Hawthorn RESOURCES

Hawthorn Resources Limited

ABN 44 009 157 439

ANNUAL REPORT 2013

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Chairman's and CEO Report

The financial year ending 30 June 2013 together with the period up to the date of this Report has been an exciting and successful period for the Company highlighted by a major equity raising involving an investment by significant Chinese investment entities together with increased developments within our West Australian gold tenements. Your directors are confident that your Company is well placed for the transition from gold explorer to producer with the first phase of production anticipated in the first quarter of 2014.

Exploration and Development

A strong exploration effort continued during the year with major progress made in its 5 key gold project areas:

- Trouser Legs ï Anglo Saxon
- Deep South
- Yundamindera ï Coffey Bore
- Whiteheads and
- Edjudina - Triumph

Most importantly exploration resumed at the primary prospect, Anglo Saxon, in late 2012, with a series of high grade gold results reported from drilling designed to define a potential pit and extend the existing resource. Follow-up drilling designed to infill gaps in the existing geological model was completed during June 2013 and continued to intersect strong gold intercepts

The information from these drilling programs has refined the design and confidence level in the geological model for Anglo Saxon. An independent mining consulting firm was commissioned after year end to calculate a new gold resource for Anglo Saxon. When we have received this new resource later in 2013 we anticipate that intense activity will occur designed to bring this deposit into production, if economically and technically viable.

The Company remains robust and enthused about our other major gold prospects, Edjudina, Deep South, Whiteheads and Yundamindera - and believe that further exploration and development on our excellent targets and known gold mineralisation positions Hawthorn for an exciting upcoming year.

While working to exploit our existing portfolio of gold projects, we are mindful of the opportunities that exist in the gold sector in Australia currently and are assessing new project proposals on a regular basis.

Significant progress has been made at our Mt Bevan Iron Ore Project, a Joint Venture with Legacy Iron Ore Limited. The Joint Venturers have developed a highly prospective iron ore project hosting both Direct Shipping Ore (DSO) haematite and magnetite.

As has been reported to the market there has been a disputation over the quantum and composition of expenditures incurred by Legacy in the Joint Venture. Whilst this matter continues your directors are confident that it will be resolved satisfactorily. The Joint Venture has agreed, however, on the next phase for exploration to be carried out during the remainder of calendar year 2013 and early 2014.

The Company has established a strong and experienced management team, augmented by our cornerstone Chinese investor Feng Hua and the acquisition of new board members. We have a strong balance sheet with cash reserves and carry no debt.

Corporate Activities

Funding

In August 2012 the Company announced a Share Subscription Agreement (ìSSAî) with Feng Hua Mining Investment Holding (HK) Limited (ìFeng Huaî) to raise A$14.962 million in new equity capital. This raising following the required regulatory and shareholder approvals was completed in April 2013. This raising resulted in Feng Hua holding a direct equity percentage interest of 37.6 per cent.

The moneys from Feng Hua investors is being utilised to accelerate the exploration and development pathways for our major gold and iron ore projects.

Issued Securities

Following on from the fund raising and as approved by shareholders the Company in May 2013 completed a Consolidation of ordinary shares on the basis of one new share for each twenty shares held at the óRecord Dateô

Expanded Board of Directors

Associated with the significant equity raising the Company is delighted to have expanded its Board of Directors to six members.

It was with pleasure that we welcomed the addition of three new non-executive directors:

Mr Liao, Yongzhong [Guandong Fenghua Advanced Technology (Holding) Co. Ltd.]
Mr Li, Yijie [Lite Smooth Investment Limited]
Mr Ye, Xiaohui [Guandong Rising Assets Management Co. Ltd.]

The directors bring to the board their extensive expertise from involvement with the mining and metal fabrication industry in China.

New website

I am also pleased to advise that the Company has undergone a major revamp of its website to instantly update shareholders and potential investors with reports and announcements. See www.hawthornresources.com

This Annual Report details all of Hawthorn Resources activities over the past financial year 2012/13 and we encourage its readership

Mark Kerr
Chairman, Board of Directors
Melbourne, 25 October 2013

Mark Elliott
Managing Director & CEO

INTRODUCTION

The Hawthorn Resources Limited group of companies (the ñCompanyò, ñHawthornò or ñHawthorn Resourcesò) is an Australian diversified iron ore and gold explorer with tenement holdings and joint ventures primarily focussed in the Eastern Goldfields of Western Australia.

During the 2012-2013 year, Hawthorn Resources has continued its exploration and development efforts designed to progress its portfolio of advanced gold projects in the Eastern Goldfields of Western Australia towards production. A strong exploration effort has continued during the year with major progress made in its 5 key gold project areas,

- Trouser Legs ï Anglo Saxon,
- Deep South,
- Yundamindera ï Coffey Bore,
- Whiteheads and
- Edjudina - Triumph

Exploration by Hawthorn in the **Anglo Saxon** area recommenced in late 2012 with numerous strong gold results obtained outside the existing 2011 Indicated and Inferred resource model. Further RC and Diamond drilling has refined the design and confidence level of the geological model for the deposit.

A new geological model is being developed and an independent mining consultant will be commissioned to carry out a new resource calculation later in 2013.

At **Deep South** drill testing of the defined target horizon has continued to intercept gold mineralisation in both the Central Mineralised area and in broad spaced sections to the south. Further drilling is planned for late 2013.

At **Yundamindera** a detailed aeromagnetic survey and subsequent interpretation has highlighted several high priority targets with signatures similar to the known Coffey Bore gold mineralisation. Assessment of these targets is nearing completion and drill testing will be required in the upcoming year.

Strong gold results were recorded from drilling in the **Edjudina-Triumph** in the vicinity of the historic Senate Mine, while first pass drilling at Lindsays South in the **Whiteheads** project area has been completed after year end.

The Farm ï In and Joint Venture Agreement on our highly prospective Mt Bevan Iron Ore Project, Western Australia with fellow ASX Listed company Legacy Iron Ore Limited (ñLegacyò) has continued during the year, with discussions relating to ongoing exploration and development proceeding.

Since the June 2013 year end the Joint Venture Manager has proposed a modified program of exploration designed to complete an updated Mt Bevan Mineral Resource Estimate and drilling of the identified haematite target at Mt Mason North. Greenfields exploration for haematite and magnetite is also proposed for the Mt Alexander and Eastern BIF area is also proposed.

MAJOR PROJECT OUTLINES

Gold Exploration ï Western Australia incorporating:

Deep South Project	*Hawthorn Resources 80%, Alacer Gold Corp 20%;*
Trouser Legs Project	*Hawthorn Resources 70%, Gel Resources 30%;*
Edjudina - Triumph Project	*Hawthorn Resources 100% and Edjudina-Pinjin JV Tenements (Hawthorn Resources 80%, Alacer Gold Corp 20%);*
Yundamindera Project	*Hawthorn Resources 100% and Edjudina-Pinjin JV Tenements (Hawthorn Resources 80%, Alacer Gold Corp 20%); and*
Whiteheads Project	*Hawthorn Resources 100%*

Hawthorn Resourcesô Western Australian gold exploration programs during the year have primarily focussed in five major project areas where Hawthorn Resources holds in its own right, has earned or is earning equity from joint venture partners in over 80 granted exploration, mining, prospecting licences and applications. The Company believes that each of the major project areas, in close proximity to milling and transport infrastructure, hold both exploration upside and near term potential for development.

These major projects cover two distinct areas.

- A near contiguous part of the Eastern Goldfields of Western Australia extending from the south shore of Lake Carey to the historic Pinjin Mining Centre ï a strike extent of approximately 125 kilometres. Hawthornõs tenement package is surrounded by major gold mines, deposits and advanced resources including Sunrise Dam, Wallaby, Red October, Carosue Dam, Safari Bore, Deep South, Porphyry and Butchers Well Mines. The gold endowment of these mines and resources currently exceeds 22 Million ounces.

- A contiguous group of 15 tenements (ñWhiteheadsò) covering the historic Gindalbie Mining Centre that surrounds the Lindsays gold resource of KalNorth Gold (0.33 Million ounce gold resource), and only 50 kilometres from the mining infrastructure hub of Kalgoorlie.

Maps and diagrams relating to Hawthorns tenement holdings, project areas and exploration results can be viewed in the Companyõs Quarterly Activities and Cashflow statements to the Australian Securities Exchange and on the Hawthorn Resources Limited website www.hawthornresources.com.

Trouser Legs Project

The **Trouser Legs Project** is located 140 km east-north-east of Kalgoorlie and is centred on the historic Anglo Saxon Mine. The Trouser Legs - Anglo Saxon project area is additionally situated 35 kilometres to the east of the Carosue Dam Mill of Saracen Mineral Holdings. The tenements in the primary project area are granted Mining Leases and Infrastructure Licences in a contributory JV with Gel Resources Pty Ltd. Hawthorn does however hold a 100% stake in a further 6 Exploration Licences and Applications surrounding the Eastern, Northern and Western margins of the Trouser Legs JV tenements.

Anglo Saxon Resource

Exploration resumed at the primary prospect, **Anglo Saxon**, in late 2012, with a series of high grade gold results reported from drilling designed to define a potential pit and extend the existing resource. Results were in general excellent and included results of:

- ***14 metres @ 9.69 g/t Au – PINC152,***
- ***15 metres @ 11.71g/t Au - PINC153, and***
- ***8 metres @ 14.78g/t Au – PINC154***

Follow-up drilling designed to infill gaps in the existing geological model was completed during June 2013 and continued to intersect strong gold intercepts including:

- ***10 metres @ 2.46 g/t Au – PINC182,***
- ***14 metres @ 2.33 g/t Au – PINC183,***
- ***9 metres @ 4.38 g/t Au – PINC189, and***
- ***17 metres @ 3.23 g/t Au – PINC193.***

Following these drilling campaigns, and after the year end, a series of targeted Diamond Drill holes were drilled to provide information for a new geological model and to provide samples for metallurgical and geotechnical testwork.

The information from these drilling programs has served to refine the design and confidence level of the geological model for the mineralisation.

An independent mining consultant will be commissioned to carry out a new resource calculation at Anglo Saxon which should be completed later in 2013.

The most recent work completed however has indicated that potential exists to expand the resource, along strike and at depth, with further exploration and development.

Hawthorn will continue to keep shareholders informed of its progress towards gold production from Anglo Saxon that, if economically and technically viable, may commence in early 2014.

Coles and Other Prospects

Concurrent with drilling carried out at **Anglo Saxon** a program of RC drilling was carried out at the **Coles Prospect.** The program was designed to extend the strike and depth extent of historic RC drilling.

Two broad, main zones of gold mineralisation identified in historic drilling with results including:

- ***10.0 metres @ 2.09 g/t Au,***
  & 9.0 metres @ 1.07 g/t Au – COLC001,
- ***15.0 metres @ 1.05 g/t Au,***
  & 5.0 metres @ 1.06 g/t Au – COLC004,
- ***17.0 metres @ 1.02 g/t Au – COLC006,***

These results confirm that gold mineralised zones of significant width exist at this prospect, however supergene enrichment in the centre of the prospect area may be responsible for gold results reported in historic RC and Diamond Core drilling. The prospect remains open to the north and south and may be developed as a satellite gold deposit if mining operations commence at **Anglo Saxon**.

Further drill testing of **Coles** and the **Exile**, **Exile North** and **Sulphide Prospects** is planned in conjuction with further drilling required at **Anglo Saxon**.

Deep South Project

The **Deep South Project** is approximately 180 kilometres north east of Kalgoorlie with the project area situated along strike of known economic gold mineralisation hosted in the **Deep South-Mexico** gold orebodies owned by Saracen Mineral Holdings Limited (ŠSaracenŏ). Saracen recommenced production from the Deep South opencut gold mine during the year and has undertaken a Feasibility Study on the underground Probable Reserve at the deposit of 116,000 ounces.

Drilling by Hawthorn during the year continued to intersect the distinctive zone of quartz-carbonate-pyrrhotite-pyrite-magnetite veining that hosts gold mineralisation.

Drilling carried out was designed to infill the known gold mineralisation at the **Central Prospect** and to test previously undrilled areas between the **Central** and **Southern Prospects**.

At the **Central Prospect** shallow infill drilling intercepted near surface gold mineralisation with results including:

- ***5.0 metres @ 2.23 g/t Au from 14-19 metres – DSC070,***
- ***3.0 metres @ 2.89 g/t Au from 49-52 metres – DSC071,***
- ***3.0 metres @ 8.13 g/t Au from 81-84 metres – DSC072,***
- ***17.0 metres @ 2.35 g/t Au from 2-19 metres – DSC073,***
- ***12.0 metres @ 2.47 g/t Au from 37-49 metres – DSC074,***
- ***1.0 metre @ 10.84 g/t Au from 24-25 metres – DSC075***

Each hole in the program however intercepted the target mineralised horizon and broad near surface results returned enhance the potential for exploitation of the area via a small open pit, while high grade intercepts continue to define a gold shoot that may also be exploitable by subsequent underground mining.

Exploration drilling between the **Central** and the **Southern Prospects** intercepted the target horizon in several broadly spaced sections. Results included:

- ***2.0 metres @ 2.58 g/t Au from 58-60 metres – DSC091,***
- ***2.0 metres @ 2.08 g/t Au from 91-93 metres – DSC094,***
- ***2.0 metres @ 3.06 g/t Au from 34-36 metres – DSC098,***

These results confirm the continuity of the target mineralised horizon over significant strike ï and as at the ***Central Prospect*** potentially economic gold mineralised zones can be developed within this horizon. Follow up RC drilling will commence later in 2013.

Edjudina - Triumph Project

In the **Edjudina - Triumph Project** area, exploration has been focussed on the **Edjudina Mine** prospect (Hawthorn 100%) approximately 145 kilometres North-East of Kalgoorlie.

Historic gold production of **33,215 oz @ 46.9 g/t** of gold from this prospect was sourced from 4 major underground mines developed on series of sub-parallel quartz lodes over a strike length of 1.4 kilometres between 1898 and 1939.

A drilling program was completed during the year designed to test beneath and along strike of the **Senate Mine** (10,398 oz of Au produced from 6942 tonnes of ore) where historic drive sampling and drill intercepts of two parallel reef horizons returned results of:

– 0.47 metres @ 157.0 g/t Au at 35 metres vertical depth
– 3.00 metres @ 11.3 g/t Au at 66 metres vertical depth
– 0.25 metres @ 189.2 g/t Au at 132 metres vertical depth

Drilling during the year was carried out on single and two hole drill sections over 600 metres of strike with most holes intersecting at least one, if not two, of the known parallel reef positions.

The results from the program are considered significant as drill sections south, immediately to the north and beneath the excavated **Senate Mine Lodes** have returned high gold grades at relatively shallow depths including:

- ***2.0 metres @ 15.75 g/t Au from 36-38 metres - EDC006,***
- ***4.0 metres @ 4.28 g/t Au from 54-58 metres – EDC017,***
- ***2.0 metres @ 4.32 g/t Au from 87-89 metres – EDC018,***
- ***1.0 metres @ 6.01 g/t Au from 62-63 metres – EDC022,***
- ***4.0 metres @ 6.03 g/t Au from 40-44 metres – EDC028, and***
- ***2.0 metres @ 20.29 g/t Au from 108-110 metres – EDC033,***

These results have confirmed that the main gold ore bearing lode in the **Senate Mine** area is a to be quartz ï carbonate lode, that flattens in dip with depth. The lode has been intersected in most holes drilled in the prospect area with over 300 metres of gold mineralised strike intersected to date.

Drilling to further define these lodes and potentially identify a mineable zone of high grade gold mineralisation amenable to open-cut and / or underground exploitation will be carried out in upcoming months.

Yundamindera Project

In the **Yundamindera Project** area, located approximately 175 kilometres to the north east of Kalgoorlie, Western Australia exploration has focused on the discovery of gold associated with mineralised, syenite porphyry dykes, BIFœ and shears.

A significant mineralised body has been identified at **Coffey Bore** where a broad zone of gold mineralisation associated with stockwork quartz veining at the base of a shallow, 45° east dipping, porphyry intrusion has been drill tested over 450 metres of strike.

A detailed project wide aeromagnetic and radiometric survey was flown covering the entire project area during the year. Interpretation and target definition studies carried out by geophysical consultants **Southern Geoscience Consultants Pty Ltd** identified a series of combined magnetic and radiometric targets in areas of pervasive soil cover with distinct similarities to known styles of gold mineralisation in the region.

Sampling of these targets is nearing completion and drill targets have been identified. These will be drilled in addition to extension drilling of the **Coffey Bore** porphyry later in the current year.

Whiteheads Project

This **Whiteheads Project** area is situated within the historic Gindalbie Mining area, 50 kilometres north-east of Kalgoorlie, Western Australia. The project area is also only 30 kilometres from gold plants at Kanowna Belle and Paddington Mines.

The project area is adjacent to the historic Gindalbie Mining Centre (45,000 ounces of gold produced at 27 g/t Au) and surrounds KalNorth Gold Mines Limited - Lindsayõs Deposit. KalNorth Gold Mines Limited commenced mining at this deposit in early 2013.

An initial RC drilling program commenced after year end at Hawthornõs **Lindsay South, Whiteheads Dam** and **Whiteheads**.

The drilling continued to identify thick zones of supergene clays above a complex suite of quartz veined and brecciated basalts, in contact with granodiorite sills and dykes in the Lindsayõs South area and sheared felsic volcanics in contact with more mafic units in the two Whiteheads areas drilled. If positive results are returned from this project follow-up drilling will be undertaken in the upcoming year.

Mount Bevan Iron Ore Project ï Western Australia

(Hawthorn Resources 40%, Legacy Iron Ore 60%)

The **Mount Bevan Project** comprising Exploration Licences 29/510 and 29/713 is located approximately 100 km west of Leonora in the central Yilgarn region of Western Australia.

The tenement covers a sequence of Banded Iron Formation (BIF) units, sediments and lavas that dip at 20 ï 50% towards the north east. Three substantial BIF horizons have been identified within the tenement to date that extend in a north-northwest orientation throughout the entire length of the tenement; a strike distance of more than 25 kilometres.

A Joint Venture Agreement covering the Mount Bevan Project area exists with ASX listed Legacy Iron Ore Limited (ñLegacyò). During the year Hawthorn agreed that Legacy had met itõs expenditure commitment under the terms of the Joint Venture and a 60% stake in the Project area was transferred to Legacy.

The Joint Venture, with Legacy as the Joint Venture manager, has completed initial drilling on the main Mt Bevan Magnetite horizon with remarkably consistent intersections of massive magnetite intersected on each of the section of holes drilled over 10.0 kilometres of strike.

An Inferred Resource has been calculated by SRK Consulting at two cut-off grades for the main magnetite ore horizon as in the tables below

Mineral Resource Estimate Statement for the Mt Bevan Iron Ore Project as at 1 February 2012, reported at a cut-off grade of Fe>25%

Classification	Tonnes (Bt)	Fe %	SiO_2 %	Al_2O_3 %	CaO %	P %	S %	LOI %
Inferred	1.59	30.2	47.5	2.9	2.6	0.06	0.17	0.23

Mineral Resource Estimate Statement for the Mt Bevan Iron Ore Project as at 1 February 2012, reported at a cut-off grade of Fe>15%

Classification	Tonnes (Bt)	Fe %	SiO_2 %	Al_2O_3 %	CaO %	P %	S %	LOI %
Inferred	2.26	27.58	48.5	4.07	3.09	0.06	0.19	0.35

It has been reported by Legacy that the magnetite ore body returns excellent Davis Tube Reduction results of **44.6% weight recovery** with a recovered **Concentrate Grade of 69.8 % Fe,** at a relatively **coarse P80 grind size of 50-55 microns.**

Metallurgical testwork carried out to date has also determined that the magnetite body has a low Bond Work Index of 11kWh/t, which is relatively soft for magnetite BIF mineralisation, when compared with other Western Australian magnetite BIF projects.

The relatively coarse grind size and relatively soft ore at Mt Bevan may have a positive impact on operating costs of any development that may occur.

A Phase 3 drilling program commenced in 2012 and was designed to convert a 2.0 kilometre segment of the magnetite orebody into an Indicated Resource category. This drilling program was completed during the current reporting year, with intercepts of magnetite mineralisation reported by Legacy, confirming the thickness, geology and geometry reported in previous drilling. In addition head assay results of total Fe and other elements appear similar to that reported from previous drill intercepts.

Legacy, as the Joint Venture Manager, has proposed a modified program of exploration for the remainder of calendar year 2013 and early 2014. The modified program is designed to complete previously agreed programs including the updated **Mt Bevan Resource Estimate** and drilling of the identified haematite target at **Mt Mason North**. Greenfields exploration and drilling for haematite is also proposed for the **Mt Alexander** and **Eastern BIF** area.

East Kimberley Joint Venture ï Western Australia

(Thundelarra / Pindan Exploration 80%, Hawthorn Resources 20%)

The East Kimberley joint venture covering strategic tenement E80/2567, is situated approximately 45 kilometres to the southwest of Halls Creek in Western Australia.

The tenement manager Pindan Exploration Company Pty Ltd (a wholly owned subsidiary of Cu ï Ni producer Panoramic Resources Limited) has reported little exploration progress during the year.

Erayinia Joint Venture ï Western Australia

(Black Raven Mining 70%, Hawthorn Resources 30%)

The Erayinia Joint Venture is centred approximately 130 kilometres south east of Kalgoorlie, Western Australia. The previous Joint Venture manager, ABM Minerals, reported during the year that a Sale and Purchase agreement has been completed with Black Raven Mining Pty Ltd for ABMÕs holding in the Joint Venture area.

The joint venture tenements, comprising two granted exploration licences, are now managed by Black Raven Mining who are deemed to have earned 70% equity in the project area by exploration expenditure met previously by ABM Minerals.

Hawthorn welcomes the experienced exploration and mining personnel from Black Raven Mining to the Erayinia Joint Venture and looks forward to renewed exploration in the project area.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Ian Moody, who is a member of the Australasian Institute of Mining and Metallurgy and a full time consultant geologist with First Principle Mineral Exploration Company Pty Ltd. Mr Moody has sufficient experience as a geologist which is relevant to the style of mineralization and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Moody consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT YEAR ENDED 30 JUNE 2013

Comprising:

Hawthorn Resources Limited

ABN 44 009 157 439

DIRECTORS' REPORT 2013

The Directors of Hawthorn Resources Limited, a Company quoted on the official lists of the ASX Limited, present their report for the year ended 30 June 2013.

1. Directors

The Directors of the Company in office since 1 July 2012 and up to the date of this Report are:

Mr Mark G Kerr - LL.B
Chairman and Non-Executive Director
Appointed 22 November 2007; last re-elected 2010 AGM

Mr Mark Kerr is a director of Berkeley Consultants Pty Ltd which specializes in public relations and reputation management consultancy.

Mr Kerr was appointed as a director and as Chairman of the Board of Directors of Hawthorn Resources Limited in November 2007 which merged with Ellendale Resources in June 2008.

Mr Kerr is also a director of the ASX listed entity – Contango Microcap Limited.

Mr M E Elliott – LLB BCom FFin
Managing Director & CEO
Appointed 22 November 2007

Mr Mark Elliott is the Managing Director and CEO of the Hawthorn Resources Limited Group. Mr Elliott is a former partner of the international law firm Minter Ellison specializing in corporate and securities law and a former director of Spotless Group Limited, E*trade Limited, Oakton Limited and Mineral Deposits Limited and a former director of legal counsel of Computershare Limited. With the increased exploration and corporate activities the Board of Directors appointed Mr Elliott as the Company's Managing Director /CEO effective 29 May 2009. In the 2011 review of director's performance the Board of Directors agreed to offer and Mr Elliott agreed to accept an extension of his Executive Service Agreement to 31 December 2014. Currently Mr Elliott is not a director of any other listed entities.

Dr David S Tyrwhitt - PhD(Geology) BSc(Hons) FSEG(USA) FAusIMM CPGeo
Non-Executive Independent Director
Appointed 11 November 1996; last re-elected 2011 AGM

Dr Tyrwhitt has been a Director of the Company since 1996. He has more than 50 years experience in the mining industry. He is currently a Director of Merlin Diamonds Limited (December 2011 to current), Quantum Resources Limited (November 1999 to current), Golden River Resources Corporation (November 1996 to current), Northern Capital Resources Incorporated (January 2008 to current) and Legend International Holdings Inc., (March 2005 to current) and a former director of Bassari Resources Limited and of Astro Mines NL. He worked for over 20 years with Newmont Mining Corporation in Australia, South East Asia and the United States. During this time, he was responsible for the discovery of the Telfer Gold Mine in Western Australia. He was Chief Executive of Newmont Australia Limited between 1984 and 1988 and Chief Executive Officer of Ashton Mining Limited between 1988 and 1991. He established his own consultancy business in 1991 and worked with Normandy Mining Limited on a number of mining projects in South East Asia.

Mr Liao, Yongzhong
Non-Executive Director
Appointed 30 October 2012; last re-elected 2012 AGM

Mr. Liao, Yongzhong has served Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. for 20 years. Since joining it in 1993, he has held the following significant posts: Vice General Manager and Secretary of the Board of Directors from October 2003 to July 2007, Director and Vice General Manager from January 2007 to August 2008, Vice General Manager from August 2008 to date.

He holds concurrent posts of Chairman of the Board of Guangdong Fenghua Semiconductor Technology Co., Ltd, Chairman of the Board of Guangzhou Fenghua Venture Investment Co., Ltd, Chairman of the Board of Fenghua Advanced Technology (Hong Kong) Ltd, Deputy Chairman of the Board of Changchun Up Optotech Co., Ltd, Director of Taiyuan Fenghua Information Equipment Co., Ltd and Chairman of the Board of Shine Advance Holding Limited.

Mr Li, Yijie
Non-Executive Director
Appointed 30 October 2012; last re-elected 2012 AGM

Mr. Li Yijie is the Chairman of the Board of Lite Smooth Investment Limited. Mr. Li has been the President of Guangdong Carriton Real Estate Co., Ltd. since 2001, which is focused on real estate development, with total assets of RMB 5 billion.

Mr Ye, Xiaohui
Non-Executive Director
Elected 30 January 2013; formally appointed 30 April 2013

Mr Ye Xiaohui, is aged 56, holds a Master degree in business management and is qualified as an Economist in the PRC.
Mr Ye currently holds the following positions Director and deputy general manager of Guangdong Rising Assets Management Co., Ltd., in charge of the Mineral Resources Department and Mineral Investment Management, Director of Caledon Resources PLC, Chairman of the board at Guangdong Rising (Laos) Investment and Development Limited. Mr Ye is also the Deputy Director of the Guangdong Geological Institute and Director of the Guangdong Society for Metals.

Previously Mr Ye has been Director and Deputy General Manager at Shaoguan Iron and Steel Group Company Limited, Manager of the operations department at Guangdong Development of Metallurgy and Technology Ltd, General Manager at Guangdong Metallurgical Development Corporation, General Manager at Guangdong Metallurgical Material Supply and Distribution Ltd, Chairman of the board at Guangdong Guang-Metallurgical Industry (Group) Co., Ltd.

Directorships

Other than the directorships noted above there have been no other directorships of listed entities held in the past three years.

2. Principal Activities and Review and Results of Operations

Hawthorn Resources Limited ("Hawthorn") is an Australian diversified base metals and gold explorer with strategic and significant tenement holdings throughout the Central Yilgarn Iron Province and the South Laverton Gold Zone of Western Australia.

The principal activity of the Company during the financial year was mineral exploration and development. There has been no significant change in the nature of that activity during the financial year.

Objective

The Company's objective is to increase shareholder wealth through successful exploration activities whilst providing a safe workplace and ensuring best practice in relation to its environmental obligations.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

As an exploration company, the Company does not have an ongoing source of revenue. On a consolidated group basis its revenue stream is normally from ad-hoc tenement disposals and interest received on cash in bank. In the current year, finance revenue was $170,354 (2012:$45,687). In both years the revenue has been interest received on surplus funding. Other Income in 2013 was $nil (2012: $9,170).

Costs and expenses totalled $2,056,693 in 2013 compared to $1,806,988 in 2012 after allowing for the impairment in carrying value of exploration tenements – refer to Note 10 to the financial statements. Exploration expenditure written off in 2013 was $670,668 compared to $684,538 in 2012. A number of granted exploration licences and tenements were forfeited and re-applied for as mining leases, the applications are pending and accordingly the exploration expenditure has been written off. Administration expenses for 2013 were $1,378,498 (2012: $1,107,042).

The Company had cash in bank at 30 June 2013 of $14,366,582 (2012:$2,889,819), receivables of $561,257 (2012:$62,630), available for sale securities, at fair value, of $1,155 (2012:$3,567) and current liabilities totalled $1,216,461 (2012:$211,977) reflecting the field activities being undertaken in the June 2013 quarter.

At 30 June 2013, the Company had working capital of $13,717,275 (2012:$2,747,176) and net assets of $24,564,109 (2012:$11,988,381) after allowing for the abovementioned impairment in carrying values.

Cash Flow

During the year, the Company used $971,086 (2012:$1,079,249) in operating activities, paid $1,971,548 (2012:$892,428) for exploration activities and raised new equity capital of $14,962,090 (2012:$3,618,456). As a result, the Company has cash in bank at 30 June 2013 of $14,366,582 (2012:$2,889,819).

Corporate Development

Equity Raisings

As announced to the ASX in August 2012 the Company had been in and concluded discussions and negotiations with Chinese investors about a strategic equity investment in Hawthorn Resources Limited to enable an accelerated programme of development of the Company's Gold Projects whilst continuing to discuss the development the Mount Bevan Iron Ore Project

On 30 August 2012 the Company was able to confirm that the Company and the Consortium of Chinese Investors through Feng Hua Mining Investment Holding (HK) Limited ("Feng Hua") had concluded a Share Subscription Agreement for, subject to regulatory and shareholder approvals, the raising of A$14,962,090 in new equity capital at an average issue price of $0.01162 a share being at a premium to the market price for Hawthorn Resources Limited shares. In total and following shareholder and regulatory approvals the Company issued to Feng Hua 1,287,827,651 new shares being 37.6 per cent of the expanded number of shares on issue – 3,425,269,144 shares.

Consolidation of Shares

Following the completion of the Feng Hua equity raising and as approved by shareholders the Company consolidated its ordinary shares on the basis of one new share for each twenty shares held as at the Record Date of 10 May 2013. As a result of the consolidation the Company now has 171,263,644 ordinary shares on issue; see item 7 below. The shares are listed on the ASX under the security code of "HAW".

3. Significant Change in State of Affairs

The Directors are of the opinion that other than as disclosed in the Principal Activities section of the Directors' Report there has not been any significant change in the state of affairs of the Company during the year under review.

4. Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year and up to the date of this Annual Report.

5. Events After The End Of The Financial Year

Exploration and Development

Gold Projects

In the interval between the end of the financial year and the date of this Report and as has been reported to the ASX, the Company has concentrated its exploration and development programmes on its Western Australia Gold Projects in South Laverton Zone which incorporates five project areas where the Company holds, solely or in joint venture, title to over 100 exploration, mining and prospecting licences. The tenement package is surrounded by major gold mines, deposits and resources including the Sunrise Dam, Wallaby, Red October, Carosue Dam, Safari Bore, Deep South, Porphyry and Butchers Well mines.

In particular and as reported to the ASX, continued drilling at ***Anglo Saxon Mine*** has successfully tested a zone of gold mineralisation that links zones between the notional pit positions on the existing resource model.

As reported to the ASX, the strong gold results from this drilling has provided the necessary extra information required to commence a new geological model that will lead to an updated resource statement. In addition, metallurgical and geotechnical core drilling has commenced that will provide many of the important mining parameters required to establish a reserve model expected later in 2013. This reserve model is expected to be completed with input of indicative mining costs and revenue parameters.

In advance of the completion of these resource and reserve models, the necessary non-mining (primarily Environmental, Hydrological and Landholder Title) studies required for mining approval have commenced, with independent contractors and consultants on-site at ***Anglo Saxon.*** Anglo Saxon is the main prospect within the Trouser Legs Joint Venture between Hawthorn Resources (70%) and Gel Resources (30%).

Iron Ore Project- Central Yilgarn Iron Province in Western Australia

Mt. Bevan Iron Ore Project -– Hawthorn Resources (40%) and Legacy Iron Ore Limited (60%).

Exploration

Legacy Iron Ore in its capacity as JV Manager has modified a proposed program of exploration for consideration by the JV Technical Committee for the remainder of calendar year 2013. The modified program proposes to complete previously agreed programs including the updated ***Mt Bevan Resource Estimate*** and drilling of the identified haematite target at ***Mt Mason North***. Greenfields exploration for haematite and magnetite is also proposed for the ***Mt Alexander*** area.

Cash Call – Dispute

Since the balance date, Hawthorn Resources Limited (**Hawthorn**) has received a purported cash call of $416,000 from the manager of the joint venture, Legacy Iron Ore Limited (ASX: LCY) (**Legacy**) and a default notice for non-payment. Hawthorn has subsequently paid the purported cash call but questioned its correctness and whether it has been validly made. It has also given notices alleging certain defaults a possible outcome of which is the cessation of Legacy's appointment as manager of the joint venture. It is likely that Hawthorn and Legacy will be in dispute in relation to the joint venture.

Other than as noted above there are no items, transactions or events of a material and unusual nature which in the opinion of the Directors of the Company, have significantly affected or may significantly affect

- the operations of the Company
- the results of those operations, or
- the state of affairs of the Company

in financial years subsequent to this financial year.

6. Future Developments and Results

As noted above the Company will be undertaking an aggressive exploration / development programme over its Gold Projects. Other than this there are no likely developments of which the Directors are aware of which could be expected to significantly affect the results of the Company's operations in subsequent financial years.

7. Issued Securities

(a) Ordinary Shares

At the date of this Report the Company, following the Consolidation of ordinary shares on the basis of 1 for 20 in May 2013, has on issue a total of 171,263,644 shares (Pre-consolidation: 3,425,269,144 shares). A reconciliation of the movements in the Company's issued ordinary shares during the financial year ended 30 June 2013 is as follows:

	Pre-Consolidation	Post-consolidation (*)
Balance, 1 July 2012	2,137,441,493	106,872,075
Plus new Issues:		
October 2012	320,616,224	16,030,811
April 2013	967,211,427	48,360,571
Roundings	-	187
Total new Issues	1,287,827,651	64,391,569
Balance, 30 June 2013	3,425,269,144	171,263,644

(*) Post-consolidation equivalent after 'roundings' - effective as of 15 May 2013.

During the year ended 30 June 2013 and pre the Consolidation of ordinary shares the Company issued 320,616,224 ordinary shares at $0.013 a share (October 2012) and 967,211,427 ordinary shares at $0.01116 a share (April 2013) under a Share Subscription Agreement with Feng Hua Mining Investment Holding (HK) Limited which raised new equity capital of $14,962,090. There have been no issues of shares since 30 June 2013 up to the date of this report.

(b) Options

At 30 June 2013 and as at the date of this Report the Company had/has no options on issue.

On 28 February 2013 the 165,084,231 options as quoted on the ASX ("HAWOB") lapsed– with none of the options having been exercised. The terms of these options were:

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
165,084,231	28 February 2013	No issue price	$0.10	Anytime on or before 28 February 2013

In addition, the non-quoted options as shown below, by mutual agreement between the Company and the respective holders, were cancelled in December 2012

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
2,500,000	30 June 2018	nil	A$0.10	Under Terms and Conditions of the employee share option plan

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
10,000,000	25 January 2018	nil	A$0.10	Under Terms and Conditions of the employee share option plan and a resolution of shareholders in the General Meeting held in January 2008

During the year and up to the date of this Report, the Company has not issued options over fully paid ordinary shares.

8. Directors' Interests in Shares and Options

The declared relevant interest of each Director in the number of ordinary fully paid ordinary shares of the Company disclosed by that Director to the ASX Limited as at the date of this Report is:

(A) Personal

Director	Pre-consolidation	Post-consolidation 1 for 20
M G Kerr *	53,187,572	2,659,379
M E Elliott *	21,500,000	1,075,000
D S Tyrwhitt	nil	nil
Liao, Yongzhong	Nil	nil
Li, Yijie	Nil	nil
Ye, Xiozhui	Nil	nil

*(B) Legacy Iron Ore Limited

In October 2010 Messrs M Kerr and M Elliott, as announced to the ASX, entered into a Co-Operation Agreement ("Agreement") with Legacy Iron Ore Limited ("LCY") in relation to their respective entitlements to shares in Hawthorn Resources Limited. As a result of the Agreement each of the parties to the Agreement had a relevant interest in all of the ordinary Hawthorn Resources Limited shares in which each has a declared interest which were pre-consolidation of ordinary shares:

• Mr M G Kerr	53,187,572
• Mr M E Elliott	21,500,000
• Legacy Iron Ore Limited	251,500,000
• Total	326,187,572

The Agreement was for a period which commenced on the date of the Agreement (3 October 2010) and ended on its second anniversary in October 2012.

*(C) Feng Hua Mining Investment Holding (HK) Limited

In August 2012 it was announced that Messrs. M Kerr and M Elliot would be entering into a Co-operation Deed ("Agreement") with Feng Hua Mining Investment Holding (HK) Limited ("Feng Hua") in relation to their respective entitlements to shares in Hawthorn Resources Limited. As a result of the announced intention to enter in to the Agreement each of the parties to the Agreement was deemed to have an interest in all of the ordinary Hawthorn Resources Limited shares in which each has a declared interest from time to time:

Prior to the Consolidation of ordinary fully paid shares on 15 May 2013 and following the receipt of all regulatory and shareholder approvals Feng Hua was issued with an aggregate of 1,287,927,651 new ordinary shares in two tranches: 320,616,224 in October 2012 and 967,211,427 in April 2013:

	Pre-consolidation	Post -consolidation
• Mr M G Kerr	53,187,572	2,659,379
• Mr M E Elliott	21,500,000	1,075,000
• Feng Hua Mining Investment Holding (HK) Limited	1,287,827,651	64,391,383
• Total	1,362,515,223	68,125,762
• Number of Shares on Issue	3,425,269,144	171,263,644
• Percentage of Shares on issue	39.78%	39.78%

The Co-Operation Period of the Agreement itself, as executed in April 2013, for a period which commenced on the date of the signed Agreement (30 April 2013) and ending on the first to occur of the following:

(i) a Takeover Event;
(ii) Mr Kerr or Mr Elliott breach their duties as director of Hawthorn Resources;
(iii) the earliest date that neither Mr Kerr or Mr Elliott is a director of Hawthorn Resources Limited; and
(iv) the third anniversary of the date of the Agreement

9. Meetings of Directors

The number of meetings of Directors held including meetings of Committees of the Board during the financial year including their attendance was as follows:

	Board *		Audit Committee **	
	Eligible to Attend	Attended	Eligible to Attend	Attended
M G Kerr	6	6	2	2
D S Tyrwhitt	6	5	2	2
M E Elliott	6	6	2	2
Liao, Yongzhong	3	2		
Li, Yijie	3	1		
Ye, Xiaohui	1	1		

Note:
***** In between Board Meetings Directors passed a total of 7 circulating resolutions which were then noted and ratified at the next occurring Board meeting
****** Audit, Compliance and Corporate Governance Committee ("Audit Committee") considerations are, when required, held within Board Meetings and Chaired by Dr Tyrwhitt.

10. Company Secretary

Mr M Garbutt, appointed in May 2008, is the Company Secretary of the Company and its subsidiaries. Mr Garbutt is a Fellow of Chartered Secretaries Australia (FCSA); Chartered Institute of Secretaries (FCIS) and until recently a Justice of the Peace in Victoria. He has over 30 years commercial experience and currently, through K R Corporate Compliance Pty Ltd ("KRCC"), conducts a corporate compliance and company secretarial company providing such support services to a number of public and listed companies in Australia including Hawthorn Resources Limited group. Fees as charged by KRCC for such services are on a 'time spent' basis. As such, Mr Garbutt is not an employee of the Company and does not receive remuneration from the Company.

11. Directors and Officers' Indemnity and Auditor Indemnity

Directors:

The Company has entered into an Indemnity Deed with each of the Directors and with certain former Directors which will indemnify them against liability incurred to a third party (not being the Company or any related company) where the liability does not arise out of conduct including a breach of good faith. The Indemnity Deed will continue to apply for a period of 10 years after a Director ceases to hold office and a Director's Access and Insurance Deed with each of the Directors pursuant to which a Director can request access to copies of documents provided to the Director whilst serving the Company for a period of 10 years after the Director ceases to hold office. There will be certain restrictions on the Directors' entitlement to access under the deed.

Auditors:

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as an auditor

12. Environment

The exploration activities of the Hawthorn group are conducted in accordance with and controlled principally by Australian state and territory government legislation. The group has extensive exploration land holdings in Australia. The Company employs a system for reporting environmental incidents, establishing and communicating accountability, and rating environmental performance. During the year data on environmental performance was reported as part of the monthly exploration reporting regime. In addition, as required under state legislation, procedures are in place to ensure that the relevant authorities are notified prior to the commencement of ground disturbing exploration activities.

The Company is committed to minimising the impact of its activities on the surrounding environment at the same time aiming to maximise the social, environmental and economic returns for the local community. To this end the environment is a key consideration in our exploration activities and during the rehabilitation of disturbed areas. Generally rehabilitation occurs immediately following the completion of a particular phase of exploration. In addition the Company continues to develop and maintain mutually beneficial relationships with the local communities affected by its activities.

13. Non- Audit Services

During the year, other than as noted below, BDO, the Company's auditor, has not performed other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, BDO, and its related practices for audit and non-audit services provided during the year are set out below.

	2013 **$**	**2012** **$**
Statutory audit		
Auditors of the Company - BDO		
- audit and review of financial reports	45,250	42,000
Other Services - BDO		
- other non-audit services	-	-
Total fees	45,250	42,000

14. Remuneration Report - Audited

(i) Management Services – Berkeley Consultants Pty Ltd

The Company entered into a service arrangement with Berkeley Consultants Pty Ltd ("Berkeley Consultants") effective from 1 April 2008 to replace the AXIS Consultants Pty Ltd agreed services, on substantially the same terms and conditions.

Initially Berkeley Consultants, pursuant to the management agreement provided to all group companies the services previously provided by AXIS Consultants Pty Ltd. Such services included providing the Company with its registered corporate head office facilities in Melbourne, as well as staff to carry out management and administrative charges. The Company paid Berkeley a fixed fee of $25,000 per month plus GST for executive serviced office facilities; and a 10 per cent management and administrative charge on expenditures managed on behalf of the Company – **this management and administrative charge ceased on 1 July 2009.**

Total fees paid or due during the 30 June 2013 financial year was unchanged and amounted to $315,000 plus GST (2012: $315,000) for the provision for serviced office facilities at 90 William Street, Melbourne.

This arrangement with Berkeley Consultants represents a related party transaction with both Mr Elliott and Mr M Kerr having a material personal interest in the transactions through their interests in Berkeley Consultants Pty Ltd.

Given the nature of the related party interest in this matter Dr D Tyrwhitt, as a non-related non-executive director, in 2012 conducted the annual review of the provision of serviced office facilities and executive functions offered to the Hawthorn Resources group of companies by Berkeley Consultants Pty Ltd noting the terms and procedures set out in Section 195 of the Corporations Act and has approved an extension to the term of the arrangement to 31 December 2014 and thereafter of a month to month basis.

In considering the extension of the Agreement to 31 December 2014 and the services to be provided by Berkeley Consultants Pty Ltd to the Hawthorn Resources group of companies Dr Tyrwhitt noted the following:

(i) the terms proposed are similar to the previous arrangements being on arms length commercial terms; and

(ii) the proposal includes provision of serviced offices with reception, boardroom and other facilities as required payable quarterly in advance.

(ii) Overview of Company Performance on Remuneration Structures

The Company's performance, during the current year and over the past four years, has been as follows:

	2013 **$** consolidated	**2012** **$** consolidated	**2011** **$** consolidated	**2010** **$** consolidated	**2009** **$** consolidated
Revenue	170,354	54,857	131,904	687,885	136,439
Net profit / (loss)	(1,886,339)	(1,752,131)	(1,685,681)	(2,546,634)	(17,175,078)
Exploration Expenditures	2,241,154	1,759,357	1,698,576	1,759,357	1,284,921

Basic earnings per share					
Pre-Consolidation	(0.075)	(0.092)	(0.099)	(0.176)	(1.483)
Post-Consolidation	(1.499)	(1.832)	(0.198)	(3.52)	(29.66)
Diluted earnings per share					
Pre-Consolidation	(0.075)	(0.092)	(0.099)	(0.176)	(1.483)
Post-Consolidation	(1.499)	(1.832)	(0.198)	(3.52)	(29.66)
Net assets	24,564,109	11,988,381	10,171,300	10,362,681	10,393,299

The Directors do not believe the financial or share price performance of the Company is an accurate measure when considering remuneration structures as the Company is in the mineral exploration industry. Companies in this industry do not have an ongoing source of revenue, as revenue is normally from ad-hoc transactions.

The more appropriate measure is the identification of exploration targets, identification and/or increase of mineral resources and reserves and the ultimate conversion of the Company from explorer status to mining status.

(iii) Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the General Meeting held on 25 January 2008, is not to exceed $300,000 per annum. The future aggregate of the expanded number of Non-Executive Directors' base fees, including the Chairmanship of the Board of Directors, on an **annualised basis** as of the date of this Report is now $215,000 per annum (2012: $125,000). Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of board committee. Non-Executive Directors do not receive any benefits on retirement.

However, and as permitted under the Company's Constitution Non-Executive Directors are entitled to receive payment for services provided which are over and above their normal directorial duties and which have been specifically requested by the Board of Directors. To this end the Company has entered into consultancy agreements with both Mr M G Kerr and Dr D S Tyrwhitt to secure their respective professional, consultancy services to 31 December 2014 at an hourly rate of $300. Such additional service, consultancy fees are in addition to directors' fees and are outside of the shareholder approved aggregate for directors' fees.

(iv) Executive Directors Remuneration

The consolidated entity seeks to reward executives with a level of remuneration based upon their position and responsibilities.

The Company's Managing Director/CEO, Mr M E Elliott, is remunerated under an Executive Service Agreement. The key elements of the Agreement are:

(i) Term: to 31 December 2014;

(ii) Remuneration: $140,000 a year plus government superannuation levy

(iii) Bonus: the Board of Directors may, in its absolute discretion, set performance criteria which if met will entitle a bonus of 50 per cent of the annual remuneration to be paid in respect of each Financial Year or pro rata Financial Year;

(iv) Termination: either the Company or the Executive may give notice of termination. In addition the Service Agreement may be summarily terminated by the Company without notice or compensation in lieu of notice where certain events have occurred;

(v) Termination Benefits: subject to an entitlement to a bonus there are no other amounts payable on Termination

No performance based remuneration was paid or is payable for the 30 June 2013 financial year (2012: NIL)

(v) Performance-Linked Remuneration

Performance linked remuneration focuses on long-term incentives and is designed to reward key management personnel for meeting or exceeding their objectives.

Long-Term Incentive

2005 Employee Share Option Plan – To be reviewed

At the Annual General Meeting of the Company held in November 2005, shareholders of the Company approved the introduction of the Hawthorn Resources Limited 2005 Share Option Plan ("the Plan) and the issue of options under the Plan to the Directors at the time.

The Plan was introduced to assist in the reward, retention and motivation of eligible persons.

The key components of the Plan and conditions imposed by the Board for the initial issue of options were that the options will have no issue price; the exercise price of the options will be an amount as determined by the Board and will be not less than the market price for one share on the date the Board decides to invite a participant to apply for options; the Board can determine the exercise conditions (if any) to apply prior to a participant being able to exercise the options; if the exercise condition is met, the participant (subject to continuing to be an eligible participant) is able to exercise the options at any time for a period of 3 years after the vesting period; the number of options that can be on issue under the Plan is 5% of the issued number of shares in the Company at the date of an invitation or grant of an option (for this purpose, the 5% is calculated as the number of shares the subject of options the Board proposes to issue an invitation or proposes to grant; the number of shares which would be issued if all offers or options to acquire unissued shares pursuant to this Plan or any other employee share option plan were accepted or exercised; the number of shares issued pursuant to the Plan in the last 6 years; and the number of shares issued during the last 6 years pursuant to any other employee share scheme of the Company); if the employment of a participant is terminated before the end of the vesting period, the options held by that participant will lapse, except where a participant has ceased to be employed due to death or mental incapacity (in such circumstances the Board has the ability to allow the legal personal representative of the participant to exercise the option on the terms set by the Board at the time). In the case of termination after the vesting period, the participant has one month to exercise the option otherwise it lapses; the Board will also have the discretion to have the options expire if it determines that a participant has acted fraudulently, dishonestly or in a manner which is in breach of his or her obligations to the Company or a subsidiary of the Company; participants will have their entitlements in respect of options held adjusted to take account of capital reconstructions and bonus issues as if the option has been exercised before the determination of entitlement in respect of these issues. If the Company makes a pro rata rights issue to shareholders, the exercise price of an option will be reduced according to the formula specified in the Australian Securities Exchange ("ASX") Listing Rules; and in the case of a change of control, options are immediately exercisable notwithstanding exercise conditions or the vesting period.

The following table discusses options that have been issued to key management personnel under the Plan and which, as noted below, were cancelled by mutual agreement in December 2012; such cancellations being prior to the Consolidation of ordinary shares in May 2013.

M G Kerr – Chairman/Non-Executive Director	**2013**	**2012**
Appointed 22 November 2007		
Date of issue	25 January 2008	25 January 2008
Number of options	5,000,000	5,000,000
Issue price	Nil	Nil
Exercise price	$0.10	$0.10
Value of options	$126,000	$126,000
Expiry date	25 January 2018	25 January 2018
Number of options vested during the year	Nil	Nil
% vested in year	0%	0%
% cancelled in year	100%	0%
Value yet to vest (unaudited)		
- minimum	Nil	Nil
- maximum	Nil	Nil
Number of options on issue		
- at 1 July	5,000,000	5,000,000
- at 30 June	NIL	5,000,000

M E Elliott– Managing Director/CEO	**2013**	**2012**
Appointed 22 November 2007		
Date of issue	25 January 2008	25 January 2008
Number of options	5,000,000	5,000,000
Issue price	Nil	Nil
Exercise price	$0.10	$0.10
Value of options	$126,000	$126,000
Expiry date	25 January 2018	25 January 2018
Number of options vested during the year	Nil	Nil
% vested in year	0%	0%
% cancelled in year	100%	0%
Value yet to vest (unaudited)		
- minimum	Nil	Nil
- maximum	Nil	Nil
Number of options on issue		
- at 1 July	5,000,000	5,000,000
- at 30 June	NIL	5,000,000

1. Details concerning the valuation methodology and key assumptions made in the option valuations are set out in the text immediately above in part (v) of this Remuneration Report.

2. All of the above options vested upon grant pursuant to the resolution of shareholders in General Meeting in January 2008.

3. Unless otherwise disclosed, no options were exercised or lapsed in the financial year.

4. Number of options granted in the 30 June 2013 financial year – NIL (2012: Nil)

5. Number of options cancelled by mutual agreement in the 30 June 2013 financial year – 10,000,000 (2012: NIL)

Accordingly, as at 30 June 2013 and as the date of this Report there are no Employee Share Options on issue.

(vi) Details of Directors, Executives and Remuneration

The names of the Directors and Executives in office during the year are as follows:

(a) **Directors**

Mark G Kerr – Chairman and Non-Executive Director (appointed 22 November 2007)
Mark E Elliott – Managing Director / CEO (appointed 22 November 2007)
David S Tyrwhitt – Non Executive Director (appointed 14 November 1996)
Liao, Yongzhong – Non Executive Director (appointed 30 October 2012)
Li, Yijie – Non Executive Director (appointed 30 October 2012)
Ye, Xiaohui – Non Executive Director (appointed 30 April 2013)

Details of the nature and amount of each major element of remuneration of each Director of the Company and of each Executive of the Company are:

		Primary		**Post-employment**	**Other Services**	Total $	s300A (1)(e)(i) Proportion of remuneration performance related %	s300A (1)(e)(vi) Value of options as proportion of remuneration %
		Salary & fees $	Non-monetary benefits $	Super-annuation $	See notes No. (i) to (iv) $			
Directors								
Executive								
M E Elliott (i) & (iii)	2013	140,000	-	*12,600*	-	152,600	nil	n.a.
	2012	*140,000*	-	*12,600*	-	*152,600*	*nil*	*n.a.*
Non-Executive								
M G Kerr (ii) & (iii)	2013	75,000	-	6,750	80,000	161,750	nil	n.a.
	2012	*75,000*	-	*6,750*	*60,000*	*141,750*	*nil*	*n.a.*
D S Tyrwhitt (iv)	2013	50,000	-	4,500	47,100	101,600	nil	n.a.
	2012	*50,000*	-	*4,500*	*50,950*	*105,450*	*nil*	*n.a.*
Liao, Yongzhong	2013	20,000	-	-	-	20,000	nil	n.a.
	2012	-	-	-	-	-	nil	n.a.
Li, Yijie	2013	20,000	-	-	-	20,000	nil	n.a.
	2012	-	-	-	-	-	nil	n.a.
Ye, Xiaohui	2013	5,000	-	-	-	5,000	nil	n.a.
	2012	-	-	-	-	-	nil	n.a.
Total all Directors	2013	310,000	-	23,850	127,100	460,950	nil	nil
	2012	*265,000*	-	*23,850*	*110,950*	*299,800*	nil	nil
Total all Directors & Executives	2013	310,000	-	23,850	127,100	460,950	nil	nil
	2012	*265,000*	-	*23,850*	*110,950*	*399,800*	nil	nil

(i) In May 2009 and as announced to the ASX Mr Elliott was appointed to the position of Managing Director and CEO. Following the annual review by directors the service agreement with Mr Elliott has been extended to 31 December 2014 on the same terms and conditions

(ii) In addition to directors duties Mr Kerr undertook additional duties at the request of the Board of Directors and received $80,000 (2012: $60,000) in consulting fees;

(iii) In addition to the above disclosed remuneration for Messrs. M G Kerr and M E Elliott, $315,000 (2012: $315,000) was paid to Berkeley Consultants Pty Ltd during the year for serviced office facilities as noted in item Note No. 14(i); and

(iv) In addition to directors duties Dr Tyrwhitt undertook additional exploration 'field' duties at the request of the Board of Directors and received $47,100 (2012: $50,950) in consulting fees.

There were no short term cash bonuses, post employment prescribed benefits, termination benefits or insurance premiums paid during the 30 June 2013 financial year (2012: Nil).

End Remuneration Report

Auditor's Independence Declaration:

The auditor's independence declaration as required under Section 307 C of the Corporations Act 2001 is set out on page 31.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 26 day of September 2013.

Mark Kerr

Mark Kerr
Chairman

Corporate Governance Statement

Corporate Governance Practices and Conduct

The board of directors of Hawthorn Resources Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The board guides and monitors the business and affairs of Hawthorn Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the CGS's recommendations.

	Recommendation	Comply Yes/No	Reference/explanation	ASX Listing Rule/ Recommendation
	Principle 1 - Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 19	*ASX LR 1.1*
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 21	*ASX LR 1.2*
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes		*ASX LR 1.3*
	Principle 2 - Structure the board to add value			
2.1	A majority of the board should be independent directors.	No	Page 20	*ASX LR 2.1*
2.2	The chair should be an independent director.	No	Page 20, 21, 26	*ASX LR 2.2*
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 21, 26	*ASX LR 2.3*
2.4	The board should establish a nomination committee.	No	Page 21, 27	*ASX LR 2.4*
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 21	*ASX LR 2.5*
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 25	*ASX LR 2.6*
	Principle 3 - Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: _ The practices necessary to maintain confidence in the company's integrity. _ The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. _ The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 28	*ASX LR 3.1*
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 28	*ASX LR 3.2*
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3	Yes		*ASX LR 3.3*
	Principle 4 - Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Yes	Page 22, 27	*ASX LR 4.1*
4.2	The audit committee should be structured so that it: Consists only of non-executive directors Has at least three members _ Consists of a majority of independent directors _ Is chaired by an independent chair, who is not chair of the board	No No No Yes	Page 22	*ASX LR 4.2* *ASX LR 12.7*
4.3	The audit committee should have a formal charter.	No	Page 27	*ASX LR 4.3*
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	No		*ASX LR 4.4*

	Principle 5 - Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 21, 24, 28, 29	*ASX LR 5.1*
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	No		*ASX LR 5.2*
	Principle 6 - Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 24, 29	*ASX LR 6.1*
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes		*ASX LR 6.2*
	Principle 7 - Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 23	*ASX LR 7.1*
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes	Page 23, 25, 27, 28	*ASX LR 7.2*
7.3	The board should disclose whether it has received assurance from the chief executive officer [or equivalent) and the chief financial officer [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 24	*ASX LR 7.3*
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes		*ASX LR 7.4*
	Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	No	Page 24	*ASX LR 8.1*
8.2	Companies should clearly distinguish the structure of nonexecutive directors' remuneration from that of executive directors and senior executives.	Yes	Page 24	*ASX LR 8.2*
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes		*ASX LR 8.3*

Hawthorn Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2013.

Board Functions

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board. The responsibility for the operation and administration of the Group is delegated, by the board, to the Managing Director and the executive management team.

The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive management team. Whilst at all times the board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board. To this end the board has established a Share Allotment Committee and an Audit, Compliance and Corporate Governance Committee (ñAudit Committeeò). Given that the board has and at the date of this report comprises six directors of which three directors are normally resident in Australia the functions and considerations of the Committees are dealt with within the Board Meetings and chaired by the chairman of such committees. The Chairman of the Board of Directors does not chair any meetings or considerations of the Committees,

The Directors in office at the date of this statement, their skills, experience, expertise and period of directorship are detailed in the Directorsô Report. In respect of the attendance at Board and Committee Meetings, shareholders are referred to the table of Meeting Attendance contained on page 10.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directorsô report. Directors of Hawthorn Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, ñmaterialityò is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Hawthorn Resources Limited are considered to have the following status:

Name	Position and status	Term in Office
Non-executive directors		
Mark G Kerr	Chairman and Non-Executive Director	5.6 years
David S Tyrwhitt	Independent Director Chairman ï Audit, Compliance & Corporate Governance Committee	16.6 years
Liao, Yongzhong	Non-Executive Director	0.6 years
Li, Yijie	Non-Executive Director	0.6 years
Ye, Xiaohui	Non-Executive Director	0.2 years
Executive directors		
Mark E Elliott	Managing Director/ CEO	5.6 years

The board recognises the Corporate Governance Councilôs recommendation that the Chairman should be an independent director. However, and for the reasons stated below, Mr Kerr, whilst a Non-Executive Director, is not regarded as an Independent Director.

Composition of the Board

The Company's Constitution provides for the appointment of a minimum of three Directors and up to a maximum of twelve. At the date of this report, the Company has six Directors comprising one Executive and five Non-Executive Directors. The Chairman of the Board and the Chairman of the Boardôs Committeesô are Non-Executive Directors.

In June 2013 the Board of Directors undertook its annual review of the status of each Director and reached the opinion that each Director, apart from Mr Elliott, could be classified as a Non-Executive Director. In addition, this assessment has concluded Dr Tyrwhitt qualified as an Independent Director. Mr Kerr, whilst considered to be a Non-Executive Director, is not regarded as an Independent Director due to the level of entitlement to the Companyôs ordinary shares and the ongoing contractual serviced office arrangements with Berkeley Consultants Pty Ltd ï a company in which Mr Kerr has a prescribed interest. Messrs Liao, Yongzhong, Li, Yijie and Ye, Xiaohui are directors nominated by Feng Hua Mining Investment Holding (HK) Limited pursuant to itôs rights under the August 2012 Share Subscription Agreement. As such, whilst they are Non-Executive Directors they are not regarded as Independent Directors.

Board Responsibilities
The responsibility for the operation and administration of the Company is delegated by the Board to the specifically identified outsourced service providers. The Board ensures that this team of service providers is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The Board is responsible for ensuring that managementôs objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of specific committees referred in this statement, these mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget ï this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;

- Procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the companyôs expense;

- The review and approval of acquisitions and disposals of businesses and assets, and the approval of contracts and financing arrangements within defined limits; and

- The appointment of an outsourced service provider, which is responsible for managing the Companyôs public image and communication with shareholders.

In conjunction with an ongoing review of the Board Charter, the Board will consider its responsibilities and delegated authorities to ensure they comply with best practice corporate governance.

Nomination and Membership
Subject to the provisions of the Company's Constitution, Board composition and selection criteria for Directors are addressed by the full Board. Accordingly, a Nomination Committee has not been established.

The Constitution provides for events whereby Directors may be removed from the Board. Similarly shareholders have the ability to nominate, appoint and remove Directors. The Constitution also provides for the regular rotation of Directors, which ensures that Directors seek re-election by shareholders at least once every three years.

Independent Professional Advice
Directors, in carrying out their duties as Directors or as members of Board Committees, may, after prior consultation with the Chairman, seek independent professional advice at the expense of the Company. If appropriate, such advice will be available to all Directors.

Timely and Balanced Disclosure
The Board of Directors has established written policies and procedures designed to ensure compliance and at each meeting of the Board of Directors and specifically monitors the Companyôs activities and disclosures. On average there are between five and nine Board meetings a year. The Board of Directors has endorsed the principles of best corporate governance practice as set out by the Council.

Performance
The performance of the board and key executives is reviewed periodically against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Hawthorn Resources Limited.

Trading Policy
The Company in December 2011 in accordance with the requirements of the ASX adopted a Share Trading Policy which was released to the ASX and which can be viewed on the Companyôs website under the section dealing with ñé Corporate Governanceé ò

Under the Policy, an executive or director must not trade in any securities of the Company at any time when the Company is in a designated óBlackout Periodô being the ten business days immediately preceding the release of the half-year or the full year trading results to the ASX OR for the two consecutive business days following the release of a material announcement to the ASX OR when they are in possession of unpublished, price-sensitive information in relation to those securities.

As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. The Company has in place with each director an agreement in the form required under Listing Rule 3.19B.

Board of Directors and its Committees
The Board of Directors is responsible for the overall governance of the Company inclusive of its strategic development and the direction and the control of operations of the Company. Whilst the Board retains overall responsibility, it has established certain committees to assist in carrying out its responsibilities. Such committees include the Audit, Compliance and Corporate Governance Committee and the Share Allotment Committee.

Audit, Compliance and Corporate Governance Committee ("Audit Committee")
It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee. However, as the Board of Directors is comprised of only six directors, of which only three are normally resident in Australia, the functions of the committee are carried out within the structure and conduct of Board Meetings but under the Chairmanship of Dr Tyrwhitt. A charter is being revised for approval by the board.

The committee, as at the date of this statement, comprises:

Chairman	Dr D S Trywhitt (Independent Director)
Member	Mr M G Kerr (Non-Executive Director)
Member	Mr M E Elliott (Managing Director/ CEO)

The Company's Auditors are invited to attend meetings and to participate in committee discussions. The Group Financial Officer attends committee meetings.

The duties of the Committee have been established as and include:

- The review of the Audit Programme and all matters relevant to the financial affairs of the Company's activities together with the production of Statutory Financial Reports inclusive of the Reports and Declarations by Directors.
- To review and advise on procedures in place to record the Company's activities and to ensure the safety of the Company's records and assets.
- To review Internal Control Procedures and the Auditor's Management letter.
- To review the half-yearly and yearly reports to the ASX Limited together with a review of the scope and quality of the annual statutory audit and the half-year audit review.
- To monitor Compliance with the provisions of the Corporations Act 2001, Australian Securities and Investment Commission guidelines and practice notes, ASX Listing Rules, taxation requirements and all regulatory bodies.
- Carry out the functions of the Remuneration Committee.
- Group Risk management
- To review the performance of the external auditor and the level of fees charged for audit services

Nomination Committee

The Company does not have a Nomination Committee. The Board believes that with six directors of which only three Directors on the Board are normally resident in Australia, the Board itself is the appropriate forum to deal with this function.

Share Allotment Committee
Any two Directors will constitute a quorum for this committee, which deals with the allotment of new securities in accordance with the general guidelines and principles as authorised by the Board of Directors.

Internal Control Framework and Ethical Standards
The Board of Directors seeks to identify the expectations of shareholders as well as other regulatory and ethical expectations and obligations.

These matters are undertaken by the full Board together with the audit, compliance and corporate governance committee. In respect of the ethical standards, the full Board regularly discusses the maintenance by the Company of appropriate ethical standards in line with the Councilôs recommendations.

Risk
The board acknowledges the Revised Supplementary Guidance to Principle 7 issued by the ASX in June 2008 and has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the company's approach to creating long-term shareholder value.

In recognition of this, the board determines the company's risk profile and is responsible for overseeing and approving risk management strategy. The Audit Committee reviews policies, internal compliance and internal control.

The Audit Committee, pursuant to the mandate by the Board of Directors, oversees the assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Chief Executive Officer and Chief Financial Officer, including responsibility for the day to day design and implementation of the company's risk management and internal control system.

Management reports to the Audit Committee on the companyôs key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by management is a standing agenda items at board meetings.

Business Risk
The main areas of business risk, which are considered on an ongoing basis by the Board are:

- Failure to develop commercial activities from the companyôs exploration and development mining tenements
- Ability to raise capital or generate free cash flow to fund future exploration and development activities
- Failure to market the companyôs mineral products
- General economic factors including those affecting interest and exchange rates
- Changes in Corporations and Taxation Laws

Occupational Health and Safety
The Company is committed to providing a safe and healthy working environment for all staff. It considers that safety is a collective responsibility and ensures that regular training in safe working methods is undertaken and encourages participation and involvement in the development of workplace safety programs. Individual employees and employees of contractors are required to practice safe working habits, to take all reasonable care to prevent injury to themselves and their colleagues and to report all hazards and accidents.

New staff and contractors (where appropriate) are required to undergo an induction program to familiarise themselves with policies, procedures and work practices prior to commencing work. All staff are covered against injury under the various Workersô Compensation Acts.

CEO and CFO Certification

In accordance with section 295A of the Corporations Act, the chief executive officer and chief financial officer have provided a written statement to the board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board
- The Company's risk management and internal compliance and control system is operating effectively in all material respects

The board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the Managing Director/CEO and Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures. In response to this, internal control questionnaires are required to be completed by the key management personnel of all significant business units, including finance managers, in support of these written statements.

Remuneration

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the chief executive officer and executive team. A Remuneration Committee has not been separately established, rather the function is performed within the Board Meetings given that the Company at this time has a Board comprising six members of which only three members are normally resident in Australia.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. Where applicable total remuneration for the Executive Director includes an annual salary and other entitlements. Attendance at and participation in Board and Committee meetings are considered among the duties of the Executive Director. Non-Executive Directors receive fees for attending Board and Committee meetings. Pro-rata fees are paid to Non-Executive Directors who serve for less than a full year. Other than the Managing Director none of the Directors or the Company Secretary has a letter of appointment.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the directorsô report.

Shareholder Communication Policy

Hawthornôs objective is to promote effective communication with its shareholders at all times. Hawthorn Resources Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Hawthornôs activities in a balanced and understandable way.

- Complying with continuous disclosure obligations contained in applicable the ASX listing rules and the Corporations Act in Australia.

- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Hawthorn Resources Limited.

To promote effective communication with share holders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and Notices of Annual General Meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on the Hawthorn website www.hawthornresources.com.

The Companyҁs website www.hawthornreseources.com has a dedicated Investor Relations section for the purpose of publishing all important company information and relevant announcements made to the market. The Company has also established an e-mail directory for the direct distribution of announcements made to the ASX.

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduction of the audit and preparation of the audit report.

Annual Reports are provided to all shareholders who have elected to receive the Report. In addition the Company has established an electronic advice directory in which shareholders may register to receive by e-mail copy announcements.

At the meetings of shareholders, Directors are subject to questioning by shareholders about the Directors' stewardship of the Company's affairs and it is shareholders who ultimately vote upon the financial statements and reports, the election of Directors, appointment of Auditors and any matters of Special Business.

The Company does not web-cast shareholder meetings and does not believe that at this stage the cost-benefit of web casting is worthwhile to a Company of its size

The main corporate governance practices that the Board of Hawthorn Resources Limited had in place during the year were:

1. Board of Directors

i. Board Responsibilities

The Boardҁs role is to maximize wealth creation and shareholder value in the Company. It assumes responsibility for overseeing the affairs of the Company by ensuring that they are carried out in a professional and ethical manner and that business risks are effectively managed. The primary responsibilities of the Board include the following:

- To oversee the Company, including its control and accountability systems
- To appoint and remove the Chief Executive Officer (or equivalent)
- To ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary
- To have input into and final approval of managementҁs development of corporate strategy and performance objectives
- To review and ratify systems of risk management and internal compliance and control, codes of conduct, legal compliance and any other regulatory compliance
- To monitoring senior managementҁs performance and implementation of strategy, and ensuring appropriate resources are available
- To approve and monitor the progress of major capital expenditure, capital management, and acquisitions and divestitures
- To approve and monitor financial and other reporting to shareholders and the market
- To monitor the Board composition, Director selection, Board processes and performance and ensure Directors have an understanding of the Companyҁs business
- To monitor and influence the key standards of the Company including ethical standards, reputation and culture
- To review and approve executive remuneration
- To approve annual budgets

ii. Board Composition

While the Companyôs Constitution fixes the maximum number of Directors at twelve, the Board currently comprises one Executive Director and five Non-Executive Directors.

The Company does not have a majority of Independent Directors.

The Chairman of the Board, Mr M Kerr, is not considered as independent in accordance with the ASX Corporate Governance Council definitions and recommendations due to the level of entitlement to the Companyôs ordinary shares and the ongoing contractual serviced office arrangements with Berkeley Consultants Pty Ltd ï a company in which Mr Kerr has a prescribed interest. Similarly, Messrs Liao, Yongzhong, Li, Yijie and Ye, Xiaohui appointment to the Board of Directors are directors nominated by Feng Hua Mining Investment Holding (HK) Limited pursuant to itôs rights under the August 2012 Share Subscription Agreement as such whilst they are Non-Executive Directors they are not regarded as Independent Directors.

To ensure that it has the right mix of management skills and technical expertise to meet the challenges of its business, the Board regularly reviews its composition. The Board believes that at the current stage of the Companyôs development, the composition is adequate. However, it continues to assess the need to enhance the membership of the Board and is cognisant of the ASX Corporate Governance Council definitions and recommendations.

iii. Appointment/retirement of Directors

The Companyôs Constitution requires that all Directors other than the Managing Director submit themselves for re-election every three years with not less than one third of the Board retiring by rotation. Directors appointed during the period since the last Annual General Meeting of the Company must submit themselves for election at the next Annual General Meeting.

iv. Board Meetings

The full Board meets formally to conduct appropriate business. The Board uses circulating resolutions in writing signed by all Directors to deal with matters requiring decisions between meetings. Such resolutions are then ratified at the next Board meeting.

v. Directors' Remuneration

Where applicable, total remuneration for the Executive Director includes an annual salary and other entitlements. Attendance at and participation in Board and Committee meetings are considered among the duties of the Executive Director. Non-Executive Directors receive fees for attending Board and Committee meetings. Pro-rata fees are paid to Non-Executive Directors who serve for less than a full year. As noted, other than the Managing Director none of the Directors or the Company Secretary have a letter of appointment.

vi. External Advice to Directors

The Company recognises that in the exercise of their responsibilities there may be occasions when Directors may wish to seek independent professional advice. With the prior consent of the Chairman, advice can be obtained at the Companyôs expense and is to be made available to the whole Board.

2. Board Committees

In relation to the establishment of Committees to address and assist the Board of Directors in the areas of remuneration, nomination and audit the following is noted:

i. Remuneration Committee

The Company does not have a Remuneration Committee. All matters relevant to remuneration are considered within the workings and considerations of the Board of Directors meetings.

ii. Audit , Compliance and Corporate Governance Committee ("Audit Committee")

The Audit Committee comprises two non-executive Directors and one Executive Director and has an independent Chairperson, who is not Chairperson of the Board. It does not have at least three members all of whom are independent, for the reasons set out above. The Company currently only has one independent Director and he is a Chairman of the Audit Committee.

The Audit Committee meets to plan and review annual and half-yearly financial statements and reports prior to their release to the ASX. The Committee also monitors the performance of the Companyꞌs Auditors and considers the adequacy and effectiveness of internal controls. The external Auditor is invited to attend and speak at these meetings. The Audit Committee is revising a formal charter for consideration by the Board of Directors.

iii. Nomination Committee

The Company does not have a Nomination Committee. The Board believes that with only three Directors on the Board who are normally resident in Australia, the Board itself is the appropriate forum to deal with this function.

3. Role of Management

Day to day management of the Companyꞌs activities and the implementation of Board strategy, policy and decisions is delegated to management. This includes the following:

- To develop and recommend internal control and accountability systems for the Company and if approved, ensure compliance with such systems.
- To prepare mission statements, corporate strategy and performance objectives for approval by the Board of Directors.
- To prepare systems of risk management and internal compliance and controls, codes of conduct, legal compliance and any other regulatory compliance and if approved, ensure compliance with such systems.
- To monitor employeesꞌ performance, recommend appropriate resources and review and approve remuneration.
- To prepare all required financial reports, tax returns, budgets and any other appropriate financial reports, meet all statutory deadlines, monitor performance against budgets.
- Prepare recommendations on acquisitions and divestments of assets.
- To implement decisions of the Board of Directors on key standards of the Company covering such areas as ethical standards, reputation and culture of the Company and influence and provide guidance for employees on these areas.
- To protect the assets of the Company.

4. Risk Management

The Company continues to monitor its operations to identify the greatest areas of potential risk to minimise any adverse effects on the Companyøs strategic, operational and financial activities.

i. Environment

Details of the environmental policy and other related matters are provided in the Environment section of the Directorsô Report.

ii. Occupational Health and Safety

The Company is committed to providing a safe and healthy working environment for all staff. It considers that safety is a collective responsibility and ensures that regular training in safe working methods is undertaken and encourages participation and involvement in the development of workplace safety programs. Individual employees and employees of contractors are required to practice safe working habits, to take all reasonable care to prevent injury to themselves and their colleagues and to report all hazards and accidents.

New staff and contractors (where appropriate) are required to undergo an induction program to familiarise themselves with policies, procedures and work practices prior to commencing work. All staff are covered against injury under the various Workersô Compensation Acts.

iii. Financial Reporting

The Chairman and Company Secretary sign off to the Board of Directors in respect to the annual financial statements and risk management policies as required by law and the ASX Corporate Governance Council ñPrinciples of Good Corporate Governance and Best Practice Recommendationsò.

5. Code of Conduct

i. Ethical Standards

The Company operates under a code of conduct that sets out the ethical standards under which the Company operates when dealing with internal and external parties. This code requires parties to act with integrity, fairness and honesty in all dealings and to treat other parties with dignity at all times. They are required to:

- not discriminate against any staff member or potential employee;
- carry out their duties in respect to the law at all times;
- to use the Companyøs assets responsibly;
- to respect the confidentiality of the Companyøs business dealings; and
- take responsibility for their own actions and for the consequences surrounding their own actions.

ii. Share Trading

The Company in December 2011 in accordance with the requirements of the ASX adopted a Share Trading Policy which was released to the ASX and which can be viewed on the Companyøs website under the section dealing with ñé Corporate Governanceé ò

6. Continuous Disclosure Compliance

The Companyøs continuous disclosure compliance procedure enables it to meet its obligations and to ensure that all matters, which may require announcement to the Australian Securities Exchange, are brought to the attention of Directors immediately.

7. Communicating with Shareholders

The Board ensures that shareholders are kept informed of all major developments that affect their shareholding or the Company's state of affairs through periodical, half-yearly, annual and ad hoc reports. All shareholders are encouraged to attend the Annual General Meeting to meet the Chairman and Directors and to receive the most updated report on Company activities. The auditors of the Company attend the annual general meeting for the purpose of answering any questions on the annual financial statements and audit thereof, properly brought before the meeting.

The Company maintains a website at www.hawthornresources.co provide shareholders with up to date information on the Companyœs activities. Shareholders may also communicate with the Company through its e-mail address info@hawthornresources.com

The Company does not web-cast shareholder meetings and does not believe that at this stage the cost-benefit of web casting is worthwhile to a Company of its size. The Company has established an œemail alertô directory which is open to shareholders and interested parties ï this service circulates a copy of the announcements made by the Company to the ASX. Interested parties can join this directory by using the form shown on the Companyœs website.

8. Diversity

The Hawthorn Board of Directors adopted a policy on Diversity in July 2011.

The Companyœs Diversity Statement can be viewed on the website at:

www.hawthornresources.com/investors/governance

In this Annual Report the Board of Directors note the following:

Whilst Hawthorn Resources Limited as a small exploration entity seeks to restrict the size of its staffing by the outsourcing of such functions as accounts preparation; secretarial and exploration services; mining tenement management and share registry services to experienced professionals it recognises the value contributed to an organisation by employing or engaging people with varying skills, cultural backgrounds, ethnicity and experience. Hawthorn Resources believes that the quality of the workforce is the key to its continued growth, improved productivity and performance. As at the date of this report apart from the members of the Board of Directors the Company has one direct employee.

The Company actively values and embraces the diversity of our employees/ out-sourced consultants and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. While Hawthorn Resources is committed to fostering diversity at all levels, the professional industry experience and quality of performance has been and continues to be a priority for the Company in engaging services to carry out the Companyœs works programme.

To this end, the Company supports and complies with the recommendations contained in the ASX *Corporate Governance Principles and Recommendations*. The Company has established a diversity policy outlining the boardœs measurable objectives for achieving diversity. This is assessed annually to measure the progress towards achieving those objectives. The diversity policy is available in the corporate governance section on the Companyœs website.

Broadly, the Companyœs measurable objectives are as follows:

3 Hawthorn Resourcesô state and re-state where necessary that there are no forms of discrimination/bias in considering anyone for a position with the Company either as an employee or service provider, i.e. on grounds of gender; age; physical appearance; origins; race; religion; marital status; sexual preference; pregnancy or likely pregnancy; political leanings; disabilities;

- All new appointments or promotion / career enhancement and remuneration be on the basis of merit and ability to carry out the work responsibilities;

- Within the broad ambit of ensuring that the Companyôs activities are best developed and to ensure harmony of working within the Company that there be flexibility in working hours to enable domestic/private lives to allow for a balance between career and family obligations;

- Consideration be given to job sharing in such circumstances that would permit sharing.

The table below outlines the diversity within Hawthorn Resources Limited.

Level	Male		Female		Total
	Number	%	Number	%	
Board	6	100%	0	0%	6
Key Management personnel	0	0%	0	0%	0
Other staff	0	0%	1	100%	1
Total	6	100%	1	100%	7

The Hawthorn Board of Directors adopted a policy on diversity in July 2011.

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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF HAWTHORN RESOURCES LIMITED

As lead auditor of Hawthorn Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect Hawthorn Resources Limited and the entities it controlled during the year.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 26 September 2013

Hawthorn Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Revenue from Continuing Operations			
Finance income	3	170,354	45,687
Sundry income	3	-	9,170
		170,354	54,857
Exploration expenditure impaired	10	(670,668)	(684,538)
Administration expenses		(1,378,498)	(1,107,042)
Depreciation expense		(5,115)	(8,806)
Impairment of available-for-sale investments		(2,412)	(6,602)
Loss before income tax		(1,886,339)	(1,752,131)
Income tax expense	4	-	-
Loss for the year after tax from continuing operations		(1,886,339)	(1,752,131)
Other comprehensive income		-	-
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(1,886,339)	(1,752,131)
Loss attributable to members		(1,886,339)	(1,752,131)
Earnings per share		Cents	Cents
Basic loss per share for the year attributable to ordinary equity holders	5		
Post consolidation of ordinary shares ï 1 for 20		(1.499)	(1.832)
Diluted loss per share for the year attributable to ordinary equity holders	5		
Post consolidation of ordinary shares- 1 for 20		(1.499)	(1.832)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes to the attached financial statements.

	Note	Consolidated 2013 $	Consolidated 2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	14,366,582	2,889,819
Trade and other receivables	7	561,257	62,630
Other current assets	8	5,897	6,704
Total Current Assets		14,933,736	2,959,153
Non-Current Assets			
Other financial assets	9	1,155	3,567
Exploration expenditure	10	10,801,139	9,230,653
Plant and equipment	11	44,540	6,985
Total Non-Current Assets		10,846,834	9,241,205
TOTAL ASSETS		25,780,570	12,200,358
LIABILITIES			
Current Liabilities			
Trade and other payables	12	1,208,561	208,330
Employee benefits		7,900	3,647
Total Current Liabilities		1,216,461	211,977
TOTAL LIABILITIES		1,216,461	211,977
NET ASSETS		24,564,109	11,988,381
EQUITY			
Contributed equity	13	56,094,619	41,632,552
Reserves	14	1,667,974	1,667,974
Accumulated losses		(33,198,484)	(31,312,145)
TOTAL EQUITY		24,564,109	11,988,381

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes to the attached financial statements

	Note	Consolidated 2013 $	2012 $
Cash flows from operating activities			
Payments in the course of operations		(1,141,440)	(1,134,106)
Receipts from other revenue		-	9,170
Interest received		170,354	45,687
Net cash used in operating activities	17 (a)	(971,086)	(1,079,249)
Cash flows from investing activities			
Payments for exploration expenditure		(1,971,548)	(892,428)
Payments for plant & equipment		(42,670)	-
Net cash used in investing activities		(2,014,218)	(892,428)
Cash flows from financing activities			
Proceeds from issue of share capital		14,962,090	3,618,456
Payment of fees in relation to issue of share capital		(500,023)	(49,244)
Net cash provided by financing activities		14,462,067	3,569,212
Net increase in cash and cash equivalents		11,476,763	1,597,535
Cash and cash equivalents at beginning of year		2,889,819	1,292,284
Cash and cash equivalents at end of year	6	14,366,582	2,889,819

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes to the attached financial statements.

Hawthorn Resources Limited
Consolidated Statement of Changes in Equity for the Year Ended 30 June 2013

		Contributed Equity $	Accumulated Losses $	Available For Sale Reserve $	Employee Equity Benefit Reserve $	Total Equity $
CONSOLIDATED	Note					
At 1 July 2011		38,063,340	(29,560,014)	-	1,667,974	10,171,300
Loss for the year		-	(1,752,131)	-	-	(1,752,131)
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss) for the year net of tax		-	(1,752,131)	-	-	(1,752,131)
Transactions with owners in their capacity as owners:						
Issue of share capital	13	3,618,456	-	-	-	3,618,456
Share issue costs	13	(49,244)	-	-	-	(49,244)
At 30 June 2012		41,632,552	(31,312,145)	-	1,667,974	11,988,381
Loss for the year		-	(1,886,339)	-	-	(1,886,339)
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss) for the year net of tax		-	(1,886,339)	-	-	(1,886,339)
Transactions with owners in their capacity as owners:						
Issue of share capital	13	14,962,090	-	-	-	14,962,090
Share issue costs	13	(500,023)	-	-	-	(500,023)
At 30 June 2013		56,094,619	(33,198,484)	-	1,667,974	24,564,109

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the attached financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Hawthorn Resources Limited (the ñCompanyò) is a public company incorporated and domiciled in Australia. The principal activity of the Company during the financial year was mineral exploration. There has been no significant change in the nature of that activity during the financial year.

The consolidated financial report of the Company as at and for the year ended 30 June 2013 comprises the Company and its subsidiaries. The financial report was authorised for issue by the Directors on the date of this report.

The registered office and principal place of business of the entity is Level 2, 90 William Street, Melbourne, Victoria, 3000.

(b) Basis of Preparation

The financial report is presented in Australian dollars. The financial report has been prepared on a historical cost basis, except for the valuation of available-for-sale financial assets and financial assets at fair value through the profit and loss that have been measured at fair value in accordance with Australian Accounting Standards.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make significant judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Separate financial statements for Hawthorn Resources Limited as an individual entity are no longer presented as a consequence of a change in the Corporations Act 2001, however limited information for Hawthorn Resources Limited as an individual entity is presented at Note 24.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(d)(xix).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

GOING CONCERN

The financial statements have been prepared on a going concern basis.

The Group incurred a net consolidated loss for the year of $1,886,339 (2012: $1,752,131) and had a net cash consolidated outflow from operations of $971,086 (2012: $1,079,249). At 30 June 2013, the company has net current assets of $13,717,275 (2012: $2,747,176). The Group has sufficient cash to meet its operating costs for at least the next 12 months.

The Company has a history of successfully raising funds and during the 30 June 2013 financial year, raised capital in the amount of $14,962,090 (2012: $3,618,456). It isnòt the Companyòs intention to raise further capital in the next twelve months. The Group also has the ability to downscale its operations and discontinue programmes should the need arise.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Preparation (Cont'd)

GOING CONCERN (Cont'd)

Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to meet commitments over the next twelve months. For this reason the financial statements have been prepared on the basis that the Group is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

(c) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for profit orientated entities.

The financial report complies with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

(d)

(i) Foreign currency translation
The financial report is presented in Australian dollars, which is Hawthorn Resources Limited's functional and presentation currency.

(ii) Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(iv) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest
Interest revenue is recognised as the interest accrues.

(v) Finance Costs
Financing costs comprise interest payable on other payables and borrowings. Interest is recognised as an expense when incurred. Hawthorn Resources Limited does not currently hold qualifying assets but, if it did, the borrowings costs directly associated with the asset would be capitalised.

(vi) Leases
Operating lease payments are recognised as an expense in the consolidated statement of profit and loss and other comprehensive income on a straight-line basis over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Summary of Significant Accounting Policies (Cont'd)

(vii) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and short-term deposits whose maturity is within three months or less from balance date, net of bank overdrafts.

(viii) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(ix) Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Impairment losses on goodwill are not reversed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Summary of Significant Accounting Policies (Cont'd)

(x) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance date.

Current tax is the expected tax payable on the taxable income for the period. The Company has not derived taxable income in either the current or previous period.

Deferred income tax is determined using the balance sheet method which calculates temporary differences on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Hawthorn Resources Limited (the ‘head entity’) and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

(xi) Other Taxes

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

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Summary of Significant Accounting Policies (Cont'd)

(x) Other Financial Assets
All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Held for trading financial assets are those non-derivative financial assets, principally equity securities that are designated as held for trading. After initial recognition, held for trading financial assets are measured at fair value with gains or losses being recognised in the statement of comprehensive income.

Available for sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale.

After initial recognition, available-for-sale financial assets, are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Securities Exchange quoted market bid prices at the close of business on the balance date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

(xi) Plant and Equipment
Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses [see accounting policy (vii)].

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful life of the assets. The estimated useful life of motor vehicles and plant and equipment is between 3 and 5 years.

The assetґs residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

When an assetґs carrying value is increased as a result of a revaluation, the increase is, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, credited directly to revaluation reserve.

When an assetґs carrying amount is decreased as a result of a revaluation, the decrease is, except to the extent of any credit balance existing in the revaluation reserve in respect of that asset, recognised in the statement of comprehensive income.

The revaluation surplus is transferred directly to retained earnings when the asset is derecognised.

(xii) Exploration
Exploration expenditure is capitalised for each separate area of interest where rights to tenure are current and:

(a) such costs are expected to be recovered through successful development and exploitation or by sale; or

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

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Summary of Significant Accounting Policies (Cont'd)

(xii) Exploration (Cont'd)

The carrying values of expenditures carried forward are reviewed for impairment at each reporting date when the facts, events or changes in circumstances indicate that the carrying value may be impaired. Accumulated expenditures are written off to the statement of profit or loss and other comprehensive income to the extent to which they are considered to be impaired.

The key points that are considered in this review include:

- planned drilling programs and data evaluation;
- environmental issues that may impact the underlying tenements; and
- the estimated market value of assets at the review date.

Information used in the review process is rigorously tested to externally available information as appropriate.

(xiii) Joint Ventures

The interest of the Company in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs and the expenses it incurs in relation to the joint venture.

(xiv) Trade and Other Payables

Trade and other payables are stated at cost. Payables due to other entities are recognised at cost. Interest incurred is taken up as a finance cost.

(xv) Interest-Bearing Borrowings

Interest-bearing borrowings are recognised at cost. After initial recognition interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings on an effective interest basis.

(xvi) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

(xvii) Share-Based Payments

Share-based compensation benefits are provided to employees, Directors, officers or consultants of the Company or an associated body corporate and such other persons nominated by the Directors under the Hawthorn Resources Limited 2005 Share Option Plan which allows participants to acquire shares of the Company.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the participants become unconditionally entitled to the options. The fair value of the options granted is measured using the black scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest at each balance date.

(xviii) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Summary of Significant Accounting Policies (Cont'd)

(xix) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Management discussed with the Board the development, selection and disclosure of the Company's critical accounting policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Key Estimates

(i) *Impairment*

The Company assesses impairment of non-current assets (other financial assets, exploration expenditure and plant and equipment) at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Where indicators of impairment exist, recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions or fair value less costs to sell.

Key Judgments

(ii) *Exploration and Evaluation Expenditure*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

(iii) Key sources of estimation uncertainty

Note 1(d)(xii) contains information about the key points/assumptions that relate to the company's evaluation of exploration expenditure impairment.

(xx) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise those of the Company, and the entities it controlled at the end of, or during, the financial year. The company and its controlled entities together are referred to in this financial report as the consolidated entity or Group.

The balances and effects of transactions between entities in the consolidated entity included in the financial statements have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The accounting policies adopted in preparing the financial statements have been consistently applied by the entities in the consolidated entity.

The acquisition of Ellendale Resources NL ("Ellendale") on 10 June 2008 was treated as a reverse acquisition in accordance with AASB 3 "Business Combinations" whereby Ellendale is considered the accounting acquirer on the basis that Ellendale is the controlling entity in the transaction. As a result, Ellendale is the continuing entity for consolidated accounting purposes and the legal parent Hawthorn Resources Limited is the accounting subsidiary.

Investments in subsidiaries are accounted for at cost or recoverable amounts in the individual financial statements of Hawthorn Resources Limited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Risk Management

The Company's principal financial instruments comprise receivables, payables, cash and term deposits. These instruments expose the Company to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk, liquidity risk and price risk.

Although the Company does not have documented policies and procedures, Management manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through general business budgets and forecasts.

Further detail on Financial Risk Management is set out in Note 21.

(f) Capital Management

The Company's policy in relation to capital management is for management to regularly and consistently monitor future cash flows against expected expenditures. The Board determines the Company's need for additional funding by way of either share placements or loan funds depending on market conditions at the time. Management defines working capital in such circumstances as its excess liquid funds over liabilities, and defines capital as being the ordinary share capital of the Company.

There were no changes in the Company's approach to capital management during the year.

(g) Impact of Adopting New Accounting Standards and Accounting Standards Not Yet Effective

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets
The consolidated entity has applied AASB 2010-8 amendments from 1 July 2012. These amendments offer a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impact of Adopting New Accounting Standards and Accounting Standards Not Yet Effective (cont'd)

New, revised or amending Accounting Standards and Interpretations adopted (cont'd)

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entityꞌs own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impact of Adopting New Accounting Standards and Accounting Standards Not Yet Effective (cont'd)

New Accounting Standards and Interpretations not yet mandatory or early adopted (cont'd)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20
This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

The consolidated entity has not yet determined the eventual effect of the above standards, amendments to standards and interpretations, however at this stage it is not thought to be material.

2. SEGMENT INFORMATION

The principal business and geographical segment of the Company is mineral exploration within Australia.

Business and Geographical Segments
Segment information is presented using a ‶management approach″, i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors. At regular intervals, the board is provided management information at a group level for the group's cash position, the carrying values of exploration permits and a group cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

3. REVENUE AND EXPENSES

Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the Consolidated Entity:

	Note	Consolidated 2013 $	Consolidated 2012 $
(i) Finance income			
Interest		170,354	45,687
Total finance income		170,354	45,687
(ii) Other income		-	9,170
(iii) Director expenses			
Salaries		310,000	265,000
Superannuation		23,850	23,850
Consulting fees		127,100	110,950
Total Director expenses		460,950	399,800
(iv) Unrealised gain on foreign exchange		493	179

4. TAXATION

(a) Income tax recognised in profit or loss

Tax expense comprises:

	2013 $	2012 $
Current tax expense/(benefit)	(909,902)	(604,931)
Deferred tax expense relating to the origination and reversal of temporary differences	343,853	79,238
Tax losses not recognised	566,049	525,693
Income tax expense	-	-

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2013 $	2012 $
Loss from operations	(1,886,339)	(1,752,131)
Income tax expense calculated at 30% (2012: 30%)	(565,902)	(525,639)
Tax effect of foreign account translations	(147)	(54)
Tax losses not recognised	566,049	525,693
Income tax expense	-	-

Income Tax Rate

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by the Australian corporate entities on taxable profits under the Australian tax law. There has been no change in the corporate tax rate when compared with the previous year.

4. TAXATION (Cont'd)

(b) Deferred tax asset liability balances not recognised

	Consolidated 2013 $	Consolidated 2012 $
Non-current deferred tax liability comprises:		
Exploration costs	(3,097,842)	(2,769,196)
Amounts not recognised due to offset of deferred tax assets (detailed below)	3,097,842	2,769,196
	-	-
Deferred Tax Asset		
Movements		
Opening Balance	-	-
Credited to profit & loss and equity	(328,646)	(62,421)
Amount offset against deferred tax liability	328,646	62,421
Closing balance	-	-
Non-current deferred tax asset offsetting Deferred tax liabilities comprises:		
Investments	579,797	579,074
Share issue costs	128,869	11,818
Accruals and payables	28,222	12,472
Employee entitlements	2,370	1,094
Tax Losses utilised to offset DTL ï (potential tax benefit at 30%)*	2,358,584	2,164,738
	3,097,842	2,769,196
Tax Loss amounts where benefit not recognised (potential benefit of 30%) **	20,704,489	20,332,286

* Unused tax losses for which a benefit has been recognised through offset against deferred tax liability on exploration costs.

** At 10 June 2008, the consolidated entity formed a tax consolidated group. These losses relate predominately to transferred losses incurred pre-tax consolidation. These losses are subject to further review by the consolidated entity to determine if they satisfy the necessary legislative requirements under the income tax legislation for the carry forward and recoupment of tax losses. Additionally, a deferred tax asset has not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

5. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated as follows:

	2013	2012
Loss for the year	(1,886,339)	(1,752,131)

	Consolidated 2013 Number of shares	Consolidated 2012 Number of shares
Weighted average number of ordinary shares at the end of the financial year		
Pre consolidation	2,516,064,691	1,913,018,132
Post consolidation ï 1 for 20	125,803,235	95,650,907
Earnings Per Share (cents)		
Pre consolidation	(0.075)	(0.092)
Post consolidation ï 1 for 20	(1.499)	(1.832)

5. EARNINGS PER SHARE (Cont'd)

There were no outstanding options at reporting date (30 June 2012: 177,584,231).
All options as at 30 June 2012 and since that date were non economically viable as to exercise at 10 cents per option when the market price was consistently less than 1 cent per share (pre-consolidation). At February 2013, all options had lapsed or been cancelled. As such at 30 June 2013, there were no diluted earnings per share

	Consolidated	
	2013 $	2012 $
6. CASH AND CASH EQUIVALENTS		
Cash at bank	856,360	378,008
Term deposits	13,510,222	2,511,811
Total Cash and Cash Equivalents	14,366,582	2,889,819
7. TRADE AND OTHER RECEIVABLES		
CURRENT		
Joint Venture contribution	402,658	-
Other (i)	158,599	62,630
	561,257	62,630

(i) Other relates to GST receivable.
Trade and other receivables are current, not past due and not considered impaired.

	2013 $	2012 $
8. OTHER CURRENT ASSETS		
CURRENT		
Prepayments	5,897	6,704
9. OTHER FINANCIAL ASSETS		
Available for sale investments at fair value	1,135	2,955
Investments at fair value through the profit and loss	20	612
	1,155	3,567
10. EXPLORATION EXPENDITURE		
Areas in the exploration phase At cost	10,801,139	9,230,653

10. EXPLORATION EXPENDITURE (cont'd)

Movement in the carrying value of exploration expenditure during the year was:

	Consolidated	
	2013 **$**	**2012** **$**
Opening balance at 1 July	9,230,653	9,022,585
Costs incurred during the year	2,241,154	892,606
Exploration expenditure impaired during the year	(670,668)	(684,538)
Balance at 30 June	10,801,139	9,230,653

11. PLANT AND EQUIPMENT

Plant, equipment and motor vehicles		
Cost balance at 1 July	68,692	68,692
Acquisitions	42,670	-
Balance at 30 June	111,362	68,692
Accumulated depreciation		
Balance at 1 July	61,707	52,901
Depreciation charge for the year	5,115	8,806
Balance at 30 June	66,822	61,707
Carrying amounts		
At 1 July	6,985	15,791
At 30 June	44,540	6,985

12. TRADE AND OTHER PAYABLES

Payables and accrued expenses	1,208,561	208,330
	1,208,561	208,330

Consolidated

13. CONTRIBUTED EQUITY

	2013 $	2012 $
Opening Balance	41,632,552	38,063,340
Issued February 2012 for cash pursuant to Share Purchase Plan (1.0c per share)		3,618,456
Transaction costs on share issue		(49,244)
Issued October 2012 for cash pursuant to Fenghua consortium subscription ï Tranche 1 (1.30c per share)	4,168,011	
Transaction costs on share issue	(267,769)	
Issued April 2013 for cash pursuant to Fenghua consortium subscription ï Tranche 2 (1.11c per share)	10,794,079	
Transaction costs on share issue	(232,254)	
Balance at Year End	56,094,619	41,632,552

	2013 No. of Shares	2012 No. of Shares
Opening Balance	2,137,441,493	1,775,595,897
Issued February 2012 for cash pursuant to Share Purchase Plan (1.0c per share)		361,845,596
Issued October 2012 for cash pursuant to Fenghua consortium subscription ï Tranche 1 (1.30c per share)	320,616,224	
Issued April 2013 for cash pursuant to Fenghua consortium subscription ï Tranche 2 (1.11c per share)	967,211,427	
Balance	3,425,269,144	2,137,441,493
Consolidation of ordinary shares on a 1 for 20 basis **		
Cancellation of pre consolidation shares, and	(3,425,269,144)	
Re-issue post consolidation shares	171,263,644	
Balance at Year End (on consolidated basis)	171,263,644	106,872,075

** Pursuant to a resolution of shareholders at the 2012 Annual General Meeting (AGM) in January 2013, the ordinary shares of the company were consolidated on a 1 for 20 basis on 15 May 2013.

Terms and Conditions of Issued Capital

Ordinary Shares (quoted): HAW
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Options (quoted):
(i) HAWO: 13,569,422 options at an exercise price of $0.20 lapsed automatically at close of business at 30 April 2012.

13. CONTRIBUTED EQUITY (CONT'D)

(ii) HAWOB: 165,084,231 options at an exercise price of $0.10 lapsed automatically at close of business at 28 February 2013. None of these options were exercised during the year.

Options (unquoted)
(i) 10,000,000 options at an exercise price of $0.10 were cancelled by mutual agreement in December 2012. None of these options were exercised during the year.
The options were issued in January 2008, pursuant to a resolution of shareholders, whereby 10,000,000 options in total were issued at an exercise price of $0.10 per option to the directors M. Kerr and M. Elliott.

(ii) 2,500,000 options at an exercise price of $0.10 were cancelled by mutual agreement in December 2012. None of these options were exercised during the year. Further details on unquoted options are included in Note 15.

	Consolidated	
	2013 $	2012 $
14. RESERVES		
Option premium reserve	1,459,349	1,459,349
Share based payment reserve	208,625	208,625
	1,667,974	1,667,974

Movement in reserves

Share based payment reserve: at 1 July	208,625	208,625
Transfer of share based payment reserve upon cancellation of employee share options	-	-
At 30 June	208,625	208,625

Option premium reserve
The option premium reserve represents the amounts contributed for the future right to acquire shares at a pre-determined price. The listed class of options details are ;

HAWOB lapsed on 28 February 2013.

HAWO lapsed on 30 April 2012.

14. RESERVES (CONT'D)

Available for sale investments at fair value reserve
The available for sale investments at fair value reserve represents the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised. No movement has occurred in this reserve in the current financial year (2012: Nil).

Share based payment reserve
The share based payment reserve represents the accumulated amortisation of the fair value of services provided with respect to employee share options issued. Details of share based payments are outlined in Note 15.

15. SHARE BASED PAYMENTS

At the 2005 Annual General Meeting, the Company established the Hawthorn Resources Limited 2005 Share Option Plan which allows employees, Directors, officers or consultants of the Company or an associated body corporate and such other persons nominated by the Directors to participate in the plan.

Grants of options made under this plan are as follows:

(i) On 1 July 2008, 2,500,000 options were issued at an exercise price of $0.10. Option holders must remain eligible (which would usually mean remaining eligible person although the Board has some discretion to allow continued participation in the event of an eligible person's death, mental incapacity, ill health, accident or redundancy) to participate in the plan throughout the one (1) year vesting period and can be exercised at any time following vesting up to 30 June 2018. These options were cancelled by mutual agreement in December 2012.

(ii) 10,000,000 options were issued in January 2008 at an exercise price of $0.10 per option which if exercised, will entitle the option holders to 1 fully paid share in the Company for each option. Options not exercised by 25 January 2018 will lapse. These options were cancelled by mutual agreement in December 2012. The options were issued pursuant to a resolution of shareholders at a general meeting, whereby 10,000,000 options in total were issued to directors M. Kerr and M. Elliott. (Refer below for further details on the terms of the options). These options were therefore granted outside of the share option plan disclosed above.

The number and weighted average exercise price of share options on issue resulting from share based payment expense is as follows:

	2013		2012	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	$0.100	12,500,000	$0.100	12,500,000
Granted during the year	-	-	-	-
Cancelled during the year	-	(12,500,000)	-	-
Outstanding at the end of the year	-	-	$0.100	12,500,000
Exercisable at the end of the year	-	-	-	12,500,000

The options outstanding at 30 June 2012 had an exercise price of $0.10. These options were cancelled by mutual agreement in December 2012.

The value of services received in return for employee share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a black scholes option pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black Scholes option pricing model.

15. SHARE BASED PAYMENTS (CONT'D)

The expected volatility is based on the recent historic volatility of comparable listed companies (calculated based on the mid point remaining life of the share options) adjusted for any expected changes to future volatility due to publicly available information.

Employee share options are granted under service conditions. No market or non-market performance conditions are taken into account in the grant date fair value measurement of the services received.

	2013 $	2012 $
Employee expenses		
Total expense recognised as employee cost	-	-

The value of services received in return for share options granted have been expensed in prior periods (2012: Nil)

16. INTEREST IN JOINT VENTURES

	2013	2012
The Company has an interest in the following joint ventures:		
Edjudina – Pinjin (Avoca Resources Limited)	80%	80%
Trouser Legs (Gel Resources Pty Limited)	70%	70%
Mt Bevan (Legacy Iron Ore Limited)	40%	40%

The principal activity of the joint ventures is mineral exploration.

Avoca Resources Limited has a 20% interest that is free carried to decision to mine.

During the course of the 30 June 2011 financial year the company entered into a Joint Venture agreement with Legacy Iron Ore Limited ("Legacy") where Legacy can earn a 60% interest in the tenants known as the Mount Bevan Iron Ore project by expending a minimum of $3.5 million to develop the project to a pre-feasability status on or before 4th October 2012. At 30 June 2012, Legacy had spent the minimum expenditure requirements.
The Company's interest in this project is included in exploration expenditure (Note 10)

Included in the assets and liabilities of the Company are the following assets and liabilities employed in the joint ventures:

	Consolidated	
	2013 **$**	**2012** **$**
Assets		
Receivable JV contribution	402,658	-
Exploration expenditure	7,363,923	5,150,090
Total Assets	7,766,581	5,150,090
Liabilities		
Trade and other payables	475,000	-
Total Liabilities	475,000	-

Included in the Company commitments (note 18) are the following commitments in relation to the joint ventures:

	2013	2012
Exploration		
Not later than 1 year	477,050	573,320
Later than one year but not later than five years	821,270	1,224,220
Later than five years but not later than twenty one years	1,831,900	60,000
Total	3,130,220	1,857,540

17. RECONCILIATION OF LOSS AFTER TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated 2013 $	Consolidated 2012 $
(a) Reconciliation of loss after tax to net cash used in operating activities		
Loss for the year after tax	(1,886,339)	(1,752,131)
Adjustment for:		
Impairment of exploration expenditure	670,668	684,538
Unrealised loss on foreign exchange	(493)	(179)
Impairment of available-for-sale investments	2,412	6,602
Depreciation	5,115	8,806
Net cash used in operating activities before change in assets and liabilities	(1,208,637)	(1,052,364)
Change in assets and liabilities:		
(Increase)/decrease in receivables and other assets	(54,898)	38,490
(Decrease)/increase in trade and other payables	288,196	(62,132)
Increase in provision for employee benefits	4,253	(3,243)
Net cash used in operating activities	(971,086)	(1,079,249)

(b) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks (refer to Note 6)

(c) Non cash financing and investing activities

During the year, there was no non cash financing or investing activities (2012: Nil)

18. COMMITMENTS

(a) Exploration

The Company has to perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Company's tenement portfolio management through expenditure exemption approvals and expenditure reductions through relinquishment of parts or the whole of tenements deemed non prospective.

Should the Company wish to preserve interests in its current tenements the amount which may be required to be expended is as follows:

	Consolidated 2013 $	Consolidated 2012 $
Not later than one year	1,189,550	874,034
Later than one year but not later than five years	1,491,630	2,394,322
Later than five years but not later than twenty one years	2,192,800	241,600
	4,873,980	3,509,956

The terms and conditions under which the Company has title to its various mining tenements oblige it to meet tenement rentals and minimum levels of exploration expenditure as gazetted by the Department of Industry and Resources of Western Australia, as well as Local Government rates and taxes.

The "Later than five years but not later than twenty one years" component represents commitments of up to sixteen years in respect of mining licences which are granted for a period of twenty one years, but in common with prospecting licences and exploration licences they may be relinquished or sold by the Company before the expiry of the full term of the licence.

19. RELATED PARTIES

(a) Key Management Personnel Disclosures

The key management personnel for the Company during the year are set out as follows:-

Directors

Mark G Kerr ï Chairman and Non Executive Director (Commenced 22 November 2007)
Mark E Elliott ï Managing Director & Chief Executive Officer (Commenced 22 November 2007)
David S Tyrwhitt ï Non Executive Director (Commenced 14 November 1996)
Liao, Yongzhong ï Non Executive Director (Commenced 30 October 2012)
Li, Yijie ï Non Executive Director (Commenced 30 October 2012)
Ye, Xiaohui ï Non Executive Director (Commenced 30 April 2013)

The key management personnel compensation are as follows:

	Consolidated 2013 $	Consolidated 2012 $
Short-term employee benefits	437,100	375,950
Other long-term benefits	-	-
Post-employment benefits	23,850	23,850
Termination benefits	-	-
Share-based benefits	-	-
	460,950	399,800

19. RELATED PARTIES (CONT'D)

(b) Equity Holdings and Transactions

The number of options over ordinary shares in the company held during the financial year by each director of Hawthorn Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

Options held over unissued shares in Hawthorn Resources Limited

2013

	Balance at start of year	Granted as compensation	Exercise	Cancelled/Expired	Balance at end of the year	Vested and exercisable	Unvested
Mark Kerr	14,428,000	-	-	(14,428,000)	-	-	-
Mark Elliott	5,000,000	-	-	(5,000,000)	-	-	-
David Tyrwhitt	-	-	-	-	-	-	-

2012

	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Mark Kerr	14,428,000	-	-	-	14,428,000	14,428,000	-
Mark Elliott	5,000,000	-	-	-	5,000,000	5,000,000	-
David Tyrwhitt	-	-	-	-	-	-	-

Fully paid ordinary shares issued by Hawthorn Resources Limited:

2013

	Held at 1 July 2012 No.	**Granted as compensation No.**	**Received on exercise of options No.**	**Other change No. (i)**	**Held at 30 June 2013**
Mark Kerr	53,187,572	-	-	(50,528,193)	2,659,379
Mark Elliott	21,500,000	-	-	(20,425,000)	1,075,000
David Tyrwhitt	-	-	-	-	-

2012

	Held at 1 July 2011 No.	**Granted as compensation No.**	**Received on exercise of options No.**	**Other change No. (ii)**	**Held at 30 June 2012**
Mark Kerr	50,187,572	-	-	3,000,000	53,187,572
Mark Elliott	20,000,000	-	-	1,500,000	21,500,000
David Tyrwhitt	-	-	-	-	-

Note: Other changes relate to directors ceasing to be directors of or commencing as directors of Hawthorn Resources Limited or acquiring or disposing of fully paid ordinary shares, or share consolidation.

(i) During the year ended 30 June 2013, the Company undertook a consolidation of ordinary shares on a 1 for 20 basis. The change in shareholding of Mr Kerr and Mr Elliott is solely as a result of the consolidation of ordinary shares.

(ii) During the year ended 30 June 2012, Mr Kerr and Mr Elliott together with their respective associates, as shareholders, participated in the share purchase plan offering to all shareholders in February 2012 at $0.01 a share

19. RELATED PARTIES (CONT'D)

(c) Other Key Management Personnel Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless stated.

The following Directors of the Company are related parties in respect of the following entities:

(i)

Name	Entity
Mark Kerr	Berkeley Consultants Pty Ltd.
Mark Elliott	Berkeley Consultants Pty Ltd.

	Consolidated	
	2013 $	2012 $
(ii) Details of transactions with Berkeley Consultants Pty Ltd are as follows:		
<u>At year end</u>		
Receivable (current)	-	-
Payable (current)	-	-
<u>During the year</u>		
Fees for fully serviced office and ancillary services	315,000	315,000

The Company entered in to a service arrangement with Berkeley Consultants Pty Ltd (ñBerkeley Consultantsò) effective from 1 April 2008 to replace the previous AXIS Consultants Pty Ltd agreed services. The terms and conditions of the service arrangement provide a fully serviced office, basic IT support and other services to the Company.

Berkeley Consultants Pty Ltd provides to all group companies the services. Further information of the arrangements with Berkeley Consultants Pty Ltd is included in the Remuneration Report in the DirectorsôReport. The service agreement with Berkeley Consultants was extended in December 2012 to 31 December 2014 and thereafter on a month to month basis.

(d) Wholly Owned Group Transactions

During the year there were no transactions with controlled entities, other than movements in the respective inter-company loan accounts.

As at 30 June 2013, Hawthorn Resources Limited loan balances with its subsidiary companies were:

Payable to Ellendale Resources Pty Ltd	$498,963 (2012: $499,423)
Receivable from Northern Resources Australia Pty Ltd	$259,455 (2012: $259,225)

As at 30 June 2013, Ellendale Resources Pty Ltd loan balances with its subsidiary companies were:

Payable to Sunderland Pty Ltd	$479,182 (2012: $479,412)
Receivable from Northern Resources Australia Pty Ltd	$140,738 (2012: $140,738)

All loan balances have been provided on an interest free basis and have no fixed repayment date. Movements in loan account during the year relate to payment of expenses. Expenses paid and charged through the loan accounts during the year relate to exploration, tenement costs and company administration expenses.

20. CONSOLIDATED ENTITIES

Name	Country of Incorporation	Ordinary Share Consolidated Equity Interest	
		2013 %	2012 %
Parent entity			
Hawthorn Resources Limited	Australia		
Controlled entities			
Ellendale Resources Pty Limited	Australia	100%	100%
Sunderland Pty Ltd *	Australia	100%	100%
Northern Resources Australia Pty Ltd *	Australia	100%	100%

- * Sunderland Pty Ltd and Northern Resources Australia Pty Ltd are 100% owned subsidiaries of Ellendale Resources Pty Ltd.

21. FINANCIAL RISK MANAGEMENT

The Group’s operations expose it to various financial risks including market, credit, liquidity and price risks. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

Financial risk management is carried out by the Board on a regular basis by reviewing current and potential sources of funding, cashflow and operating/capital expenditure forecasts, and the Company’s investment profile, to manage market, credit, liquidity and price risk.

(a) Market risk

Foreign exchange risk

Foreign currency risk is the risk of exposure to transactions that are denominated in a currency other than the Australian dollar.

The Group’s operations are currently solely within Australia, and therefore are not exposed to any material foreign exchange risk.

Interest rate risk

Interest rate risk, is the risk that a financial instrument’s value will fluctuate as a result of changes in market interest rates. Fluctuations in interest rates will not have any material risk exposure to the cash held in bank deposits at variable rates.

The Company’s exposure to market interest rates relates primarily to the Company’s short term cash deposits held.

Sensitivity Analysis on Cash and Cash Equivalents

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the average monthly closing balances. A 100 basis point increase or decrease is used when reporting interest rate risk internally and represents management’s assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables held constant, the Company’s net profit and net assets would increase by $61,186 (2012: $16,599) and decrease by $61,186 (2012: $16,599). This is mainly attributable to the Company’s exposure to interest rates on its cash and cash equivalents.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions. For banks and financial institutions, only major Australian banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets (refer Notes 6 to 9). The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company and cash assets are held with large Australian banks.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The company does not have any committed credit lines. As at the reporting date, the company has no significant liquidity risk, as available cash assets significantly exceed amounts payable.

(d) Price Risk

As the company does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mining projects will be impacted by commodity price changes (predominantly iron ore, nickel and uranium) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

Fluctuation in prices will not have any material risk exposure to the company's other financial assets.

(e) Maturities of Financial Liabilities

The tables below analyse the consolidated entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – 30 June 2013

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(1,208,561)	-	-	-	(1,208,561)

Group 30 June 2012

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(208,330)	-	-	-	(208,330)

(f) Net Fair Values

The net fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value at the balance date of financial assets and financial liabilities, such as receivables and payables, are assumed to approximate fair values due to their short term nature. For other financial assets, such as financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset.

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets and liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset and liability that are not based on observable market data (unobservable inputs) (Level 3)

All financial instruments recognised at fair value at 30 June 2013 have been classified within Level 1, and relate to listed investments. The fair value of these financial assets has been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

22. EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

23. REMUNERATION OF AUDITORS

The auditor of Hawthorn Resources Limited is BDO East Coast Partnership.

	Consolidated	
	2013 **$**	**2012** **$**
Amounts received or due and receivable by BDO for:		
An audit or review of the financial report of the Company and any other companies in the consolidated group	45,250	42,000
Other services in relation to the Company and any other companies in the consolidated group ï tax compliance	-	-
Total fees	45,250	42,000

24. PARENT ENTITY INFORMATION

As at, and throughout the financial year ended 30 June 2013, the parent entity of the Group was Hawthorn Resources Limited.

	2013 $	2012 $
Current assets	14,914,054	2,941,517
Non current assets	11,106,024	9,499,039
Total assets	26,020,078	12,440,556
Current liabilities	1,216,461	211,977
Non current liabilities	239,508	240,198
Total liabilities	1,455,969	452,175
Net assets	24,564,109	11,988,381
Issued Capital	107,828,909	93,366,842
Reserves	1,035,145	1,036,634
Accumulated Losses	(84,299,945)	(82,415,095)
Total equity	24,564,109	11,988,381
Loss of the parent entity	(1,884,850)	(1,750,641)
Comprehensive loss of the parent entity	(1,884,850)	(1,750,641)

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and contingent assets in existence at 30 June 2013.

Hawthorn Resources Limited
Directors' Declaration

In the directorsô opinion:

(a) the financial statements and notes set out on pages 32 to 61 are in accordance with the Corporations Act 2001, including:

- (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001; and

- (ii) giving a true and fair view of the consolidated entityô s financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1 (c); and

(d) the audited Remuneration Report set out on pages 12 to 17 of the Directorsô Report are in accordance with the Corporations Act 2001.

The directors have been given declarations, as required by section 295A of the Corporations Act 2001, by the chief executive officer and the chief financial officer for the financial year ended 30 June 2013.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 26th day of September 2013.

M. E. Elliott
Managing Director &
Chief Executive Officer

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Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Hawthorn Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Hawthorn Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hawthorn Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Hawthorn Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Hawthorn Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

David Garvey

Partner

Melbourne, 26 September 2013

Hawthorn Resources Limited
Tenement List as at 30 June 2013

TENEMENTS WHOLLY OWNED

Deep South

E 39/715

Melita

E 40/215
E 40/287
M 40/316
P 40/1218
P 40/1219
P 40/1220
P 40/1221
P 40/1222
P 40/1223
P 40/1224

Pinjin East

E 31/760
E 31/781
E 31/782
E 31/783
E 31/882
E 31/888
P 31/1903

Savannah

E 31/454
E 39/1293

Triumph

E 31/778
E 31/790
M 31/481

Whiteheads

E27/175
E 27/347
E 27/369
P 27/1769
P 27/1770
P 27/1771
P 27/1772
P 27/1773
P 27/1784
P 27/1785
P 27/1786
P 27/1799
P 27/1800
P 27/1801

Yundamindera

E 39/1292
E 39/1297
E 39/1350
E 39/1351
E 39/1673
E 39/1674
P 39/4697
P 39/4700
P 39/4701
P 39/4713
P 39/4714
P 39/4875
P 39/4876

TENEMENTS SUBJECT TO JOINT VENTURES

Mt Bevan
HAW 40%, LCY 60%

E 29/510
E 29/713

Deep South
Edjudina - Pinjin JV
Haw 80%, Avoca 20%

E 39/1298
E 39/1299
E 39/1300
E 39/1301
E 39/1302
P 39/4703
P 39/4704
P 39/4705
P 39/4706
P 39/4707
P 39/4709

Pinjin-
Trouser Legs JV -
HAW 70%, Gel Resources 30%

G 31/4
L 31/32
M 31/78
M 31/79
M 31/88
M 31/113
M 31/284

Edjudina - Pinjin JV
Haw 80%, Avoca 20%

E 31/762
E 31/764
E 31/765
E 31/766
E 31/787
E 31/788
E 31/789
P 31/1871
P 31/1872
P 31/1873
P 31/1874
P 31/1889

Yundamindera
Edjudina - Pinjin JV
Haw 80%, Avoca 20%

E 39/1294
E 39/1295
P 39/4596
P 39/4695
P 39/4696
P 39/4698
P 39/4699

Yindana
Erayinia JV - HAW 30%, Black Raven Mining 70%

E 28/1228
E 28/1612

Teutonic Bore
Jabiru Metals
HAW Royalty

E 37/902
P 37/7351

Kimberley Metals
Kimberley JV –
Thundelarra / Panoramic 80%, HAW 20%

E 80/2559

Lake Rebecca
Rennaissance 90%, HAW 10% Free Carry to DTM

P 28/1057

CONSOLIDATION OF SHARES

Note: In May 2013 the Company Consolidated the number of ordinary fully paid shares on issue from 3,425,269,144 shares to 171,263,644 on the basis of 1:20.
All numbers of shares referred to below are on a post-consolidation basis.

HAWTHORN RESOURCES LIMITED — **Additional Shareholder Information - ASX Listing Rule 4.10 as at 30 SEPTEMBER 2013**

SHARES : QUOTED - CODE : HAW

Twenty Largest Holdings : Ordinary Fully Paid Shares ASX Code : HAW		Number Shares Held	% Issued Shares	Ranking
FENG HUA MINING INVESTMENT HOLDING (HK) LIMITED		64,391,383	37.60	1
LEGACY IRON ORE LIMITED		12,575,000	7.34	2
WESTERN GEAR MANAGEMENT LIMITED		3,700,000	2.16	3
MR MARK KERR & ASSOCIATES		2,659,379	1.55	4
DR MARK THEO BLOCH		2,575,000	1.50	5
MS SHANSHAN WANG		2,144,620	1.25	6
NEWMONT MINING FINANCE PTY LTD		2,057,900	1.20	7
JAWESS PTY LTD	<KENT FAMILY SUPER FUND A/C>	2,047,737	1.20	8
MR VICTOR LORUSSO		1,370,000	0.80	9
KARARI AUSTRALIA PTY LTD		1,300,000	0.76	10
DECOLAND HOLDINGS PTY LIMITED	<MEE SUPER FUND A/C>	1,075,000	0.63	11
MR BARRY ALAN SKINNER		967,000	0.56	12
MR PETER JOSEPH LEY		950,000	0.55	13
MRS MARIE DAVIES & MR DAVID KENNETH DAVIES	<DK & M DAVIES SUPERFUND A/C>	830,000	0.48	14
MR GERRARD WILSON		825,000	0.48	15
MR MIKE FEGELSON		767,631	0.45	16
DR LEON EUGENE PRETORIUS		750,000	0.44	17
MR JIANGANG XU		697,943	0.41	18
CITICORP NOMINEES PTY LIMITED		693,789	0.41	19
WENDON HOLDINGS PTY LIMITED	<WENDON FAMILY PROPERTY A/C>	675,000	0.39	20
Total Holding - 20 Largest Shareholders		103,052,382	60.17	
Total Holding - Other Shareholders		68,211,262	39.83	
TOTAL HOLDING- ALL SHAREHOLDERS		171,263,644	100.00	

VOTING RIGHTS

Shares :	One vote per share.

RANGE OF SHAREHOLDERS - CODE : HAW

Range	Holders	Units	%
1-1000	1,927	433,257	0.25%
1001-5000	1,025	2,979,324	1.74%
5001-10000	375	2,903,384	1.70%
10001-100000	928	32,880,037	19.20%
100001 and OVER	162	132,067,642	77.11%
	4,417	**171,263,644**	**100.00%**

MARKETABLE PARCELS - SHARES

Holdings that are less than a marketable parcel of the Company's ordinary fully paid shares as at 30 September 2013 at a closing price of 4.2 cents/share consisted of a total of 7,045,526 shares held by 3,394 holders each holding a parcel of 11,905 or less shares

BUY-BACK

The Company has not undertaken any share buy-back during or since the end of the period under review

SUBSTANTIAL SHAREHOLDINGS

As at 30 September 2013 the following substantial shareholdings have been declared to the Company

Declared entitled party:	No. shares		Dated
Feng Hua Mining Investment Holding (HK) Limited (**)	68,125,762		29.05.2013
Mark G Kerr and Mark E Elliott (**)	68,125,762		27.05.2013
Legacy Iron Ore Limited	12,575,000		02.05.2013

(**) The declaration by Messrs M G Kerr (2,659,379 shares) and M E Elliott (1,075,000 shares) includes a a relevant interest declared in the ordinary fully paid Hawthorn Resources Limited shares as held by Feng Hua Mining Investment Holding (HK) Limited(64,391,383 shares) arising from the terms of the Co-Operation Agreement dated 26 April 2013 between themselves and Feng Hua Mining Investment Holding(HK) Limited

Directors
Mark Kerr
Mark Elliott
David Tyrwhitt
Liao, Yongzhong *(Appointed 30 October 2012)*
Li, Yijie *(Appointed 30 October 2012)*
Ye, Xiaohui *(Appointed 30 April 2013)*

Company Secretary
Mourice Garbutt

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Internet: http://www.hawthornresources.com

Legal Form
A public company.
Liability Limited by shares.

Country of Incorporation
Australia

Share Registry
Link Market Services Ltd
Level 1, 333 Collins Street
Melbourne Victoria 3000
Australia
Telephone: 1300 554 474 or +61 3 9615 9999
Facsimile: +61 3 8614 2903

Auditors
BDO East Coast Partnership
Level 14, 140 William Street
Melbourne Victoria 3000
Australia

Australian Securities Exchange Listing Code
HAW Ordinary shares

Bankers
National Australia Bank Limited
Level 1, 99 Bell St
Preston Victoria 3072
Australia

Solicitors
Minter Ellison Lawyers
Rialto Towers
525 Collins Street
Melbourne Victoria 3000
Australia

Hawthorn
RESOURCES

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