcopyrite and traces arsenopyrite and tetrahedrite. A JORC (2004) Mineral Resource for the John Fardy deposit was released on the ASX by Sultan Corporation Ltd on the 12 November 2008. However, Heron has not, as yet, been able to source and verify the open-file or other data for this estimate and so cannot state resource numbers at this stage.

At John Fardy there appears to be excellent potential to delineate a high-grade resource (see Figure 15 cross section over page) and some of the better, higher grade results include[2]:

- 8.4m @ 23.5% Zn, 2.6% Cu, 0.6% Pb, 41g/t Ag from 36m JF15
- 6.1m @ 22.7% Zn, 1.2% Cu, 1.5% Pb, 23g/t Ag from 45m JF38
- 4.0m @ 18.6% Zn, 1.0% Cu, 3.9% Pb, 40g/t Ag from 50m SFJ001
- 4.0m @ 23.2% Zn, 1.4% Cu, 0.2% Pb, 13g/t Ag from 280m SJF004
- 7.5m @ 15.7% Zn, 2.1% Cu, 3.0% Pb, 36g/t Ag from 29m JF6
- 4.7m @ 16.9% Zn, 6.5% Cu, 4.8% Pb, 58g/t Ag from 25m JF5
- 6.2m @ 12.4% Zn, 0.7% Cu, 0.8% Pb, 17g/t Ag from 55m JF37
- 6.7m @ 10.7% Zn, 2.1% Cu, 0.9% Pb, 25g/t Ag from 36m JF3
- 8.7m @ 12.9% Zn, 1.0% Cu, 2.4% Pb, 33g/t Ag from 63m JF15

[2] Results have been taken: Sultan Corp Ltd, ASX release, 5 June 2007: High Grade Zinc Intersections at John Fardy, Sultan Corp Ltd, ASX release, 6 February 2008: Near surface, high grade intersected at John Fardy and Sultan Corp Ltd, ASX release, 19 February 2008: Another significant zinc and copper intersection.

Figure 15: John Fardy Prospect Cross Section



Cordillera Prospect

The Cordillera Prospect is centered on the historic Cordillera mine located 4km north-west of Peelwood (Figure 14). The mine was opened in 1883 and production peaked in 1888 with 9,000t of ore being treated that year producing copper, lead, silver and gold from oxidised ore down to a depth of 60m. Underground production continued until 1889 and the dumps were reworked in 1928. The mineralisation is considered to be of a Volcanogenic Massive Sulphide (VMS) type consisting of lenses contained within shales close to the steeply (75-85˚) dipping structural contact with the overlying coarse grained felsic volcanics.

A 2014 Airborne Electro-Magnetic (AEM) survey undertaken by previous owners has been reviewed by Heron's geophysical consultant who has identified several bedrock conductors potentially related to mineralisation. In particular, these Electro-Magnetic (EM) conductors (Figure 16) occur along the line of the historically mined mineralisation and have not been tested at depth. The conductors north of the old mine are modelled starting at some 50m below the surface in an area of known workings (shafts and costeans) with moderate pyrite alteration seen in the surface felsic volcanic and shale rocks. A program of drilling is being planned to test these conductors. The Company is working through land owner access arrangements and statutory approvals.

A number of additional modelled EM anomalies at the John Fardy prospect are also being assessed and may provide further drill targets as part of this program. Subject to suitable drill rig availability, the Company is aiming to drill a number of these targets before the end of the year.

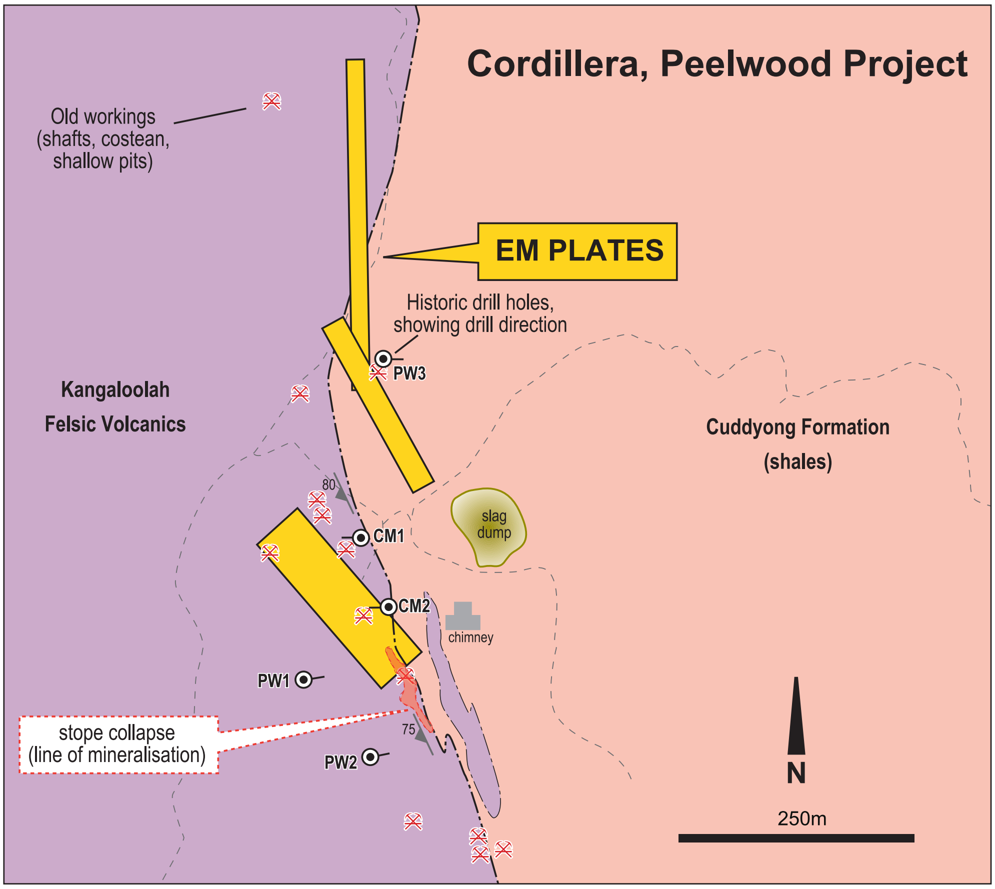
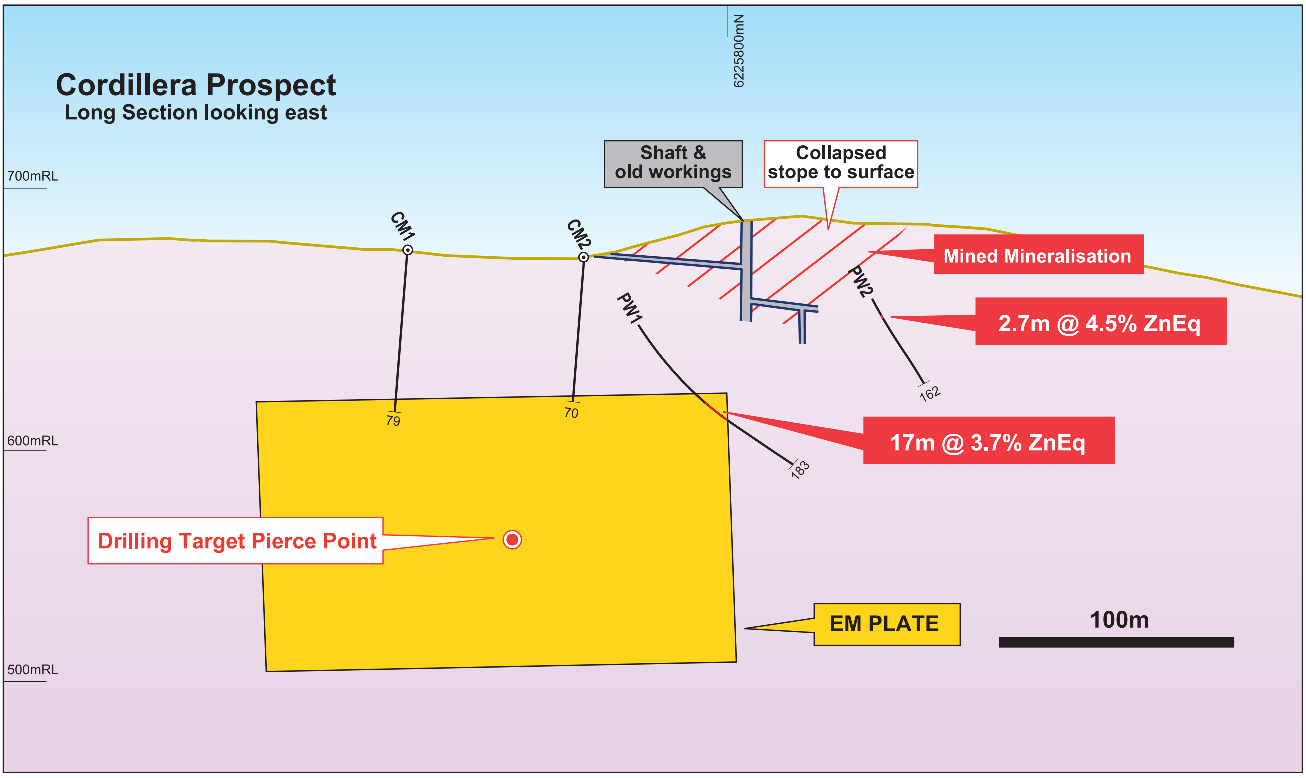


Figure 16: Cordillera Prospect detail - showing location of EM anomalies in relation to the geology and previous mine workings. The VMS mineralisation occurs close to the contact between the felsic volcanics and shale units. Refer to legend in Figure 11.

Figure 17: Cordillera Prospect Long Section looking east showing position of modelled AEM plate and how historical drilling failed to test the target. Pierce-point for the proposed hole shown as red dot.



Burra Project

EL8797 is located over the Queanbeyan Thrust on the eastern side of the Cowra-Yass Trough within the eastern Lachlan Fold Belt and approximately 65km southwest of Woodlawn. It covers the historic London Bridge and Burra Pb-Ag deposits that were worked in the early 1900's with London Bridge having a reported average production grade of 15% Pb and 765g/t Ag. The area contains Siluro-Devonian sequences of felsic flows, marine sediments, carbonates and intermediate intrusions known as the Colinton Volcanics, Cappanana Formation and Bransby Beds. Mineralisation at London Bridge and Burra is hosted within limestone lenses of the Cappanana Formation which is overlain by the Colinton Volcanics, a time equivalent to the Woodlawn Volcanics to the north. The area is prospective for VMS base metal mineralisation and previous work most recently by Alderan Resources Ltd has defined a number of significant targets for future work.

Exploration Joint Venture Projects

Heron retains an interest in a high quality tenement holding in the Lachlan Fold Belt of NSW and the Eastern Goldfields of Western Australia. This tenure is held through farm-in and joint ventures interests and includes several other free-carried residual or royalty interests which results in minimal costs to Heron.

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

Heron entered into a Farm-In Agreement with Alchemy Resources Limited (Alchemy) (ASX: ALY) covering a portfolio of Heron's NSW exploration tenements (see Figure 1) in May 2016. The Farm-In Agreement covers 674 km^2 of the central Lachlan Orogen in NSW, including the following exploration tenements: EL5878 Overflow, EL7941 Overflow, EL8267 Overflow, EL8192 Eurow, EL8318 Girilambone, and EL8356 Yellow Mountain. An Option Agreement was also finalised in March 2018 with the addition of two tenements EL 8631 Nyngan (Ni-Co) and EL 8711 Barraba (Mn-Ni-Co) into the existing Alchemy JV for 10M ALY shares (2.3c) and 10M ALY options (strike at 5c).

A program of aircore drilling commenced in early July on the Nyngan project with 80 holes for 4,300m planned. The drilling is designed to better delineate and expand the known nickel/cobalt mineralisation. Previous drilling results in the area include: 19m @ 1.21% Ni and 0.1% Co from 36m depth. See ALY:ASX announcement dated 13 July 2018.

Approval for follow-up drilling at Overflow has been delayed due to Native Title clearance, negotiations for this are continuing.

Drilling Woodlawn G2

3.0 Corporate Profile

HERON RESOURCES LIMITED ("Heron" or "the Company") is engaged in the exploration and development of base and precious metal deposits in Australia. The Company is focused on the development of the high grade Woodlawn Project located 250km southwest of Sydney in New South Wales.

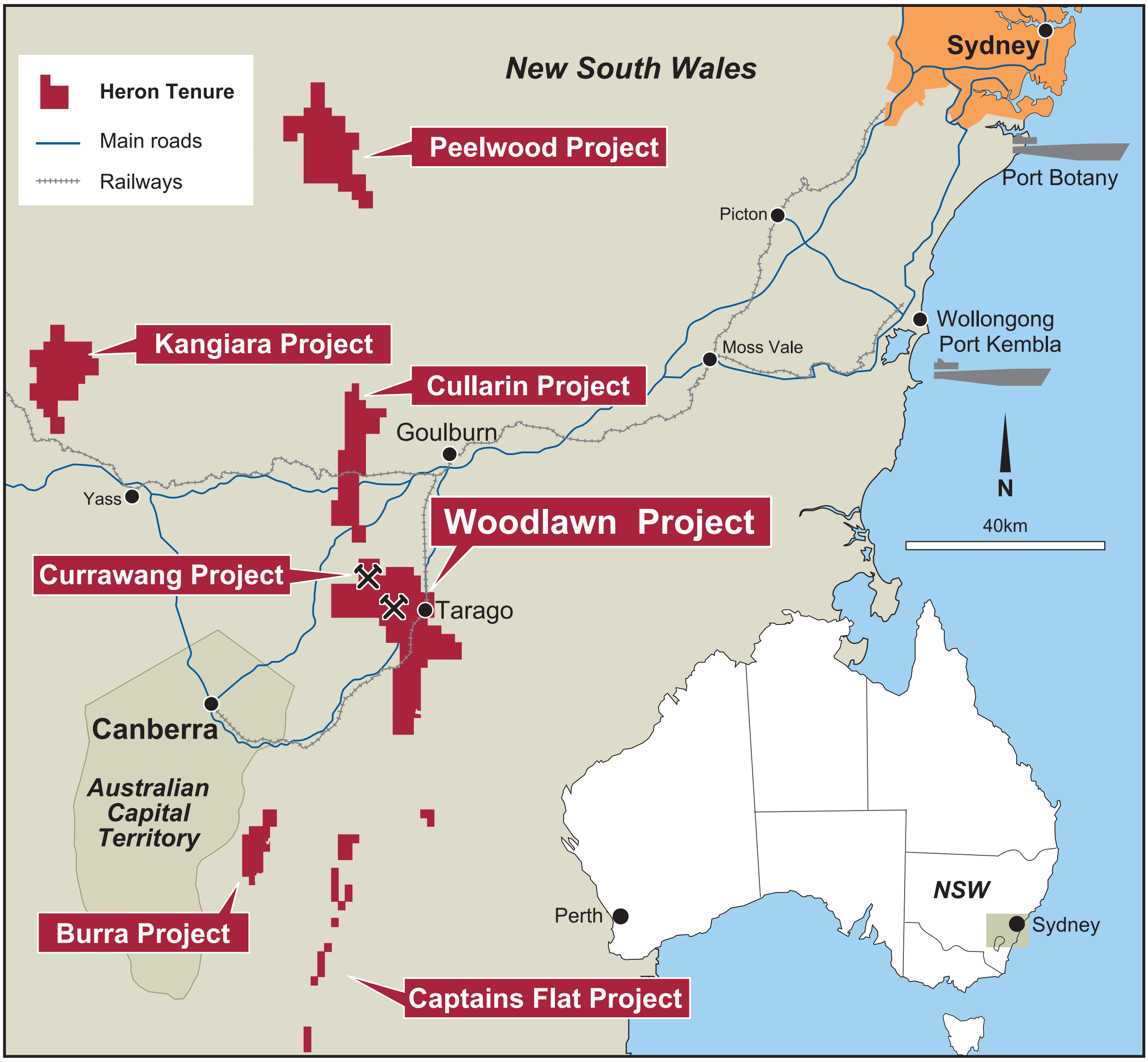
WOODLAWN ZINC-COPPER PROJECT

Heron holds a direct 100% ownership of the mineral rights at the Woodlawn Mine site situated 40km south of Goulburn and 250km south-west of Sydney, in southern NSW, Australia (Figure 18). It is Heron's aim to create a profitable, long-life, low-cost mining operation producing base metal concentrates.

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

Heron's principal focus is developing the Woodlawn Zinc-Copper Project which is expected to start commissioning in December 2018. Project development followed the successful completion of a Preliminary Economic Assessment (PEA) in 2015, a Feasibility Study (FS) in June 2016, and the completion of project financing in September 2017. Construction of the project commenced in September 2017 and is now over 80% complete. Underground mine development will commence in September. The price outlook for all metals to be produced at Woodlawn, while seeing some recent volatility, remains relatively strong, particularly for zinc which continues to face a significant supply shortfall.

Figure 18: Woodlawn Project Location Plan



CORPORATE GOVERNANCE STATEMENT

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

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

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

4.0 Directors' Report

The Directors submit their Report on the Company and its controlled entities for the year ended 30 June 2018.

DIRECTORS

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

Director Stephen Dennis - BCom BLL.B GDipAppFin(Finsia)
Appointed 05 December 2006
Position Chairman (Non-Executive) of the Board, Member of Audit and Governance Committee, Chair of Remuneration and Nomination Committee.

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

Other current directorships

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

Former directorships in last 3 years

Managing Director of CBH Resources Limited.

Director Wayne Taylor - BEng (Mining), MBA, M AusIMM
Appointed 11 August 2014
Position Managing Director and CEO

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

Other current directorships

None.

Former directorships in last 3 years

None.

Director Borden Putnam III - MSc (Geol), RPG, F AusIMM
Appointed 12 December 2014
Position Director (Non-Executive), Member of Audit and Governance Committee, Member of Remuneration and Nomination Committee

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

Other current directorships

None.

Former directorships in last 3 years

None.

Director Fiona Robertson - MA (Oxon) (Geology), M AusIMM, FAICD
Appointed 9 April 2015
Position Director (Non-Executive), Chairman of Audit and Governance Committee, Member of Remuneration and Nomination Committee

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

Other current directorships

Non-executive Director of Whitehaven Coal Ltd.

Former directorships in last 3 years

Non-executive Director and Chair of the Audit & Risk Committee of Drillsearch Energy Ltd;
Non-executive Chair of One Asia Resources Ltd.

Director Mark Sawyer - LL.B.
Appointed 19 August 2015
Position Director (Non-Executive)

Mr Sawyer co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, Mr Sawyer was GM and Co-Head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities for Xstrata. Prior to Xstrata, Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc. Mr Sawyer is a solicitor and a resident of the United Kingdom.

Other current directorships

Non-executive Director of Metro Mining Ltd.

Former directorships in last 3 years

None.

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

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

Other current directorships

None.

Former directorships in last 3 years

None.

Director Peter Rozenauers BME (Hons I), MAppFin, MAusIMM
Appointed 22 September 2017
Position Director (Non-Executive)

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

Other current directorships

Non-executive Director of MacPhersons Resources Ltd.

Former directorships in last 3 years

Non-executive Director of Lynx Resources.
Non-executive Director of Blackham Resources Ltd.

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

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

Other current directorships

None.

Former directorships in last 3 years

None.

SENIOR EXECUTIVE OFFICERS

Chief Operating Officer

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

General Manager – Finance and Administration and Company Secretary

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

General Manager - Exploration and Geology

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

General Manager - Strategy & Business Development

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

General Manager – Woodlawn

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

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the year was the financing and development of the Woodlawn Mine which is scheduled to commence commissioning late in 2018.

OPERATING RESULTS

The loss of the consolidated entity for the 2018 financial year after income tax of nil (2017: nil) was $5,819,116 (2017: $2,856,542).

DIVIDENDS

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

OPERATIONS REVIEW

The detailed review of operations of the Consolidated Entity for the year is contained in Section 3.0 – Corporate Review of Operations in this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, the Company was successful in completing the Woodlawn financing. Shortly thereafter the Company began construction at Woodlawn which is now over 80% complete.

Other notable changes in the state of affairs of the Company was its delisting from the Toronto Stock Exchange (TSX) on 29 March 2018 due to the North American shareholding falling to below 2% of the shares on issue and low market liquidity.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On the 26 September 2018, the company successfully completed the draw down of the second tranche (US$20M) of Debt from Orion Mine Finance.

Other than noted at the date of this Report there is no matter or circumstance which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

- The operations, in the financial years subsequent to 30 June 2018, of the Consolidated Entity;
- The results of those operations; or
- The state of affairs, in the financial years subsequent to 30 June 2018, of the Consolidated Entity.

OPTIONS

There were no options issued during the year under the Employee Share Ownership Plan (ESOP). There were no options exercised during the year. All options numbers reflect the 1 for 10 Consolidation that occurred in December 2017.

Number Issued	Expiry Date	Exercise Price
Nil	Nil	NIl

The following Options expired or were forfeited during the year:

Number Issued	Expiry Date	Exercise Price
300,000	4/12/20	$0.72
100,000	5/3/18	$2.90
21,459	23/10/17	$1.20

As at the date of this report the Company had the following options on issue:

Date Options Granted	Expiry Date	Number Issued	Exercise Price
5 August 2014	20-Nov-18	85,836	$0.70
5 December 2015	4-Dec-20	1,650,000	$0.72
1 February 2017	1-Feb-22	265,000	$1.10
	TOTAL	**2,000,836**	

PERFORMANCE RIGHTS

At the 2017 AGM, Shareholders approved a Performance Rights Long Term Incentive (LTI) program. During the 2017/18 financial year the following Performance Rights were issued. Refer to the Remuneration Report for further information on the LTI program.

Number Issued	Expiry Date	Exercise Price
2,895,000	30 June 2020	$0.00

No option or performance rights holder has any right under the options or rights to participate in any other share issue of the Company or of any other entity.

LIKELY DEVELOPMENTS

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

DIRECTORS AND KEY MANAGEMENT PERSONNEL SHAREHOLDINGS IN THE COMPANY

As at the end of FY2018 the interests of the Directors in the Shares of the Company were:

Directors	Ordinary Shares	Options over Ordinary Shares	Performance Rights
S B Dennis	179,429	100,000	115,000
W Taylor	250,740	485,369	485,000
B Putnam	-	100,000	90,000
F Robertson	71,429	100,000	90,000
M Sawyer	-	100,000	90,000
R De Armas	-	-	90,000
P Rozenauers	-	-	90,000
I Pattison	51,429	-	-
Key Management Personnel			
A Lawry	17,000	165,000	295,000
D von Perger	60,814	165,000	240,000
S Smith	60,000	165,000	255,000
C Kempson	485,130	165,000	255,000
Brian Hearne	-	165,000	245,000

DIRECTORS MEETINGS

During the year the Company held 6 meetings of Directors. The attendance of the Directors at meetings of the Board were:

Director	Meetings held while a director	Number of meetings attended	Audit Committee Meetings held (attended)	Remuneration and Nomination Committee meetings (attended)
S Dennis	6	6	4 (4)	2 (2)
W Taylor	6	6	-	-
B Putnam	6	6	4 (3)	2 (2)
F Robertson	6	6	4 (4)	2 (2)
M Sawyer	6	1	-	-
R De Armas	5	4	-	-
P Rozenauers	5	5	-	-
I Pattison	4	4	-	1 (1)

REMUNERATION REPORT (AUDITED)

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

At the 2017 Annual General Meeting (AGM), shareholders voted 97.9% in favour of our Remuneration Report.

Changes to remuneration framework for FY2018

To increase the employee retention value of the Long Term Incentive (LTI) scheme and to further align the scheme with shareholders' interests, the Board introduced a change to LTI awards in FY2018. At the 2017 AGM shareholders approved a Performance Rights program for LTI awards and this has been implemented across the Executive Team and the Board of Directors during FY2018.

Non-executive Directors fees

With the increase in the number of Non-executive Directors following the successful completion of the Woodlawn, financing the shareholders voted to increase the Non-executive Directors fees pool at the 2017 AGM. The Directors fees paid to individual Non-Executive Directors has not changed in FY 2018 however for FY 2019, the Company intends to remunerate Non-executive Directors who sit on the Audit and Governance Committee and the Remuneration and Nomination Committee to reflect the additional workload involved.

1. Introduction

This Remuneration Report forms part of the Directors Report.

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

This report details the remuneration and fees during FY2018 of the Key Management Personnel (KMP) of the Company, who are listed in the table below. For the remainder of this Remuneration Report, the KMP are referred to as either Executive KMP or Non-executive Directors.

1.1 Key Management Personnel for FY2018

This report details the remuneration during FY2018 of:

Name	Role held during FY2018	Committee positions held
Non-executive Directors		
Stephen Dennis	Chairman and Non-executive Director	Chair of Remuneration and Nomination Committee Member of the Audit and Governance Committee
Borden Putnam III	Non-executive Director	Member of the Remuneration and Nomination Committee Member of the Audit and Governance Committee
Fiona Robertson	Non-executive Director	Chair of the Audit and Governance Committee Member of the Remuneration and Nomination Committee
Mark Sawyer	Non-executive Director	None
Ricardo De Armas	Non-executive Director	None
Peter Rozenauers	Non-executive Director	None
Ian Pattison	Non-executive Director	Member of the Remuneration and Nomination Committee

Executive KMP	Role held during FY2018
Wayne Taylor	Managing Director and CEO
Andrew Lawry	Chief Operating Officer
Simon Smith	General Manager, Finance & Administration and Company Secretary
David von Perger	General Manager, Exploration & Geology
Charlie Kempson	General Manager, Strategy & Business Development
Brian Hearne	General Manager, Woodlawn Mine

1.2 Summary of Company performance

The Remuneration Committee is of the view that the Executive Key Management Personnel (Executive KMP) have continued to successfully execute the Company's strategy and that remuneration outcomes for FY2018 are aligned to company performance. In FY2018, the Executive KMP have focused on key activities and initiatives including:

- Safety at Woodlawn
- Construction and other project development activities at Woodlawn to meet project schedule and key milestones.
- Effective management of key stakeholder relationships including Veolia, government regulators and the community.
- Satisfaction of key conditions precedent for Senior Debt and Silver Stream draw downs.

Company performance for the last five years

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

	2018	2017	2016	2015	2014
Revenue ($m's)	Nil	Nil	Nil	Nil	Nil
Net Assets ($'000's)	$168,882	$44,010	$55,084	$52,151	$41,762
Profit/(loss) attributable to the group ($'000's)	($5,819)	($2,857)	($4,253)	($5,429)	($6,389)
Share price at year end (dollars per share) (1) (2)	$0.63	$0.71	$1.23	$0.95	$0.99
Basic EPS (cents per share)(1)	($0.028)	($0.06)	($0.0104)	($0.0162)	($0.0252)
Dividends paid (cents per share)	Nil	Nil	Nil	Nil	Nil

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

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

2. Remuneration Governance

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

2.1 Role of the Board and Remuneration Committee

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

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

The Remuneration Committee comprises four Non-executive Directors: Stephen Dennis (Chairman), Borden Putman III, Fiona Robertson and Ian Pattison. The Remuneration Committee has a formal charter, which sets out its roles and responsibilities, composition structure and membership requirements. A copy of this charter can be viewed on Heron's website.

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

2.2 Use of external remuneration advisors

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

The Corporations Act (2001) requires companies to disclose specific details regarding the use of remuneration consultants. The mandatory disclosure requirements only apply to those advisers that provide a 'remuneration recommendation' as defined in the Corporations Act. The Committee did not receive any such recommendations in FY2018.

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

2.3 Executive KMP remuneration principles and framework

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

- to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders, having regards to relevant Company policies;
- to attract and retain skilled executives;
- to structure short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
- to ensure any termination benefits are justified and appropriate.

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

Details of each of these components and how they applied during FY2018 are described in the tables below and in Section 3. All STI and LTI guidelines noted below are subject to Remuneration Committee and Board approval.

Fixed remuneration (TFR)	At-risk STI	At-risk LTI
- includes salary and superannuation - reviewed annually by the Remuneration Committee - benchmarked against peer companies - influenced by individual performance and experience	- determined based on a mix of financial and non-financial measures - STI for 2018 was a discretionary cash bonus determined at the end of the year based on KMP performance against KPI's and the company's capacity to fund such awards. Going forward it is proposed that STI opportunity is set between 10% and 50% of TFR for target performance and between 20% and 100% of TFR for stretch performance. - The STI is delivered as cash.	- provides the Remuneration Committee with the flexibility to determine the nature, terms and conditions of the grant each year - Operated in FY2018 as an award of performance rights. - the face value of the LTI opportunity is currently set between 20% and 75% of TFR - vesting is subject to an independent performance hurdle – Relative TSR

Remuneration framework summary

		--------------------At-risk % of TFR-----------------	
	TFR	**STI TARGET – STRETCH[1]**	**LTI**
CEO	Benchmarked	50% - 100%	50-75%
COO	Benchmarked	20% -50%	30-50%
KMP - GM's	Benchmarked	20% - 50%	30-50%
Other Executives	Benchmarked	10% - 20%	20-30%
Form of Delivery	Salary & Superannuation	Cash 100%	Deferred Share Rights
Performance Period	N/A	1 year	3 years
Further explanation	Section 3.1 to 3.2	Section 3.3	Section 3.4

1 As a % of TFR.

3. Remuneration of the Executive KMP for FY2018

This section describes in greater detail the different components of Executive KMP remuneration for FY2018.

3.1 Benchmarking total remuneration

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

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

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

3.2 Fixed remuneration

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

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

3.3 STI awards and structure for FY2018

The terms of the STI (1) that applied during FY2018 were.

Who participated	All Executive KMP.
What was the performance period?	The STI for FY2018 operated over a 12 month performance period from 1 July 2017 to 30 June 2018.
What was the target STI award?	In light of the Company's stage of development and constraints on cash during the construction of Woodlawn, Executive KMP's STI remained a discretionary award determined at the end of the year in light of KMP's performance against KPI's and the Company's capacity to fund such awards. The STI amount actually awarded to each Executive KMP in FY2018 is shown in section 3.7, with a conservative approach being adopted in FY 2018 ahead of Woodlawn's planned start-up in FY 2019
What were the performance conditions, why were they chosen and how were they assessed?	Heron has chosen performance conditions that expressly link to the strategy and motivate out-performance of annual business plans. The following KPIs were adopted as performance conditions and applied to the FY2018 STI: - Zero harm to employees and contractors - All construction and project activities to meet Woodlawn project schedule including key milestones - Project capital and operating expenditures to be within Budget - Satisfaction of Conditions Precedent to draw down of the Silver Stream and Senior Debt At the commencement of FY2018, the Board set Target KPIs, the achievement of which was expected to be critical to the success of the Company as it began construction at Woodlawn. The Remuneration Committee and the Board assessed and approved the STI performance conditions applying to the CEO's STI award. The performance conditions for Other Executive KMP were assessed by the CEO and approved by the Board following the recommendation of the Remuneration Committee. The weightings of each performance condition are set out in the following table.

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

What performance level was achieved?

A snapshot of the performance levels achieved for FY2018 is set out below:

Performance condition[1]	Actual (2)	Outcome
Safety & Environment	75% of target achieved	On target – below stretch
Woodlawn project KPI's	75% of target achieved	On target – below stretch
Individual KPI's	70-75% of target achieved	On target – below stretch
Corporate KPI's	75% of target achieved	On target – below stretch

(1) All STI's noted in this Remuneration Report for FY1 were accrued as at 30 June 2018

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

3.4 LTI awards and structure for FY2018

The terms of the FY2018 LTI grants to Executive KMP were:

Who participated	All Executive KMP.
How will LTI be delivered?	FY2018 LTI Awards that vest will be delivered in the form of performance rights, being rights to receive ordinary shares at no cost.
What was the value of LTI awards granted?	The CEO was granted LTI awards with a face value equal to 62% of his TFR, the COO was granted LTI awards with a face value equal to 47% of his TFR. The KMP-GM's were granted LTI awards with a face value equal to between 40-47% of their TFR. Other Executive KMP were granted LTI awards with a face value equal to between 40-45% of their TFR. LTI awards were granted in performance rights. An independent valuation was undertaken to determine the value of Performance Rights using Monte Carlo simulation. No discount was applied to the valuation in respect of the probability of the performance conditions being met. Shareholder approval was obtained at the 2017 Annual General Meeting for the FY2018 grant of LTI awards to the CEO.
What is the exercise price for LTI awards?	There is no exercise price payable on vesting or exercise of the performance rights. On exercise, each performance right entitles the recipient to one ordinary share in the Company. Vested rights will have a last date for exercise that is 3 years following the grant date. (Last Exercise Date). On the Last Exercise Date, vested but unexercised rights will be automatically exercised if the TSR performance hurdle is achieved (see below).
What are the performance conditions?	100% of the award is subject to a relative total shareholder return (**TSR**) performance hurdle (**TSR Hurdle**), which compares the TSR performance of the Company with the TSR performance of a peer group of companies operating in the Australian and overseas resources sectors.
Why was this performance conditions chosen?	The TSR Hurdle was chosen because: 1. It allows for an objective external assessment of the shareholder value created by the Company relative to a group of peers over a sustained period; and 2. It is widely adopted metric that is well understood by markets, and 3. It seeks to align management performance with shareholder interests
What are the performance periods?	Each TSR Award is capable of vesting and becoming exercisable after a three a year performance period, with the performance period commencing on 1 July 2017.
How will the performance condition be calculated for the TSR Awards?	For the TSR Hurdle, the TSR of the Company for the FY2018 LTI grant is measured as a percentile ranking compared to the below comparator group of listed entities over the relevant performance period for the tranche. The TSR comparator group was established before the commencement of the respective performance period. Red River Resources, Silver Lake Resources, Beadell Resources Aurelia Metals, Perseus Mining, Havilah Resources Sandfire Resources, Mincor Resources, Western Areas Trevali, Atalaya, Nevsun Titan Mining Corp, Central Asia Metals *Continued next page*

How will the performance condition be calculated for the TSR Awards? CONT	The level of vesting will be determined based on the ranking against the comparator group companies in accordance with the following schedule: - At the 75% percentile or above – 100% of the TSR Awards vest; - Between the 50th and 75th percentile – vesting will occur on a pro rata straight line basis; - At 50th percentile – 50% of the TSR Awards vest; and - Below the 50th percentile – no TSR Awards vest. In respect of the FY2018 LTI grant, unless the Remuneration Committee determines otherwise, the TSR of a Company for a performance period will be calculated adopting the following determination of the relevant opening and closing share prices: - The volume weighted average share price over the 20-trading day period commencing 10 trading days before 30 June 2017 (opening share price); and - The volume weighted average share price over the corresponding 20-trading day period at the conclusion of the performance period ending 30 June 2020, as applicable (closing share price).
Re-testing	All performance awards that do not vest following testing will lapse immediately. There is no re-testing of awards that do not vest.
What happens in the event of a change in control?	In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the Board has discretion to determine that vesting of some or all of any unvested performance awards should be accelerated.
Do the performance rights and options attract dividend and voting rights?	LTI Awards do not have any dividend or voting rights prior to vesting and exercise. Shares allocated on exercise of performance rights rank equally with other ordinary shares on issue, including in relation to dividend and voting rights. Participants are required to comply with the Company's securities trading policy in respect of their performance rights, options and any shares they receive upon exercise. They are prohibited from hedging or otherwise protecting the value of their performance rights and options.
What happens if an executive ceases employment during the performance period?	In general, unless the Board determines otherwise, where an executive's employment is terminated: - For cause or due to resignation: all unvested performance awards will lapse; or - By mutual agreement with the Company: unvested performance awards will remain on foot and subject to the original performance hurdle. However, the Board may at its discretion determine to lapse any or all of the unvested performance awards and ordinarily, in the case of a resignation, would be expected to do so; or - For any other reason: unvested performance awards will remain on foot and subject to the original performance hurdle, with Board discretion to determine that some of the performance awards (up to a pro rata portion based on how much of the performance period remains) will lapse. The performance awards that remain on foot will be tested in the normal course following the end of the relevant performance period.

3.5 Executive KMP realised remuneration outcomes

As set out in Section 1.2 the Remuneration Committee is of the view that the Executive KMP have continued to successfully execute the Company's current strategy. The table below is designed to give shareholders a better understanding of the actual remuneration outcomes for Executive KMP in FY2018. It includes:

- Fixed remuneration earned in FY2018;
- STI earned in respect of FY2018 performance;

The amounts disclosed in the table, while not in accordance with accounting standards, are considered more helpful for shareholders to demonstrate the linkage between Company performance and remuneration outcomes for executives for FY2018.

Executive KMP	TFR[1]	STI[2] paid	LTI[3] awarded at fair value of award	Other[4]	Total Remuneration
Wayne Taylor	$464,500	$33,000	$261,415	-	$758,915
Andrew Lawry	$374,913	$27,500	$159,005	-	$561,418
Simon Smith	$323,138	$30,000	$137,445	-	$490,583
David von Perger	$308,500	$20,000	$129,360	$7,449	$465,309
Charlie Kempson	$322,900	$27,500	$137,445	-	$487,845
Brian Hearne	$308,263	$17,500	$132,055	-	$457,818

1. Fixed remuneration comprises base salary and superannuation.
2. STI represents the amount of cash STI that each Executive KMP was be paid in July 2018 based on FY2018 performance.
3. LTI represents LTI awards for which were awarded in FY2018 and which have not yet vested.
4. Other includes parking, motor vehicle benefits and other similar items.

4. Executive KMP employment contracts

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

All Executive KMP contracts give the Company discretion to make payment in lieu of notice upon termination. No notice is required where termination is for cause. The contracts do not provide for any termination payments other than payment in lieu of notice.

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

Managing Director

Wayne Taylor was appointed as Managing Director and CEO of the Company on 11 August 2014. This table outlines the key terms of My Taylor's contract of employment.

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

Other Executive KMP contracts

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

All of the contracts below are of ongoing duration.

Name and position (at year end)	Fixed Remuneration (Base salary + SGC)	STI Participation	LTI Participation	Notice
Andrew Lawry Chief Operating Officer Appointed 22 June 2015	$387,630. TFR is reviewed annually.	Mr Lawry is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2019 STI opportunity is 20% of TFR with up to 50% for FY2019 stretch performance.	Mr Lawry is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr Lawry's LTI grant for FY2019 will be between 30-50% of TFR	3 months by either party
Simon Smith General Manager, Finance & Administration/ Company Secretary Appointed 11 August 2014	$332,333. TFR is reviewed annually.	Mr Smith is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2019 STI opportunity is 20% of TFR with up to 50% for FY2019 stretch performance.	Mr Smith is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr Smith's LTI grant for FY2019 will be between 30-50% of TFR	3 months by either party
David von Perger General Manager, Exploration & Geology Appointed February 2004	$316,455. TFR is reviewed annually.	Mr von Perger is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2019 STI opportunity is 20% of TFR with up to 50% for FY2019 stretch performance.	Mr von Perger is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr von Perger's LTI grant for FY2019 will be between 30-50% of TFR	3 months by either party
Charlie Kempson General Manager, Strategy & Business Development Appointed March 2013	$332,333. TFR is reviewed annually.	Mr Kempson is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2019 STI opportunity is 20% of TFR with up to 50% for FY2019 stretch performance.	Mr Kempson is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr Kempson's LTI grant for FY2019 will be between 30-50% of TFR	3 months by either party
Brian Hearne General Manager, Woodlawn Mine Appointed 4 October 2016	$320,288. TFR is reviewed annually.	Mr Hearne is eligible to participate in the annual STI plan as described in Section 3.3. At Target performance, his FY2019 STI opportunity is 20% of TFR with up to 50% for FY2019 stretch performance.	Mr Hearne is eligible to participate in the LTI plan as described in section 3.5. Subject to approval by the Board, Mr Hearne's LTI grant for FY2019 will be between 30-50% of TFR	3 months by either party

5. Executive KMP remuneration tables

5.1 Executive KMP – Statutory remuneration table

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

In AUD	FY	Salary & fees	Non Monetary benefits	Super-annuation benefits	STI	[1]Rights & Options	Total Remuneration	Perfo-mance related
							$	%
Managing Director & CEO								
Wayne Taylor	2018	400,000	-	64,950	33,000	94,200	592,150	5.5
	2017	367,000	-	64,050	60,000	98,987	590,037	10.1
Other Executive KMP								
Andrew Lawry	2018	340,000	-	34,913	27,500	48,882	451,295	6.1
	2017	310,000	-	33,250	45,000	40,832	429,082	10.4
Simon Smith	2018	292,500	-	30,638	30,000	44,658	397,796	7.5
	2017	261,000	-	29,070	40,000	40,832	370,902	10.7
David von Perger	2018	280,000	7,449	28,500	20,000	43,074	379,023	5.2
	2017	261,468	6,148	27,452	27,500	40,832	363,400	7.5
Charlie Kempson	2018	292,500	-	30,400	27,500	44,658	395,058	6.9
	2017	261,468	-	29,589	50,000	40,832	381,889	13
Brian Hearne	2018	280,000	-	28,263	17,500	45,519	371,282	4.7
	2017	163,958	-	16,288	7,500	22,086	209,832	3.5
Total	2018	1,885,000	7,449	217,664	155,500	320,991	2,586,604	6
	2017	1,624,834	6,148	199,699	230,000	284,401	2,345,082	9.8

(1) The Statutory Remuneration disclosure includes the accounting value of share based payments. Accounting Standards require share based payments to be amortised over the relevant performance and service periods. The accounting value for share based payments do not have regard to whether performance conditions were achieved.

5.2 LTI awards made in FY2018

A summary of the LTI awards for FY2018 (i.e. the value and the fair value of the LTI granted to each Executive KMP) is set out in the table below.

Executive KMP	Number of performance rights granted	Number of options granted	Fair value of performance rights at grant	Performance Hurdle	Fair Value per right at grant date [1]	Latest Vesting Date
Wayne Taylor	485,000	-	$261,415	TSR	$0.539	30 June 2020
Andrew Lawry	295,000	-	$159,005	TSR	$0.539	30 June 2020
Simon Smith	255,000	-	$137,445	TSR	$0.539	30 June 2020
David von Perger	240,000	-	$129,360	TSR	$0.539	30 June 2020
Charlie Kempson	255,000	-	$137,445	TSR	$0.539	30 June 2020
Brian Hearne	245,000	-	$132,055	TSR	$0.539	30 June 2020

1. The fair value for awards granted to the Executive KMP is based on their fair value at 29 November 2017 being the grant date. The factors and assumptions used in determining the fair value are set out in note 28(b) to the financial statements. The value of the LTI performance rights was calculated by an independent valuer, Maven Libera, using Monte Carlo simulation analysis.

6. Non-executive Director remuneration

This section explains the fees paid to Non-executive Directors during FY2018.

6.1 Setting Non-executive Director fees

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

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

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

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

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

6.2 Current Non-executive Director fee levels and fee pool

The table below sets out the Board and Committee fees in Australian dollars for FY2019.

The Board has reviewed Non-executive Director fees for FY2019 against the market. The Company has not increased Directors Board fees since the 2014 merger with TriAusMin. For the upcoming financial year Board and Committee fees have been determined as follows;

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

The fees set out above exclude mandatory statutory superannuation contributions made on behalf of the Non-executive Directors. It is not proposed to issue any additional options or performance rights to Non-executive Directors under the LTI awards for 2019 FY other than to Mr Ian Pattison who will be allocated Performance Rights at the same level (90,000) as the other Non-executive Directors subject to shareholder approval at the 2018 AGM.

In addition to the meetings that the Non-executive Directors attended (as shown on page 40), the Non-executive Directors participated in regular site visits to Woodlawn.

6.3 Non-executive Director fees – statutory disclosures

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

In AUD	FY	Board & Committee fees	Short-Term incentive	Share based payments	Superannuation benefits	Total fees for services as a Non-exec Director
NON-EXECUTIVE DIRECTORS						
Stephen Dennis	2018	90,000	-	23,159	8,550	121,709
	2017	90,000	30,000	24,786	12,113	156,899
Borden Putnam III	2018	76,650	-	20,250	-	96,900
	2017	76,650	-	24,786	-	101,436
Fiona Robertson	2018	70,000	-	20,250	6,650	96,900
	2017	70,000	-	24,786	6,650	101,436
Mark Sawyer	2018	76,650	-	20,250	-	96,900
	2017	76,650	-	24,786	-	101,436
Ricardo de Armas	2018	57,487	-	9,503	-	66,990
	2017	-	-	-	-	-
Peter Rozenauers	2018	42,075	-	9,503		51,578
	2017	-	-			-
Ian Pattison	2018	44,713	-	-		44,713
	2017	-	-	-	-	-
Total	2018	457,575	-	102,915	15,200	575,690
	2017	313,300	30,000	99,144	18,763	461,207

LTI awards made in FY2018

A summary of the LTI awards for FY2018 (i.e. the value and the fair value of the LTI granted to each Non-Executive Director) is set out in the table below.

Non-Executive Director	Number of performance rights granted	Number of options granted	Fair value of performance rights at grant	Performance Hurdle	Fair Value per right at grant date [1]	Latest Vesting Date
Stephen Dennis	115,000	-	$61,985	TSR	$0.539	30 June 2020
Fiona Robertson	90,000	-	$48,510	TSR	$0.539	30 June 2020
Borden Putnam	90,000	-	$48,510	TSR	$0.539	30 June 2020
Mark Sawyer	90,000	-	$48,510	TSR	$0.539	30 June 2020
Ricardo De Armas	90,000	-	$48,510	TSR	$0.539	30 June 2020
Peter Rozenauers	90,000	-	$48,510	TSR	$0.539	30 June 2020
Ian Pattison	-	-	-	-	-	-

1. The fair value for awards granted to the Executive KMP is based on their fair value at 29 November 2017 being the grant date. The factors and assumptions used in determining the fair value are set out in note 28 (b) to the financial statements. The value of the LTI performance rights was calculated by an independent valuer, Maven Libera, using Monte Carlo simulation analysis.

7. Related party transactions and additional disclosures

7.1 Loans with Executive KMP and Non-executive Directors

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

7.2 Other KMP transactions

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

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

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

Executive KMP Instrument	Balance as at 1 Jul 17 (number)	Granted (number)	Granted (value)	Vested during the year (number)	Exercised (number)	Exercised (value)	Lapsed (number)	Lapsed (year of grant)	Balance as at 30 Jun 18 (number)	Vested & exercisable at 30 Jun 18 (number)
		(A)	(B) $			$				
Wayne Taylor										
Performance Rights (LTI)	-	485,000	261,415	-	-	-	-	-	485,000	-
Options (LTI)	485,837	-	-	133,334	-	-	-	-	485,837	133,334
Andrew Lawry										
Performance Rights (LTI)		295,000	159,005	-	-	-	-	-	295,000	-
Options (LTI)	165,000	-	-	55,000	-	-	-	-	165,000	55,000
Simon Smith										
Performance Rights (LTI)		255,000	137,445	-	-	-	-	-	255,000	
Options (LTI)	165,000	-	-	55,000	-	-	-	-	165,000	55,000
David von Perger										
Performance Rights (LTI)		240,000	129,360	-	-	-	-	-	240,000	
Options (LTI)	165,000	-	-	55,000	-	-	-	-	165,000	55,000
Charlie Kempson										
Performance Rights (LTI)	-	255,000	137,445	-	-	-	-	-	255,000	
Options (LTI)	265,000	-	-	55,000	-	-	(100,000)	-	165,000	55,000
Brian Hearne										
Performance Rights (LTI)	-	245,000	132,055	-	-	-	-	-	245,000	-
Options (LTI)	165,000	-	-	-	-	-	-	-	165,000	-

(A) The number of rights granted during FY2018. Further details are provided in section 5.3; and,

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

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

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

Non-Executive KMP Instrument	**Balance as at 1 Jul 17 (number)**	**Granted (number)**	**Granted (value)**	**Vested during the year (number)**	**Exercised (number)**	**Exercised (value)**	**Lapsed (number)**	**Lapsed (year of grant)**	**Balance as at 30 Jun18 (number)**	**Vested & exercisable at 30 Jun 18 (number)**
		(A)	**(B) $**			**$**				
Stephen Dennis										
Performance Rights (LTI)	-	115,000	61,985	-	-	-	-	-	115,000	-
Options (LTI)	100,000	-	-	33,333	-	-	-	-	100,000	33,333
Fiona Robertson										
Performance Rights (LTI)		90,000	48,510	-	-	-	-	-	90,000	-
Options (LTI)	100,000	-	-	33,333	-	-	-	-	100,000	33,333
Borden Putnam										
Performance Rights (LTI)		90,000	48,510	-	-	-	-	-	90,000	
Options (LTI)	100,000	-	-	33,333	-	-	-	-	100,000	33,333
Mark Sawyer										
Performance Rights (LTI)		90,000	48,510	-	-	-	-	-	90,000	
Options (LTI)	100,000	-	-	33,333	-	-	-	-	100,000	33,333
Ricardo De Armas										
Performance Rights (LTI)	-	90,000	48,510	-	-	-	-	-	90,000	
Options (LTI)	-	-	-	-	-	-	-	-	-	-
Peter Rozenauers										
Performance Rights (LTI)	-	90,000	48,510	-	-	-	-	-	90,000	
Options (LTI)	-	-	-	-	-	-	-	-	-	-
Ian Pattison										
Performance Rights (LTI)	-	-	-	-	-	-	-	-	-	-
Options (LTI)	-	-	-	-	-	-	-	-	-	-

(A) The number of rights granted during FY2018. Further details are provided in section 6.3; and,

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

7.5 Additional disclosures relating to ordinary shares

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

No. of shares	Held at 1 July 2017	Received on vesting and excersice of LTI	Received as remuneration	Other net change	Held at 30 June 2018
DIRECTORS					
Stephen Dennis	135,000	-	-	44,429	179,429
Wayne Taylor	186,453	-	-	64,287	250,740
Borden Putnam II	-	-	-	-	-
Fiona Robertson	50,000	-	-	21,429	71,429
Mark Sawyer	-	-	-	-	-
Ricardo de Armas	-	-	-	-	-
Peter Rozenauers	-	-	-	-	-
Ian Pattison	-	-	-	51,429	51,429
EXECUTIVE					
Andrew Lawry	17,000	-	-	-	17,000
Simon Smith	27,296	-	-	32,704	60,000
David von Perger	60,814	-	-	-	60,814
Charlie Kempson	320,847	-	-	164,283	485,130
Brian Hearne	-	-	-	-	-

EMPLOYEE DIVERSITY:

Women currently represent 37% of employees in the Company as a whole. There is currently one woman on the Board.

INSURANCE OF OFFICERS

During the financial year the Company has paid an insurance premium in respect of a Directors' and Officers' Liability Insurance Contract. The insurance premium relates to liabilities that may arise from an officer's position within the Company, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policies are the Directors and Officers of the Company.

The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of premium.

CORPORATE GOVERNANCE

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

ENVIRONMENTAL REGULATION

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

ABORIGINAL CULTURE AND HERITAGE

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

INDEMNITY AND INSURANCE OF OFFICERS

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

The office covered by the insurance policies are the Directors and officers of the Company.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

INDEMNIFICATION OF AUDITORS

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

NON-AUDIT SERVICES

During the year the Consolidated Entity employed the auditor to perform non audit services in relation to the Woodlawn capital raise including work on the Canadian prospectus.

ROUNDING OFF

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

AUDITOR'S INDEPEDENCE DECLARATION

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

Signed in accordance with a resolution of Directors

Signed in accordance with a resolution of Directors

S Dennis
Chairman
Sydney, 27 September 2018

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Heron Resources Limited

As lead auditor for the audit of Heron Resources Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Scott Jarrett
Partner
Sydney
27 September 2018

5.0 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated Entity	
	Notes	**2018**	**2017**
		$'000	**$'000**
OTHER INCOME	2	3,635	422
Accountancy/Professional fees		(102)	(183)
Consultants expense		(123)	-
Depreciation and Amortisation expense	3(a)	(55)	(60)
Directors fees		(488)	(320)
Financing expense amortised	6(b)	(507)	-
Employee benefits expense		(1,204)	(3,289)
Insurance expense		(57)	(94)
Legal fees		(147)	(99)
Equity settled share based payments	19(a)	(587)	(554)
Rental Expenses		(167)	(137)
Stock exchange fees (TSX/ASX)		(187)	(63)
Other expenses from ordinary activities	3(b)	(1,671)	(1,150)
Exploration expenditure expensed	11	(1,011)	(1,341)
Hedge financing costs	21(b)	(776)	-
Investment gain/(loss)	7	561	4,011
Interest Expense	15(c)	(227)	-
Fair value gain/(loss)	15(b)	(1,018)	-
Unrealised Foreign Exchange gain/(loss)		(1,688)	-
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(5,819)	(2,857)
INCOME TAX EXPENSE	4	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(5,819)	(2,857)
(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(5,819)	(2,857)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5,819)	(2,857)
		$	**$**
Basic earnings per Share	27	(0.028)	(0.06)
Diluted earnings per Share	27	(0.028)	(0.06)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
CURRENT ASSETS			
Cash assets	20(b)	65,532	11,690
Trade and other receivables	5	2,571	717
Derivative Asset	21(a)	1	-
Other Assets – deferred costs	6(a)	-	2,481
TOTAL CURRENT ASSETS		68,104	14,888
NON-CURRENT ASSETS			
Restricted Cash	20(c)	8,777	-
Trade and other receivables	8	35	35
Investments	7	5,901	5,775
Property, plant and equipment	9	647	40
Woodlawn Mine – under construction	10	156,517	-
Exploration and evaluation costs carried forward	11	-	26,434
TOTAL NON-CURRENT ASSETS		171,877	32,284
TOTAL ASSETS		239,981	47,172
CURRENT LIABILITIES			
Trade and other payables	12	7,002	2,461
Provisions – employee entitlements	13	547	564
TOTAL CURRENT LIABILITIES		7,549	3,025
NON-CURRENT LIABILITIES			
Provisions – Rehabilitation	16	15,781	30
Provisions – employee entitlements	14	162	107
Silver Stream	15	22,666	-
Senior Debt	15	24,941	-
TOTAL NON-CURRENT LIABILITIES		63,550	137
TOTAL LIABILITIES		71,099	3,162
NET ASSETS		168,882	44,010
EQUITY			
Contributed equity	17	259,742	129,638
Option reserve	19(a)	2,076	1,489
Accumulated losses	19(b)	(92,936)	(87,117)
TOTAL EQUITY		168,882	44,010

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Shares $'000	Accumulated Losses $'000	Option Reserve $'000	Total $'000
As at 30 June 2017		129,638	(87,117)	1,489	44,010
Total comprehensive income for the year	19(b)	-	(5,819)	-	(5,819)
Issue of share capital	17	140,115	-	-	140,115
Share issue costs	17	(5,055)	-	-	(5,055)
Realised FX Loss	17	(4,956)	-	-	(4,956)
Cost of share based payments	19(a)	-	-	646	646
Option reserve write back		-	-	(59)	(59)
As at 30 June 2018		259,742	(92,936)	2,076	168,882
As at 30 June 2016		138,409	(84,260)	935	55,084
Total comprehensive income for the year		-	(2,857)	-	(2,857)
Return of Capital - Spin-out Ardea Resources Ltd		(8,771)	-	-	(8,771)
Option reserve write back		-	-	(7)	(7)
Cost of share based payments		-	-	561	561
As at 30 June 2017		129,638	(87,117)	1,489	44,010

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated Entity 2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,174	322
Expenses reimbursed from Ardea Resources Ltd		-	226
Payments to suppliers		(7,774)	(5,549)
Exploration and development expenditure – expensed	11	(1,011)	(1,341)
NET CASH USED IN OPERATING ACTIVITIES		(7,611)	(6,342)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and development expenditure – capitalised	11	(317)	(6,105)
Proceeds from sale of tenements		-	100
Woodlawn Mine – asset under construction		(111,721)	-
Payment of Bond/Bank Guarantees	20(c)	(8,577)	-
Proceeds from sale of investments		2,584	465
Purchase of plant and equipment	9	(663)	(9)
Payment for US dollar debt and stream FX hedge		(776)	-
Proceeds from R&D Refund	11	1,839	3,171
NET CASH USED IN INVESTING ACTIVITIES		(117,631)	(2,378)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity raising	17	140,115	-
Payments for capital raising costs	17	(4,623)	(2,481)
Realised FX loss – Woodlawn equity raising	17	(4,956)	-
Proceeds from drawdown of Silver Stream	15	21,648	-
Proceeds from drawdown of Senior Debt	15	27,060	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		179,244	(2,481)
NET INCREASE / (DECREASE) IN CASH HELD		54,002	(11,201)
Cash at the beginning of the reporting period		11,690	22,891
Unrealised FX gain(loss) on translation		(160)	-
CASH AT THE END OF THE REPORTING PERIOD	20(b)	65,532	11,690

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

The Company is a public company limited by shares. The Company was incorporated in Western Australia.

The Company is a for profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by Heron Resources Limited and its controlled entities (the Company) in the preparation of the financial statements.

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In the application of AIFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment. Actual results may differ from these estimates.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property.

The accounting policies and methods of computation adopted in the preparation of the full year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018.

Exploration expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a sub-category of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also sub-category of 'Mine properties'. Concentrate produced from ore extracted during the development phase and sold will be recorded as revenue.

b) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-company balances and transactions between entities in the Company, including any unrealised profits or losses, have been eliminated on consolidation.

c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability at the same time.

The resulting deferred tax assets of the Company are currently not recognised and included as an asset because recovery is not considered probable in the next five years.

Heron Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

d) Segment reporting

A segment is a distinguishable component of the Company that is engaged in the minerals industry in Australia. The Company's activities are divided into three main categories and this information is presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM reviews segmental information on a monthly basis vs budget. The accounting policies adopted for internal reporting are consistent with those adopted in the financial statements.

Woodlawn – Tenements related to the Woodlawn Project

Exploration – Tenements not Woodlawn related.

Corporate – Corporate activity.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties and taxes paid. The main revenue is interest received, which is recognised on an accrual basis using the effective interest rate method.

f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses where applicable.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation and amortisation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Motor Vehicles	3-5 years
Fixtures and Fittings	5-15 years
Plant and Equipment	5-15 years
Buildings	15-25 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

g) Exploration and evaluation costs

Exploration, evaluation and development expenditure incurred is expensed immediately unless it relates to a specific project in which case it is carried forward to the extent that it is expected to be recouped through the successful development of the area, or by its sale. During 2018 all expenses capitalised relate to the Woodlawn project.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Accumulated costs are not carried forward in respect of any area of interest unless rights to tenure of that area are current.

h Provision for Rehabilitation

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation and development phases that give rise to the need for restoration.

A provision for restoration and rehabilitation is recognized 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 recognized as a finance cost rather than being capitalised into the cost of the related asset.

i) Investments

Investments held by the Company are classified as being available-for-sale financial assets and are stated at fair value, being the market value of the shares held at balance date. Where a reduction in value is significant or prolonged it is recognised as impairment in the statement of profit or loss, with any other resultant gain or loss recognised in equity and included in other comprehensive income. Where these investments are derecognised, the cumulative gain and loss previously recognised directly in equity is recognised in profit and loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income.

Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investment. Securities held to maturity are recognised/derecognised on the day they are transferred to/by the Company.

j) Trade and other receivables

Trade and other receivables are stated at their cost and are due for settlement no more than 30 days from the date of invoicing.

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with the banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within short-term borrowings on the statement of financial position.

l) Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 cost 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.

m) Employee benefits

(i) Wages and salaries, annual leave

Liabilities for wages and salaries and annual leave are recognised as employee benefits in respect of employees' services up to the reporting date and are measured at the amounts to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service and final average salary.

n) Share-based payment transactions

The Company provides benefits to the Directors and employees of the Company in the form of share based payment transactions, whereby services are rendered in exchange for shares or rights over shares ("Equity-settled transactions").

An Employee Share Option Plan ("ESOP") and a Performance Rights Program (zero exercise price options) provides benefits to Directors, employees and consultants.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Monte Carlo model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Heron Resources Limited ("market conditions").

The cost of equity-settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant individual becomes fully entitled to the award ("vesting date").

Where the Company acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

o) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

p) Trade and other payables

Trade and other payables are stated at cost. The amounts are unsecured and are usually paid on 30 days.

q) Dividends

No dividends have been paid or proposed during or since the end of the year.

r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

s) Contributed equity

Incremental costs directly attributed to the issue of new shares or options are shown in the equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

t) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification and are described below.

u) Debt

After initial recognition, interest-bearing loans and borrowings are subsequently measured at 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.

v) Silver Stream

The Company has accounted for the Silver Stream as a financial liability under AASB139. Financial Liabilities are assessed at fair value through profit or loss. These liabilities include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has designated its Silver Stream financial liability as at fair value through profit or loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

w) Significant accounting judgments, estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period include the Provision for Rehabilitation (refer Note 1(h)), the Silver stream (refer Note 1 (w)) and the Woodlawn Asset under Construction. Other Assets and Liabilities subject to significant accounting judgments, estimates and assumptions include:

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Monte Carlo methodology.

Options in Ardea Resources Ltd

During 2017, the Company received 10,000,000 options with an exercise price of $0.25 cents in Ardea Resources as consideration for the costs incurred by Heron in the Ardea IPO. The fair value is determined by using either the Black-Scholes or Binomial methodology.

New, revised or amending Accounting Standards and Interpretations adopted

Heron Resources has adopted the following new and amended accounting standards from 1 July 2017:

AASB 2015-2 Disclosure Initiative Amendment to AASB 101 - This Standard amends AASB 101 Presentation of Financial Statements to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify the principle in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.

Adoption of these standards did not have any material effect on the Statement of Financial Performance, Statement of Comprehensive Income and Statement of Financial Position of the Group.

Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2018. At this time the following standards and interpretations may have an impact, but the extent of this is not expected to be material:

AASB 2016-2 Disclosure Initiative - The amendments to AASB 107 Statement of Cash Flows require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

AASB 9 Financial Instruments - A new standard which replaces AASB 139. This new Standard version includes a model for classification and measurement for all financial assets and liabilities, a single, forward-looking ‘expected credit loss’ impairment model and a substantially-reformed approach to hedge accounting. Effective for annual periods beginning on or after 1 January 2018. (Company 1 July 2018).

A finalised version of AASB 9 has been issued which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition. The Group has determined that the impact of the new standard on the Group’s financial report will be immaterial. This standard applies to annual reporting periods beginning on or after 1 January 2018 and will be applicable for the Group for the annual reporting period beginning 1 July 2018."

AASB 15 Revenue from Contracts with Customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Effective for annual periods beginning on or after 1 January 2018. (Company 1 July 2018). As the Group is not generating revenue, there is no impact on current reporting.

AASB 16 Leases. AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases. Effective for annual periods beginning on or after 1 January 2019. (Company 1 July 2019). All existing operating leases (as disclosed in the commitment note) are expected to come on to the Balance Sheet. At this time the interpretation may have an impact, but the potential extent of this has not been determined as the company does not currently have significant operating leases and would depend on establishment of any new operating lease arrangements.

IFRIC 23 Uncertainty over Income Tax Treatments. The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. Effective for annual periods beginning on or after 1 January 2019. (Company 1 July 2019).

x) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to fund exploration activities and develop or secure access to a cash producing asset.

Consistent with others in the industry, the Group and the parent entity monitor capital on the basis of working capital requirements and capital expenditure commitments.

During 2018 the Group's strategy, was to maintain a current account balance sufficient to meet the Company's day to day expenses and near-term capital expenditure commitments with the balance held in term deposits, while maintaining sufficient cash, term deposits and undrawn debt facilities to meet the projected development costs of Woodlawn through to projected peak cash draw.

y) Fair value

Management assessed that the fair values of cash and short term deposits, receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Under AASB 139, the company's long term debt and Silver Stream will continue to be reported as Financial Liabilities.

The company has elected to measure the Silver Stream at fair value under AASB 139 based on the US exchange rate and the price of Silver (both spot and forward curve prices) at each reporting date. Once Woodlawn is in production, actual Silver reserves and discount (risk) rate will also be used to assess fair value. Any gain or loss from the movement of the price of silver and from the foreign exchange rate will be taken up in the Statement of Profit and Loss.

The Senior Debt is accounted for under the amortisation cost method under AASB 139, with the initial measurement being taken up at fair value and subsequent measurement at amortised cost. This debt will be revalued according to the US exchange rate at each reporting period and any gain or loss will be taken up in the Statement of Profit and Loss.

Fair value measurement

IFRS establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities sand the lower priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The Silver Stream was classified as Level 3 as its valuation is based on the Silver price at 30 June 2018.

The fair value of the silver stream obligation is calculated using a combination of spot Silver prices, forward Silver prices, the risk free interest rate derived from the RBA and expected silver ounces to be delivered from the Woodlawn project life of mine model.

Investments in Listed Entities was classified as a Level 1 valuation at 30 June 2018

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
NOTE 2. OTHER INCOME		
Interest received	1,410	282
Proceeds from exercise of Alchemy/Siberia agreement	170	100
Gain from sale of listed investments[1]	1,979	-
Sundry Income	76	40
Total revenues from continuing activities	3,635	422

1. The gain on sale of listed investments represents the sale of Ardea Loyalty options in December 2017.

NOTE 3. OPERATING EXPENSES

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

	2018 $'000	2017 $'000
a) Depreciation and amortisation expense		
Plant & equipment	(8)	(13)
Office equipment & furniture	(19)	(41)
Motor vehicles	(28)	(6)
	(55)	(60)
b) Other expenses include the following:		
Travel & accommodation	(186)	(200)
Office expenses and supplies	(146)	(105)
Information technology	(168)	(189)
Report expenses and printing	(1)	(55)
Conferences and seminars	(8)	(18)
Investor Research and Relations	(319)	(328)
Miscellaneous expenses	(545)	(101)
Payroll tax	(298)	(154)
Total other expenses	(1,671)	(1,150)

NOTE 4. INCOME TAX

	2018 $'000	2017 $'000
a) Temporary differences carried forward	-	-
Current Tax	-	-
Deferred tax	-	-

The Heron Resources Limited group of companies was tax consolidated on 1 July 2003 and during FY2017 the Company entered into tax sharing and/or tax funding agreements with its members.

The parent entity made a tax loss and on consolidation the group made a tax loss during the year. The parent and the subsidiaries have approximately $123M in tax losses carried forward in both Group losses and Transferred Losses Due to the uncertainty of offsetting these tax losses with future taxable income, the carried forward tax losses are not recognised as an asset on the Balance Sheet as at 30 June 2018.

The Directors are of the view that there is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the foreseeable future to justify recognising the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

Heron Resources Limited is the head entity for the group.

		Consolidated Entity 2018 $'000	2017 $'000
b)	Numerical reconciliation of income tax expense to prima facie tax payable is as follows:		
	Profit (loss) from operations before income tax expense	(5,819)	(2,857)
	Tax at Australian tax rates of 27.5% (2017 27.5%)	(1,600)	(787)
	Tax effect of non-temporary differences	(583)	(964)
	Tax effect of equity raising costs debited to equity	(286)	(5)
	Over or under provision from previous years	-	-
	Tax effect of tax losses and temporary differences not recognised	2,469	1,756
	Income tax expense	-	-
c)	There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked		
d)	Tax Losses - Revenue		
	Unused tax losses for which no tax loss has been booked as a DTA adjusted for non-temporary differences	122,861	95,758
	Potential tax benefit at 30%	33,787	26,333
e)	Unrecognised temporary differences		
	Non-deductible amounts as temporary differences	14,292	736
	Accelerated deductions for book compared to tax	(30,096)	(8,633)
	Total at 100%	(15,804)	(7,897)
	Potential effect on future tax expense for temporary differences at 27.5%	(4,346)	(2,171)
f)	There are no franking credits available for future years		

NOTE 5. TRADE AND OTHER RECEIVABLES – CURRENT

	2018 $'000	2017 $'000
Accrued interest receivable	236	2
Prepayments	666	155
Goods & services tax receivable	1,488	166
Property bonds	38	-
Tenement securities (refer Note 20)	90	-
Ardea Resources Ltd	-	238
Sundry Debtors	53	156
	2,571	717

		Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
NOTE 6.	**OTHER ASSETS – CURRENT**		
a)	Equity financing costs (1)	-	489
	Stream financing costs (2)	-	419
	Debt financing costs (3)	-	1,573
	Expense for Woodlawn Project Finance	-	2,481

(1) Cost of Equity raise were re-allocated to the Statement of Changes in Equity during the year

(2) Steam financing costs have been amortised directly to the Profit and Loss upon recognition of the Stream

(3) Debt Financing costs have been re-allocated to Senior Debt - refer note 15(c)

Expenses for Woodlawn Project finance include external legal, broker, financial advisory costs and independent experts that are directly related to the Woodlawn project funding process.

On 12 March 2018, the US$16M Silver Stream was drawn down. On 31 May 2018, the first debt tranche of US$20M was also drawn down. On 26 September 2018, the company successfully completed the draw down of the second tranche of US$20M of Debt from Orion Mine Finance.

A summary of the amortised costs is shown below. The costs will be amortised over the expected tenor for the Senior Debt.

		Silver Stream $'000	Senior Debt $'000	Total Financing Costs $'000
b)	Reconciliation of Woodlawn Project Financing Costs for each debt category			
	Capitalised costs at 1 July 2017	419	1,573	1,992
	Costs incurred on drawdown	61	800	861
	Amortised costs to date	(480)	(27)	(507)
	Carrying value at 30 June 2018	**-**	**2,346[(1)]**	**2,346**

(1) Refer Note 15 (c)

NOTE 7 . INVESTMENTS IN ENTITIES - NON CURRENT

Centennial Mining Ltd (CTL) is an Australian listed public exploration company with 1,044,434,244 fully paid ordinary shares on issue. Heron holds 23,000,000 fully paid shares as at 30 June 2018.

On 21 June 2018, Centennial entered into a trading halt and shares have been suspended due to the company's inability to pay off its convertible notes by their due date. The company is seeking to raise funds via a rights issue in order to provide funds to pay its convertible notes and working capital for the company, therefore the shares have been valued at nil as at 30 June 2018.

Metalicity Limited (MCT) is an Australian listed public exploration company with 578,574,858 fully paid ordinary shares on issue. During the year, the company sold 13,375,000 shares in Metalicity on market for cash proceeds of $605,000 less brokerage fees. Heron held nil shares as at 30 June 2018.

Alchemy Resources Ltd (ALY) is an Australian listed public exploration company with 352,335,585 shares on issue. On 16 April 2018, Heron was issued 10,000,000 new shares and 10,000,000 options in Alchemy under a binding option agreement to include tenement licences into existing Alchemy/Heron NSW Farm In and JV agreement, which have been valued at a closing price of $0.017 on that day.

As at 30 June 2018, Heron owns 12,000,000 shares in Alchemy and 12,500,000 options with a 3-year term and an exercise price of $0.10 (for 2,500,000 options) and $0.05 (for 10,000,000 options) (nil value ascribed) as at 30 June 2018.

Ardea Resources Ltd (ARL) is an Australian listed public exploration company that was spun out of Heron in February 2017. To compensate Heron for the costs it incurred during the IPO, Heron was issued 10,000,000 options in Ardea with an exercise price of $0.25 cents. The options are escrowed until February 2019.

Since 30 June 2017, the Ardea share price has increased from $0.58 to $0.78 as at 30 June 2018. Using the same Black Scholes assumptions as at 30 June 2017, the options value at 30 June 2018 is calculated at $0.5721 per option. The 10,000,000 options have been revalued on this basis as at 30 June 2018.

Investments in other entities at fair value	30 June 2018 $'000	30 June 2017 $'000
Alchemy Resources Limited	180	40
Ardea Resources Limited	5,721	4,740
Centennial Mining Limited	-	460
Metalicity Limited	-	535
	5,901	5,775

Movement in investments	2018 $'000	2017 $'000
Centennial Mining		
Opening carrying value 30 June 2017 (shares and options)	460	673
Sold on market - Shares/Options	-	(379)
Gain/(Impairment)	(460)	166
Closing carrying value 30 June 2018	-	460
Metalicity Limited		
Opening carrying value 30 June 2017	535	1,006
Proceeds from issue of shares for Rocky Gully	-	-
Sold on market - Shares	(605)	(86)
Gain/(impairment)	70	(385)
Closing carrying value 30 June 2018	-	535
Alchemy Resources Limited		
Opening carrying value 30 June 2017	40	50
Proceeds from issue of shares for exercise option agreement	170	-
Gain/(Impairment)	(30)	(10)
Closing carrying value 30 June 2018	180	40
Ardea Resources		**-**
Opening carrying value 30 June 2017	4,740	500
Gain/(Impairment)	981	4,240
Closing carrying value 30 June 2018	5,721	4,740
Summary		
Opening carrying value 30 June 2017	5,775	1,907
Assets sold to Ardea	-	(178)
Value of 10m options in Ardea at initial recognition	-	500
Proceeds from issue of shares for Alchemy option agreement	170	-
Sold on market – Metalicity Shares/Options	(605)	(465)
Gain/(Impairment)	561	4,011
Closing carrying value 30 June 2018	5,901	5,775

	Consolidated Entity 2018 $'000	2017 $'000
NOTE 8. TRADE AND OTHER RECEIVABLES - NON CURRENT		
Employee share option plan – non-recourse loan	35	35
	35	35

	2018 $'000	2017 $'000
NOTE 9. PROPERTY, PLANT AND EQUIPMENT		
(a) Plant and equipment at cost	480	333
Accumulated depreciation	(332)	(325)
	148	8
Office equipment & furniture at cost	1,003	921
Accumulated depreciation	(922)	(902)
	81	19
Motor vehicles at cost	662	229
Accumulated depreciation	(244)	(216)
	418	13
Total property, plant and equipment	647	40
Reconciliation		
Plant and equipment:		
Carrying amount at 1 July 2017	8	22
Additions	148	9
Disposals	-	(9)
Depreciation Expense	(8)	(14)
Carrying value at 30 June 2018	148	8
Office equipment and furniture:		
Carrying amount at 1 July 2017	18	70
Additions	82	-
Disposals	-	(11)
Depreciation Expense	(19)	(39)
Carrying value at 30 June 2018	81	19[1]
Motor vehicles:		
Carrying amount at 1 July 2017	13	19
Additions	433	-
Disposals	-	-
Depreciation Expense	(28)	(6)
Carrying value at 30 June 2018	418	13

1 Rounding

NOTE 10. WOODLAWN MINE – ASSET UNDER CONSTRUCTION

	30 June 2018
Balance at beginning of period	-
Rehabilitation Asset (refer Note 16)	15,751
Woodlawn Mine property– capitalised exploration transferred (refer Note 11)	24,912
Sedgman EPC[1]	83,482
Earthworks[2]	12,887
Owners Costs[3]	19,485
Balance at end of period	156,517

1 Sedgman EPC represents the Engineer, Procurement and Construction costs related to the construction of the Woodlawn processing plant

2 Earthworks include the ROM pad, TSF4 Tailings dam, the Box Cut and other earthworks infrastructure at Woodlawn

3 Owner's costs represent all Woodlawn costs of construction incurred which are not covered by the EPC Contract with Sedgman or the Earthworks contract with Ertech.

	Rehabilitation Asset $'000	Woodlawn Mine Property Capitalised Exploration $'000	Sedgman EPC $'000	Earthworks $'000	Owners Costs Construction $'000	Total $'000
Balance brought forward as at 30 June 2017	-	26,434	-	-	-	26,434
Costs incurred/transferred during period	15,751	(1,522)	83,482	12,887	19,485	130,083
Balance at 30 June 2018	**15,751**	**24,912**	**83,482**	**12,887**	**19,485**	**156,517**

In September 2017, the Company commenced Construction activities at Woodlawn.

NOTE 11. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS CARRIED FORWARD

	30 June 2018 $'000	30 June 2017 $'000
Balance brought forward	26,434	31,068
Exploration and evaluation costs incurred - Woodlawn	317	6,837
Ardea Spin-out	-	(8,300)
Exploration and evaluation costs incurred – other projects	1,011	1,341
Exploration and evaluation expensed as incurred	(1,011)	(1,341)
R&D Tax incentive refund	(1,839)	(3,171)
Woodlawn Exploration costs transferred to Woodlawn Mine Property (refer Note 10)	(24,912)	-
Balance carried forward	-	26,434

NOTE 12. TRADE AND OTHER PAYABLES – CURRENT

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
Trade creditors and accruals - Woodlawn	6,737	733
Trade creditors and accruals – Corporate	265	1,728
	7,002	2,461

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

	Consolidated Entity 2018 $'000	2017 $'000
NOTE 13. PROVISIONS – CURRENT		
Employee entitlements		
Annual Leave	511	421
Long Service Leave	36	143
	547	564
NOTE 14. PROVISIONS – NON CURRENT		
Employee entitlements		
Long Service Leave	162	107
Annual Leave	-	-
	162	107
NOTE 15. BORROWINGS – NON CURRENT		
a) Silver Stream	22,666	-
Senior Debt – 1st Debt Tranche	24,941	-
	47,607	-

Silver Stream

The Company through its wholly owned subsidiary, Tarago Operations Pty Ltd, entered into a financing agreement with OMF Fund II (H) Ltd during the year. This agreement included a Silver Streaming arrangement of US$16 million, which the Company received on the 8th of March 2018. The sum received has been accounted for as a Financial Liability at fair value through profit and loss. Under this agreement, the Company will deliver 80% of the Silver extracted from the Woodlawn Mine (SML20) until it has delivered 2,150,000 ounces of Refined Silver, followed by 40% of the Silver in the mine until it has delivered 3,400,000 of Refined Silver, and thereafter 25% of the Refined Silver extracted from the mine.

Heron has elected to fair value the entire instrument. The obligation represents a derivative liability for the silver price option feature included in the agreement and will therefore be remeasured at each balance sheet date at fair value with the movement being recorded in the profit and loss. The obligation resulted in an unrealised fair value (loss) of ($1,018) for the year ended 30 June 2018 which has been included in the Statement of Profit and Loss.

	2018 $'000	2017 $'000
b) Silver Stream		
Opening Balance as at 1 July 2017	-	-
Silver Stream drawdown as at 8 March 2018	20,516	-
Foreign exchange adjustment (30 June 2018)	1,132	-
	21,648	-
Fair value loss/(gain) (30 June 2018)	1,018	-
	22,666	-

Senior Debt (all numbers in '000s)

c) Senior Debt		
Opening Balance as at 1 July 2017	-	-
Debt drawn down on 29 May 2018	26,664	-
Foreign exchange adjustment	396	-
	27,060	-
Interest Accrued	227	-
Debt financing costs	(2,346)	-
Carrying value at 30 June 2018	24,941	-

A Loan Facility for US$60 million with funds to be drawn in 3 tranches, was provided as part of the financing agreement with OMF Fund II (H) Ltd. The first tranche of US$20M was drawn on the 29th of May 2018. The second tranche was drawn down on 26 September 2018 and the third and final tranche is expected to be drawn down in December 2018. The funding rate is the aggregate of a margin of 7.25% and the applicable Libor rate, being a minimum of 2.5%, for each interest period. The loan was initially recorded at fair value less associated transaction costs. The proceeds from draw down was considered to represent the fair value of the facility at that time. The loan is subsequently measured at amortised cost. Under the agreement, Heron has to maintain a cash balance of not less than $15 million in its Tarago Operations subsidiary operating accounts.

NOTE 16. PROVISION FOR REHABILITATION (all numbers in '000's)

	Consolidated Entity	
	2018 $'000	2017 $'000
Provision for Rehabilitation – Woodlawn	15,751	-
Provision for Rehabilitation – Other tenements	30	30
	15,781	30

With respect to Woodlawn, the rehabilitation provision both on the date that construction activities began and as at 30 June 2018, is based on the assessment of an independent environmental consultant using the NSW Department of Resources and Energy (DRE) rehabilitation cost estimation tool. The rehabilitation costs are the estimated costs to rehabilitate the mine site areas that the company is responsible for as at 30 June 2018. Given that tailings re-processing is a rehabilitation activity the company will assess the adequacy of the rehabilitation provision at each balance sheet date.

NOTE 17. CONTRIBUTED EQUITY

Ordinary shares are fully paid and have no par value. They entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares. On a show of hands every holder of ordinary 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.

Issue of ordinary shares	30 June 2018 Shares	30 June 2017 Shares	30 June 2018 $'000	30 June 2017 $'000
Opening balance	415,009,381	415,009,381	129,638	138,409
Issue of shares – Sept 2017 for Woodlawn Financing	2,001,562,259	-	140,115	-
1 for 10 Share Consolidation – Dec 2017	(2,174,904,728)	-	-	-
Return of capital – Ardea Spin-out	-	-	-	(8,771)
Share issue costs	-	-	(5,055)	-
Realised FX Loss	-	-	(4,956) [(1)]	-
Closing balance	**241,666,912**	**415,009,381**	**259,742**	**129,638**

(1) For the Woodlawn capital raising, 2.002 billion shares were issued at $A0.07 cents per share (pre the 1 for 10 share consolidation in December 2017). The three cornerstone investors subscribed for their shares in US$ which was converted to A$ upon receipts of funds in September 2017 thereby creating an FX loss.

NOTE 18. SEGMENT REPORTING

Segmental information for consolidated statement of comprehensive income

Year ended June 2018	**Corporate $'000**	**Woodlawn Project $'000**	**Exploration $'000**	**Total $'000**
Interest received - other persons/corporations	1,115	295	-	1,410
Proceeds from exercise of options agreement	170	-	-	170
Gain from sale of listed investments	1,913	66	-	1,979
Sundry Income	68	-		68
Option fee received	8	-	-	8
Total revenues	3,340	361	-	3,635
Depreciation	(22)	(33)	-	(55)
Exploration expenditure expensed as incurred	-	-	(1,011)	(1,011)
Other expenses	(6,337)	(2,050)	(1)	(8,388)
Profit / (loss)	(3,085)	(1,722)	(1,012)	(5,819)

Year ended June 2017	**Corporate $'000**	**Woodlawn $'000**	**Lewis Ponds $'000**	**KNP $'000**	**Exploration $'000**	**Total $'000**
Sale of fixed assets (loss)	-	-	-	-	-	-
Sale of investments	100	-	-	-	-	100
Interest received - other persons/corporations	282	-	-	-	-	282
Sundry Income	40		-		-	40
Total revenues	422	-	-		-	422
Depreciation	(33)	(27)	-	-		(60)
Exploration expenditure expensed as incurred	-		-	(371)	(970)	(1,341)
Termination – severance	(2,291)	-	-	-	-	(2,291)
Other expenses	413	-		-	-	413
Profit / (loss)	(1,489)	(27)	-	(371)	(970)	(2,857)

Segmental information for statement of financial position

Balance at June 2018	**Corporate $'000**	**Woodlawn Project $'000**	**Exploration $'000**	**Total $'000**
Total current assets	27,217	40,810	77	68,104
Property, plant and equipment	51	596	-	647
Exploration and evaluation costs carried forward	-	-	-	-
Investment	5,901	-	-	5,901
Restricted Cash	8,777	-	-	8,777
Woodlawn Mine – under construction	-	156,517	-	156,517
Other non-current assets	35	-	-	35
Total non-current assets	14,764	157,113	-	171,877
Total assets	41,981	197,923	77	239,981
Total liabilities	525	70,544	30	71,099

Balance at June 2017	Corporate $'000	Woodlawn $'000	Lewis Ponds $'000	KNP $'000	Exploration $'000	Total $'000
Total current assets	12,407	-	-	-	-	12,407
Property, plant and equipment	40	-	-	-	-	40
Exploration and evaluation costs carried forward	-	26,434	-	-	-	26,434
Investment	5,775	-	-	-	-	5,775
Other non-current assets	2,516	-	-	-	-	2,516
Total non-current assets	8,331	26,434	-	-	-	34,765
Total assets	20,738	26,434	-	-	-	47,172
Total liabilities	1,783	1,349	-	-	30	3,162

NOTE 19. ACCUMULATED LOSSES AND RESERVES

	Consolidated Entity 2018 $'000	2017 $'000
a) Option Reserve		
Balance at the beginning of the year	1,489	935
Cost of share based payments	646	561
Write back lapsed options expense	(59)	(7)
Equity settled share based payments	587	554
Balance at end of the year	2,076	1,489

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 the share capital when the underlying options are exercised or lapse.

	Consolidated Entity 2018 $'000	2017 $'000
b) Accumulated losses		
Balance at the beginning of the year	(87,117)	(84,260)
Net profit/(loss) for the period	(5,819)	(2,857)
Balance at end of the year	(92,936)	(87,117)

NOTE 20. CASH FLOW STATEMENTS

		Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
a)	Reconciliation of operating loss after income tax to the net cash flows from operations:		
	Operating loss after income tax	(5,819)	(2,857)
	Add:		
	Depreciation	55	60
	Financing expense	507	-
	Share based payments	587	554
	Exploration and evaluation costs expensed	1,011	1,341
	Unrealised Foreign Exchange loss	1,688	-
	Fair Value loss	1,018	-
	Investment gain	(561)	(4,011)
	(Increase) in Trade payables, creditors and accruals	(4,348)	(1,387)
	(Increase) in accrued interest, GST receivable and other Debtors	(1,237)	187
	(Increase) in prepayments	(512)	(229)
		(7,611)	(6,342)
b)	Cash		
	Cash on hand	15,532	1,690
	Deposits at Call [(1)]	50,000	10,000
	Closing cash balance	65,532	11,690
c)	Restricted Cash – Non-current		
	Environmental Bond	3,577	-
	Bank Guarantee – Veolia	5,000	-
	Westpac Corporate Credit Card Bond	200	200
		8,777	200

(1) Deposits at Call are Term Deposits of range between 1 to 3 months. The yield on the Term Deposits during the year ranges between 1.96% - 2.56%

During the 12 months to 30 June 2018, the Company posted a rehabilitation Bond of $3,577,000 with the Department of Resources and Energy (DRE) to cover the environmental liabilities at the Woodlawn Mine (excluding Veolia's area of operations). The Company also provided a $5,000,000 Bank Guarantee to Veolia in compliance with its obligations under the Veolia Cooperation Deed. The Company has also provided $200,000 Bond to Westpac as security for Company Credit Cards.

Cash security for tenement and environmental bonds of $90,000 is included in Trade and Other Receivables (refer to Note 5) in the Consolidated Statement of Financial Position. This cash is not available to the Company for ordinary activities. Property Bonds of $38,121 (June 2017: $35,711) are also not included in Cash. This amount is held as a security term deposit and is not available to the Company for ordinary activities and is also included in Trade and Other Receivables (refer Note 5).

NOTE 21. DERIVATIVE ASSET

		Consolidated Entity 2018 $'000	2017 $'000
a)	Foreign Exchange Forward Contract	1	-
		1	-

During the 12 months to 30 June 2018, the Company entered into three Foreign Currency hedges (AUD Call options) to mitigate the risk of adverse movements in the USD: AUD. The three hedges cover the foreign exchange risk of the US dollar denominated Silver Stream of $16M and two of the three US$20M Debt trenches. As at 30 June 2018, only one of the hedges remained outstanding and it expired as at 31 July 2018 unexercised.

		2018 $'000	2017 $'000
b)	Opening as at 1 July 2017	-	-
	Purchase of Derivative Assets	777	-
	Derivative write-off	(776)	-
	Closing balance as at 30 June 2018	1	-

NOTE 22. RELATED PARTY TRANSACTIONS

The Directors of the Company during the financial year were:

Non-Executive Directors
Stephen Dennis
Fiona Robertson
Borden Putnam III
Mark Sawyer
Peter Rozenauers (appointed 22 September 2017)
Ricardo de Armas (appointed 22 September 2017)
Ian Pattison (appointed 29 November 2017)

Executive Directors
Wayne Taylor

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

Chief Operating Officer
Andrew Lawry

General Manager - Finance and Company Secretary
Simon Smith

General Manager - Exploration Manager
David von Perger

General Manager - Strategy and Business Development
Charlie Kempson

General Manager - Woodlawn
Brian Hearne

Detailed remuneration disclosures are provided in the remuneration report on pages 40-53 of the Directors report.

NOTE 23. FINANCIAL INSTRUMENTS

Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions. Financial instruments included in accounts receivable consist of GST receivable from government authorities in Australia and deposits held with vendors. Management believes that credit risk with respect to financial instruments included in cash and accounts receivable is low.

Liquidity risk (all financial numbers in '000s)

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 30 June 2018, the Company had cash of $65,532 (30 June 2017: $11,690) to settle current liabilities of $7,549 (30 June 2017: $3,025).

A significant portion of the current cash on the Balance Sheet will be utilised for the construction of the Woodlawn Mine via the EPC contract with Sedgman.

As at 30 June 2018 the Company also had undrawn debt facilities of US$40M which together with the cash on its balance sheet will be used to meet the ongoing development costs of the Woodlawn mine through to peak cash draw.

Non-current interest bearing loans and borrowings

	Interest Rate %	Maturity	2018 $'000	2017 $'000
$US20,000,000 Loan	LIBOR+7.5	31 Dec 2022	24,941	-

Liquidity Risk	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
Year ended 30 June 2018						
Trade and other payable	-	(7,002)	-	-	-	(7,002)
Interest-bearing loans and borrowings	-	-	-	(24,941)	-	(24,941)
	-	**(7,002)**	**-**	**(24,941)**	**-**	**(31,943)**
Year ended 30 June 2017						
Trade and other payable	-	(2,461)	-	-	-	(2,461)
Interest-bearing loans and borrowings	-	-	-	-	-	-
	-	**(2,461)**	**-**	**-**	**-**	**(2,461)**

Apart from provision for employee entitlements (e.g. Annual Leave), most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. The Company continues to monitor the long term assets and assesses the value of the asset on a regular basis.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in term deposits with banks.

The Company's debt is subject to a market based interest rate (LIBOR + margin). The Company continues to assess the short and long term interest rate risk on its debt.

Foreign currency risk

The Company's functional reporting currency is the Australian dollar and major purchases are transacted in Australian dollars and to a lesser extent, US dollars.

The Company funds the development of Woodlawn and administrative expenses using a combination of Australian dollars and US dollars. The company holds sufficient currency in native denominations to fund its ongoing currency obligations.

During FY2018, the Company entered into Foreign Currency Hedges (AUD Call options) to hedge the conversion of the majority of the US denominated debt into Australian dollars.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of nickel, zinc, lead and copper and certain other metals.

As the Company moves closer to commercial production in early 2019, the Company will investigate appropriate commodity hedging strategies.

	$'000	**$'000**
NOTE 24. AUDITORS' REMUNERATION		
Amounts received or due and receivable for:		
Ernst & Young – Audit services	89	56

NOTE 25. COMMITMENTS FOR EXPENDITURE

a) Exploration Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Company estimates the following annual exploration expenditure up until expiry or relinquishment of the mining tenure with the NSW Department of Resources and Energy. Due to the Company's operation in exploring and evaluating areas of interest, exploration expenditure beyond twelve months cannot be reliably determined. These obligations are not provided for in the financial statements and are payable based on granted tenements:

Not later than 1 year	491	527

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations. Those amounts detailed above include expenditure commitments which are the responsibility of earn-in / joint venture partners. If those joint venture partners continue to meet the expenditure commitments under respective joint venture / earn-in agreements, the estimates detailed above will reduce.

b) Operating Lease Commitments

The Company has leased two office premises under non-cancellable operating leases for periods of five years and one year. Lease amounts include a base amount, plus variable outgoings and car parking and are subject to an annual rent review by way of the consumer price index at the time of review.

Not later than 1 year	242	13
Later than 1 year but not later than 5 years	653	-
Later than 5 years	-	-

c) Capital Commitments

For the construction of the Woodlawn Processing plant, the Company has entered into an Engineering, Procurement and Construction (EPC) Contract with Sedgman Australia. The EPC Contract is for a guaranteed maximum price (GMP). The GMP means that the Company's capital commitments are capped at the agreed EPC Contract sum of $107 million plus any agreed variations. As at 30 June 2018, the Company had capital commitments remaining under this contract of $25.6 million. This commitment will be paid for prior to 30 June 2019.

The Company has also entered into long term contracts with major suppliers. These contracts are subject to mine production commencing.

NOTE 26. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Registration	Class of Shares	Consolidated Entity's Investment		Cost of Parent Entity's Investment	
			2018	2017	2018 $	2017 $
Tarago Operations Pty Ltd	Australia	Ordinary	100%	100%	100	100
Woodlawn Mine Holdings Pty Ltd	Australia	Ordinary	100%	100%	10	10
Hampton Nickel Pty Limited	Australia	Ordinary	100%	100%	10	10
Ochre Resources Pty Limited	Australia	Ordinary	100%	100%	100	100
Tarago Exploration Pty Ltd	Australia	Ordinary	100%	100%	10	10

Hampton Nickel Pty Limited is being used by the Company to hold the Bulong nickel properties which are subject to a joint venture with Southern Gold Ltd.

Ochre Resources Pty Limited ("Ochre") was registered on 7 February 2005 and holds the Girilambone and Overflow tenements which are subject to a joint venture with Alchemy Resources Ltd.

Woodlawn Mine Holdings Pty Ltd was incorporated on 27 May 2016 to act as a holding company for Tarago Operations Pty Ltd, the principal owner of the Woodlawn Mine assets.

During the financial year, TriOrigin Mining Pty Ltd changed its name to Tarago Exploration Pty Ltd

NOTE 27. EARNINGS PER SHARE

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Basic earnings per Share	(0.028)	(0.06)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	205,191,724	41,500,938[1]
Diluted earnings per Share	(0.028)	(0.06)
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	205,191,724	41,500,938
Earnings profit/(loss) used in calculating basic and diluted earnings profit/(loss) per share	(5,818,754)	(2,856,542)

(1) 1 for 10 Share Consolidation – Nov 2017

The 2,000,836 (2017: 24,829,828) options and 2,895,000 performance rights outstanding as at 30 June 2018 are not considered to be dilutive given the Group incurred a loss.

NOTE 28. EMPLOYEE SHARE SCHEME

a) Employee Share Scheme

An Employee Share Option Plan (ESOP) has been established for Heron Resources Limited, whereby employees, Directors and Officers of the Company may be issued with options over ordinary shares of Heron Resources Limited. At the General Meeting on 17 November 2015, shareholders approved the ESOP. Under the ESOP, the options vest upon the successful achievement of a number of key milestones at Woodlawn.

The Options cannot be transferred and will not be quoted on the ASX. No options were issued under this ESOP during the year. During the year 421,459 options expired under the ESOP.

Details of options as at the beginning and end of the reporting date and movements during the year are set out in the table below:

Grant date	Expiry date	Exercise price	Number of Options at the beginning of the year	Options expired / lapsed this year	Options issued in the year	Number of Options at the end of the year	Options exercisable at the end of the year
5-Mar-13	5-Mar-18	$2.90	100,000	(100,000)	-	-	-
5-Aug-14	23-Oct-17	$1.20	21,459	(21,459)	-	-	-
5-Aug-14	20-Nov-18	$0.70	85,836	-	-	85,836	85,836
5-Dec-15	4-Dec-20	$0.72	1,950,000	(300,000)	-	1,650,000	550,000
1-Feb-17	1-Feb-22	$1.10	265,000	-	-	265,000	-
			2,422,295	(421,459)	-	2,000,836	635,836
Weighted average exercise price			0.86	1.26	N/A	0.77	0.72

b) Performance Rights Program

A Performance Rights Plan (the Plan) has been established for Heron Resources Limited, where employees, Directors and Officers of the Company may be issued with zero exercise price options over ordinary shares of Heron Resources Limited (Performance Rights) which will vest in 3 years' time subject to achieving Total Shareholder Return (TSR) hurdles. At the 2017 General Meeting, shareholders approved the Plan.

Performance Rights cannot be transferred and will not be quoted on the ASX. During the year, 2,895,000 Performance Rights were issued under the Plan during the year.

Performance Rights:

Date	Details	Exercise price	Expiry date	Number
1 July 2017	Opening balance	Nil	N/A	Nil
	Rights issued	$Nil	30 June 2020	2,895,000
	Rights cancelled	Nil	N/A	Nil
30 June 2018	Closing balance	-	-	2,895,000

The value of the Performance Rights at the date of grant was undertaken by an independent valuer using a Monte Carlo simulation methodology. The value of the Performance Rights was deemed to be $0.539 per right and were granted after the 1 for 10 share consolidation.

NOTE 29. SUBSEQUENT EVENTS

Other than those noted below there is no matter or circumstance which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

a) The operations, in the financial years subsequent to 30 June 2018, of the Company;

b) The results of those operations

On 26 September 2018 the Company successfully drew down the second US$20M debt tranche.

NOTE 30. CONTINGENT LIABILITIES

a) Performance bonds and rental bond commitment

The Company has provided cash backed performance bonds with the NSW Dept. of Resources and Energy of $90,000 (30 June 2017: $120,000) and a rental bond commitment ($17,187) over its office in Sydney. The performance bonds and rental bond commitment are cash backed. The Company also has and a rental bond commitment ($15,623) over its Perth office.

b) Agreement with Veolia Environmental Services (Australia) Pty Ltd ("Veolia")

In 2011, the Company and Tarago Operations Pty Ltd ("TOP"), a wholly owned subsidiary of the Company, entered into an agreement with Veolia. This agreement was further updated in 2017, under which the Company agreed:

(i) To assume the environmental liabilities associated with the Woodlawn site, excluding Veolia's area of operation. The Company will be required to provide a performance bond with the NSW Division of Resources and Energy (DRE) as surety against completion of environmental rehabilitation once mining on the site is complete. The amount of the bond is $3,577,000 and was lodged with the DRE prior to commencement of construction.

(ii) Subject to certain approvals being received by Veolia and the Company, the Company will receive "free-on-board" compost from Veolia to be utilised in the rehabilitation of the 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 of the Company, or TOP, connected with its operations at the Woodlawn site.

(iv) To provide staged bank guarantees in favour of Veolia up to $10M of which $5M has been provided at 30 June 2018. A further $5M Bank Guarantee will be provided in favour of Veolia approximately 30 months after commencement of the box cut.

c) Other contingent liabilities

Native title claims have been made with respect to areas which include tenements in which the Company has interests. The Company 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 31. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Heron Resources Limited, at 30 June 2018. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2018 $'000	2017 $'000
a) Financial Position		
Current assets	24,393	12,417
Non-current assets	14,764	17,927
Total assets	39,157	30,344
Current liabilities	342	1,933
Non-current liabilities	183	107
Total liabilities	525	2,040
Intercompany Loans - subsidiaries	130,250	-
Contributed equity	259,742	113,993
Option reserve	2,076	1,489
Accumulated losses	(90,263)	(84,528)
Subsidiary - Accumulated loss	(2,673)	-
Total equity	168,882	30,954
Loss for the year	(3,085)	(2,652)
Total comprehensive loss for the year	(3,085)	(2,652)

b) Guarantees entered into by the Parent

Under the Loan facility agreement between Tarago Operations Pty Ltd and Orion Mine Finance, Heron Resources Limited has entered into a deed of cross guarantee with its wholly owned subsidiary Tarago Operations Pty Ltd

c) Contingent liabilities of the Parent

Heron Resources Limited's contingent liabilities are consistent with those disclosed in Note 30.

d) Capital commitments of the Parent

Heron Resources Limited's capital commitments are disclosed in Note 25 (c)

Directors' Declaration

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

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

b) Give a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2018 and of their performance, as represented by the results of their operations, for the financial year ended on that date.

In the Directors' opinion:

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

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

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

On behalf of the Board

S Dennis

S Dennis
Chairman

Sydney, 27 September 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Heron Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Carrying value of Woodlawn Mine Development

Why significant	How our audit addressed the key audit matter
As required by Australian Accounting Standards, the carrying value of the Woodlawn Mine asset was tested for impairment at the time the Group made the affirmative decision to develop Woodlawn. Due to the significance of the Woodlawn Mine Development balance and the judgement involved in forecasting cash flows, commodity prices and the discount rate, we considered this to be a key audit matter. Refer to Note 10 to the financial statements for the amounts held on the Consolidated Statement of Financial Position by the Group as at 30 June 2018 and related disclosure.	Our audit procedures included the following: ▸ Assessed whether the methodology used in the impairment model met the requirements of Australian Accounting Standards; ▸ Tested the mathematical accuracy of the model; ▸ We assessed the key assumptions used in the model, such as sales pricing and volumes, production costs, foreign exchange rate and discount rate. This included considering both internal and external data supporting assumptions and with involvement from our valuation specialists; ▸ Performed sensitivity analyses and evaluated whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable value; and ▸ Assessed whether there had been any changes in the key assumptions applied in the aforementioned impairment model that would indicate potential impairment at period-end.

Measurement of the Silver Stream Debt Facility

Why significant	How our audit addressed the key audit matter
As described in Note 15, to the financial statements, the Group finalised a Silver Stream debt facility ("Silver Stream") during the year. As permitted by Australian Accounting Standards, the Group elected to account for the Silver Stream at fair value. Accordingly, the Silver Stream is required to be measured at fair value at inception and at each future reporting period, with movements being recognised in the statement of comprehensive income.	Our audit procedures included the following: ▸ Assessed whether the accounting for the Silver Stream was in accordance with Australian Accounting Standards; ▸ Considered the fair value of the debt facility at inception and at 30 June 2018 by assessing the appropriateness of the valuation methodology selected and the assumptions used in the fair value calculations; ▸ Utilised our valuations specialists to assess the discount rate adopted by management for the purpose of determining the fair value;

The accounting for streaming arrangements is complex and required estimation to determine the fair value of the debt facility at inception and as at 30 June 2018. Accordingly, this was considered to be a key audit matter.	▸ Re-calculated the fair value of the debt facility at inception and as at 30 June 2018; and ▸ Assessed whether the disclosures within Note 15 of the financial report were in accordance with Australian Accounting Standards.

Provision for Rehabilitation and Restoration

Why significant	How our audit addressed the key audit matter
The Group incurs obligations for asset and site restoration and rehabilitation. As at 30 June 2018 the Group's consolidated statement of financial position includes a provision in respect of such obligations as disclosed in Note 16. Estimating the costs associated with these obligations requires considerable judgement in relation to when the activities will take place, the time required for rehabilitation to be effective, the costs associated with the activities and economic assumptions such as inflation and discount rates. Management engaged external specialists to assist with their assessment of the Group's rehabilitation obligations as at 30 June 2018. Due to the significant degree of estimation and judgment used to determine the rehabilitation provision this is considered to be a key audit matter.	Our audit procedures, which involved our mine closure specialists, included the following: ▸ Considered the rehabilitation report and estimates provided by the Group's expert. We assessed the qualifications, competence and objectivity of the expert based on their independence, experience and qualifications. ▸ We re-performed underlying calculations where necessary and assessed the appropriateness of the inflation and discount rate assumptions. ▸ Considered the adequacy of the disclosures relating to the Group's provisions for restoration and rehabilitation included in the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report, the Corporate Profile, the Corporate Governance Statement and the Shareholder Information that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Building a better working world

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

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

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 48 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Heron Resources Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Scott Jarrett
Partner
Sydney
27 September 2018

7.0 Shareholder Information

AT 6 SEPTEMBER 2018

1. Issued Shares and Options

a) Distribution of Shareholders:

Size of Holding			Number of Holders	Shares Held
1	-	1,000	1,468	617,391
1,001	-	5,000	956	2,363,330
5,001	-	10,000	281	2,218,309
10,001	-	100,000	447	13,904,430
100,001	-		84	222,563,452
			3,236	241,666,912

b) The twenty largest shareholders hold 86.56% of the issued fully paid capital of the Company.

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

Holder	Number of Shares	%
Greenstone Management (Delaware) LLC	45,262,790	18.73
Citicorp Nominees Pty Limited	68,524,190	28.36
Castlelake (III, IV and V) LP	53,920,145	22.31

d) There were 1,273 shareholders who held less than a marketable parcel.

e) No securities have been classified by ASX as restricted.

VOTING RIGHTS

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

Twenty largest shareholders as at 6 September 2018

		Number of Shares	%
1	CITICORP NOMINEES PTY LIMITED	68,524,190	28.36
2	GREENSTONE MANAGEMENT (DELAWARE) LLC	45,262,790	18.73
3	CASTLELAKE IV LP	23,335,069	9.66
4	CASTLELAKE III LP	23,335,069	9.66
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	11,260,717	4.66
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,537,277	4.36
7	CASTLELAKE V LP	7,250,007	2.99
8	J PAUL GETTY TRUST	4,854,529	2.01
9	G LTP LLC	4,096,685	1.70
10	COPPER INVESTMENTS PTY LIMITED	3,836,320	1.59
11	NATIONAL NOMINEES LIMITED	1,995,890	0.83
12	MBM CORPORATION PTY LTD	1,800,000	0.74
13	"CANADIAN REGISTER <CONTROL ACCOUNT>	1,460,003	0.60
14	JETOSEA PTY LTD	1,408,392	0.58
15	"ONE MANAGED INVT FUNDS LTD	1,358,315	0.56
16	G JBD LLC	1,311,529	0.54
17	G HSP LLC	1,259,952	0.52
18	ZERO NOMINEES PTY LTD	1,066,381	0.44
19	BNP PARIBAS NOMS PTY LTD	988,422	0.41
20	FRETENSIS PTY LTD	780,000	0.32
TOTAL		**215,721,537**	**89.26%**
Total issued capital		241,666,912	100.00%

f) Distribution of Option/Performance Rights holders

1	85,836	exercisable on or before 20 November 2018 for a payment of $0.70 per option
2	1,650,000	exercisable on or before 4 December 2020 for a payment of $0.72 per option
3	265,000	exercisable on or before 1 February 2022 for a payment of $1.10 per option
4	2,850,000	Vesting on 30 June 2020 for a payment of $Nil per Right subject to TSR vesting conditions

Size of Holding			Number of Holders	Options/Performance Rights Held
1	-	10,000	-	-
10,001	-	5,000	-	-
5,001	-	100,000	1	85,836
100,001	-		25	4,765,000
			26	4,850,836

Summary of option and performance rights holders as at 6 September 2017

		Number of Options	% of Issued Options
1	Employees & directors	4,850,836	100%

8.0 Statement of Mineral Resources & Mineral Reserves

8.1 Woodlawn Underground Mineral Resource Estimate 2018

(7% ZnEq cog for Polymetallic and 1% Cu cog for Copper)

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Measured	0.5	24.4	13.7	1.3	4.9	0.3	80
Polymetallic	Indicated	2.2	21.0	10.2	1.5	3.9	0.8	78
Polymetallic	Inferred	1.9	16.9	7.3	1.5	3.0	0.8	61
Polymetallic	**All**	**4.6**	**19.6**	**9.4**	**1.5**	**3.6**	**0.7**	**71**
Copper	Indicated	1.9	9.7	0.7	2.6	0.1	0.2	14
Copper	Inferred	0.7	9.2	0.7	2.5	0.1	0.1	12
Copper	**All**	**2.6**	**9.5**	**0.7**	**2.6**	**0.1**	**0.2**	**14**
All Total	**All**	**7.2**	**16.1**	**6.3**	**1.9**	**2.4**	**0.5**	**51**

Notes: 1) Please refer to the end of this release for Qualified Persons statements; 2) ZnEq refers to a calculated Zn equivalent grade the formula for which is stated at the end of this report; 3) Polymetallic Type refers to polymetallic massive sulphide mineralisation with high-grade Zn and Pb; Copper Type refers to Cu dominated massive and stringer sulphide mineralisation; 4) Some rounding related discrepancies may occur in the totals; 5) the Mineral Resource is reported in accordance with the JORC Code (2012); 6) further details of the Mineral Resources estimation including Table 1 were provided in ASX Release 13 November 2017.

8.2 Woodlawn Reclaimed Tailings Mineral Resource Estimate 2015

Reported with no cut-off grade applied

Type	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Measured + Indicated Mineral Resources							
North Dam	2.7	6.0	2.40	0.42	1.30	0.27	34
South Dam	3.3	6.0	2.50	0.46	1.20	0.25	27
West Dam	3.8	6.5	2.0	0.62	1.40	0.40	35
Total Mea+ Ind	**9.8**	**6.2**	**2.30**	**0.51**	**1.3**	**0.31**	**32**
Inferred Mineral Resources							
North Dam	0.2	6.2	2.40	0.42	1.30	0.27	34
South Dam	0.9	5.6	2.30	0.48	1.20	0.25	24
West Dam	0.0	-	-	-	-	-	-
Total Inferred	**1.1**	**5.8**	**2.30**	**0.47**	**1.20**	**0.25**	**27**
Total Mea+Ind+Inf	**10.9**	**6.2**	**2.30**	**0.51**	**1.29**	**0.30**	**32**

Notes: 1) The Mineral Resource estimate, originally published on Heron's website and SEDAR under the NI43-101 guidelines, is entitled Woodlawn Retreatment Project Mineral Resources Technical Report with an effective date of 30th November 2015 and authored by Mr Robin Rankin (MAusIMM CP Geology) of independent consulting firm GeoRes. Heron confirms that it is not aware of any new information or data that materially affects the information included in this report and that the form and context in which the Mr Rankin's findings are presented have not been materially modified. 2) ZnEq (%) refers to a calculated Zn equivalent grade the formula for which is stated below. 3) Some rounding related discrepancies may occur in the totals.

8.3 Woodlawn Underground Mineral Reserve Estimate 2016

Type	Reserve Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Proven	0						
Polymetallic	Probable	1.80	16.0	8.10	1.2	2.90	0.56	57
Copper	Proven	0						
Copper	Probable	0.96	8.8	0.61	2.4	0.13	0.23	14
Total	**Probable**	**2.80**	**14.0**	**5.50**	**1.6**	**1.90**	**0.45**	**42**

Notes: 1) Please refer to the end of this section for Qualified Persons statements; 2) Reported at cut-off grades determined by economic and metallurgical factors; 3) This estimate has been prepared in accordance with the JORC Code (2012) and the NI43-101 guidelines. 4) Some discrepancies in totals may occur due to rounding of numbers; 5) ZnEq(%) refers to a calculated Zn equivalent grade the formula for which is provided in 10.5. 6) This Mineral Resource was first reported to the ASX/TSX within the release dated the 29th June 2016.

8.4 Woodlawn Tailings Mineral Reserve Estimate 2016

Reported with no cut-off grade applied

Reserve Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Proven	6.4	6.0	2.2	0.5	1.3	0.29	31
Probable	3.2	6.0	2.1	0.5	1.3	0.33	32
Total (Proven + Probable)	**9.5**	**6.0**	**2.2**	**0.5**	**1.3**	**0.31**	**31**

Notes: 1) Combined tailings estimate for the North, South and West Tailings Dams; 2) This estimate has been prepared in accordance with the JORC Code (2012) and the NI43-101 guidelines. Please refer to the end of this section for Qualified Persons statements; 3) ZnEq% refers to a calculated Zn equivalent grade the formula for which is provided in 10.5. 4) Reported at cut-off grades determined by economic and metallurgical factors. 5) Some discrepancies in totals may occur due to rounding of numbers. 6) This Mineral Reserve was first reported to the ASX/TSX within the release dated the 29th June 2016.

8.5 Zinc equivalent calculation for the Woodlawn Mineral Resources and Mineral Reserves

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

8.6 Competent Persons Statements - Declaration and JORC (2012) and NI 43-101 Compliance

1. The information in the report that relates to the Mineral Resources for the Woodlawn Underground Project was estimated by Mr Steven Jones, who is a full time employee of Heron Resources Limited. Mr Jones, who is accredited by the Australian Institute of Mining and Metallurgy as a Chartered Professional (CP) in the geology discipline, takes responsibility for the integrity of the Data that has been used to prepare the resource estimates, and for the Geological Model. Mr Jones has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the resource estimation activity that he has undertaken to qualify as a Competent Person as defined in the 2012 edition of the JORC Code; Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Jones consents to the inclusion in this report of the matters based on his information in the form and context that it appears.
2. The Woodlawn Project Mineral Reserve, mine design, production schedule and FS results have been produced or reviewed by SRK Consulting (Australasia) Pty Ltd (SRK) under the direction of Ms Anne-Marie Ebbels, Principal Consultant (Mining), an Independent Qualified Person as defined by Canadian National Instrument 43-101 and a Competent Person as defined in the 2012 edition of the JORC Code: Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ms Ebbels consents to the inclusion in this report of the matters based on her information in the form and context that it appears.
3. The Woodlawn Project plant and metallurgy designs and costings have been produced or reviewed by GR Engineering Services Limited (GRES) under the direction of Mr Peter Allen, Manager – Process & Technical Services, who is a Member of the Australasian Institute of Mining and Metallurgy and accredited by the AusIMM as a Chartered Professional (CP) in the metallurgy discipline, and an Independent Qualified Person as defined by Canadian National Instrument 43-101. Mr Allen consents to the inclusion in this report of the matters based on his information in the form and context that it appears.
4. The information relating to the Woodlawn Tailings Mineral Resource contained in this report has been reviewed and is based on information compiled by Mr Robin Rankin, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM) and accredited by the AusIMM since 2000 as a Chartered Professional (CP) in the geology discipline. Mr Rankin consults to Heron (and previously TriAusMin Ltd) as Principal Consulting Geologist of independent geological consultancy GeoRes. He has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition) and “qualified person” as this term is defined in Canadian National Instrument 43- 101. Mr Rankin consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.
5. The technical information in this report relating to the exploration results and forward programs based on information compiled or reviewed by Mr David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional – Geology). Mr von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition) and “qualified person” as this term is defined in Canadian National Instrument 43-101 (“NI 43-101”). Mr von Perger has reviewed this press release and consents to the inclusion in this news release of the information in the form and context in which it appears.

9.0 Interest in Mining Tenements

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
New South Wales Projects									
Woodlawn Project									
EL7257	40km SSW of Goulburn	100	Live		EL7468	5km E of Collector	100	Live	
EL7469	15km E of Bungendore	100	Live		EL7954	25km W of Goulburn	100	Live	
EL8325	60km ENE of Canberra	100	Live		EL8353	7.5km SE of Woodlawn	100	Live	
S(C&PL)L20	40km SSW of Goulburn	100	Live		EL8400	27km NNE of Yass	100	Live	
EL8573	30km NNW of Yass	100	Live		EL8623	90km north of Woodlawn	100	Live	
EL8712	90km north of Woodlawn	100	Live		EL8796	65km south of Woodlawn	100	Live	
EL8797	65km south of Woodlawn	100	Live						
Alchemy Farm in & JV Tenements									
Girilambone Project									
EL8318	27km NW of Nyngan	100	Live	1					
Overflow/Eurow/Parkes									
EL5878	100km NW of Condobolin	100	Live	1	EL7941	100km NW of Condobolin	100	Live	
EL8267	70km SE of Cobar	100	Live	1	EL8356	59km WSW of Tottenham	100	Live	
EL8192	23km SE of Parkes	100	Live	1					
Barraba-Manilla Project									
EL8711	90km west of Armidale	100	Live						
Nyngan Project									
EL8631	10km NW of Nyngan	100	Live						
Western Australia Projects – Joint Ventures									
M25/00059	34km East of Kalgoorlie	20	Live	2	M25/00134	40km E of Kalgoorlie	20	Live	
M25/00145	40km E of Kalgoorlie	20	Live	2	M25/00161	40km E of Kalgoorlie	20	Live	
M25/00171	40km E of Kalgoorlie	20	Live	2	M25/00209	40km E of Kalgoorlie	20	Live	
P25/02256	40km E of Kalgoorlie	20	Live	2	P25/02257	40km E of Kalgoorlie	20	Live	
P25/02258	40km E of Kalgoorlie	20	Live	2					

Notes:

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

2 Southern Gold: Subject to Farm In agreement with Southern Gold Ltd (who have earned an 80% interest). Heron retains 100% of nickel laterite.

10.0 Glossary

10.1 Corporate / General Definitions

ASIC means Australian Securities and Investments Commission

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

Australian Registry means Security Transfer Registrars Pty Ltd of 770 Canning Highway, Applecross WA

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

HRR : ASX is the Heron code on ASX

IFRS means International Financial Reporting Standards

SML 20 Transaction Documents means

(a) Deed to Assign Special Mining Lease dated 30 November 2011 made between Veolia Environmental Services (Australia) Pty Ltd (ACN 051 316 584) (Veolia), Tarago Operations Pty Ltd (ACN 127 810 413) (Tarago) and TriAusMin;

(b) Deed of Option dated 30 November 2011 made between Veolia and Tarago; and

(c) Co-operation Deed dated 30 November 2011 made between Veolia, Tri Origin Mining Pty Ltd (ACN 115 529 112), Tarago and TriAusMin

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

TriAusMin or **TRO** means TriAusMin Limited (ABN 22 062 002 475)

VWAP means Volume weighted average price

10.2 Technical Definitions

Ag means Silver

Au means Gold

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

Cu means Copper

Decline means a declined tunnel accessing an ore body

Feasibility Study means a study with three progressively more detailed stages:

Scoping Study is an Australian term and means a first pass estimate of engineering requirements and costs of a mining operation, processing plant and plant infrastructure. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the follow-up Pre-feasibility Study. Operating and capital cost estimates are to an order of magnitude accuracy of ± 30%.

Pre-feasibility Study (PFS) is an Australian term and means an engineering and cost study of a mining operation, processing plant and plant infrastructure. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the Pre-feasibility Study. Operating and capital cost estimates are to an accuracy of ± 25%.

Feasibility Study (FS) is an Australian term and means a feasibility study undertaken to a high degree of accuracy which may be used as a basis for raising finance for the construction of a project.

Typically operating and capital cost estimates are to an accuracy of +/- 15-20%. A FS is the standard of report required by primary debt funders to demonstrate the technical and commercial viability of a project.

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

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

m means metre and **km** means kilometres

Mt means million tonnes

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

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

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

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

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

Ore Reserves as defined by JORC Code

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

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

Pb means lead

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

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

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

RAB means Rotary Air Blast drilling technique in which a sample is returned to surface outside the rod string by compressed air. Sample quality is poor

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

Zn means zinc

ZnEq means zinc equivalent calculation:

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