



Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT YEAR ENDED 30 JUNE 2017

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The Company's 2017 Corporate Governance Statement is available at
www.hawthornresources.com

Hawthorn Resources Limited

ABN 44 009 157 439

Directors' Report 2017

Hawthorn Resources Limited Directors' Report

The Directors of Hawthorn Resources Limited, a Company listed on the Australian Securities Exchange, present their report for the year ended 30 June 2017.

1 Directors

The Directors of the Company in office since 1 July 2016 and up to the date of this Report are:

Mr Mark G Kerr - LL.B
Chairman and Managing Director
Appointed 22 November 2007; last re-elected 2014 AGM

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 N.L in June 2008. In June 2016 the Board of Directors resolved to appoint Mr Kerr to be Managing Director and Chief Executive Officer with immediate effect from 24 June 2016.

Mr Kerr is an experienced director and advisor to listed and private companies and is a director of Berkeley Consultants Pty Ltd which specialises in public relations and reputation management consultancy. In addition to his business activities Mr Kerr's community involvement currently extends to being a member of the Victorian Committee for Juvenile Diabetes Research Foundation; a committee member of the St Vincent's Institute Charity Golf Day Committee and a board member of International Specialised Skills Institute Inc.

Mr Kerr holds current directorships as non-executive chairman of Contango Microcap Limited (ASX: CTN); non-executive director of Contango Income Generator Ltd (ASX: CIE); non-executive chairman of Think Childcare Limited (ASX: TNK) and non-executive director of Alice Queen Ltd (ASX: AQX).

Mr Kerr is a member of the Company's Audit Committee.

Dr David S Tyrwhitt – PhD (Geology) BSc (Hons) FSEG (USA) FAusIMM CPGeo
Non-Executive Director
Appointed 14 November 1996; last re-elected 2016 AGM

Dr Tyrwhitt has been a Director of the Company since 1996. He has more than 50 years' experience in the mining industry.

Dr Tyrwhitt holds current directorships of Merlin Diamonds Limited (December 2011 to current) and Northern Capital Resources Incorporated (January 2008 to current).

Former directorships being Top End Minerals Limited (April 2015 to June 2017); Quantum Resources Limited (November 1999 to April 2015), Golden River Resources Corporation (November 1996 to April 2015), Legend International Holdings Inc. (March 2005 to November 2015), Bassari Resources Limited and Astro Diamond Mines NL.

Dr Tyrwhitt 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.

Dr Tyrwhitt is the Chairman of the Company's Audit Committee.

Hawthorn Resources Limited Directors' Report

Mr Liao, Yongzhong – MBA

Non-Executive Director

Appointed 30 October 2012; last re-elected 2015 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 Guangzhou Fenghua Venture Investment Co., Ltd and Fenghua Mining Investment Holding (HK) Limited; Deputy Chairman of the Board of Changchun Up Optotech Co., Ltd, Director of Netron Soft-Tech (Zhuhai) Co., Ltd and Fenghua Advanced Technology.

Mr Li, Yijie

Non-Executive Director

Appointed 30 October 2012; last re-elected 2015 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 has total assets of RMB 5 billion.

Mr Liu, Zhensheng

Non-Executive Director

Appointed 9 December 2015; elected 2016 AGM

Mr Liu, is a Geological professor-level senior engineer and a mineral processing senior engineer. He has worked on prospecting, exploration, mine construction, gold mine production and operation management for more than 30 years. He has extensive experience in prospecting, exploration, gold smelting, gold refining and mine management.

He has held the following significant posts: Technician and Mining Technical Manager of 719 geological brigade of Guangdong Geological and Mineral Bureau from December 1983 to August 1989, participating in and presiding over a large gold prospecting and exploration operation respectively; Geological Section Vice Chief and Mine Assistant of Guangdong Gaoyao Hetai Gold Mine from August 1989 to October 1991, in charge of construction and management of mines; Director and Vice Manager of Mine of Guangdong Gaoyao Hetai Gold Mine from October 1991 to March 2010, in charge of construction, production technology and operation management of mines; Director, General Manager and Chief Engineer of Guangdong Jinding Gold Co., Ltd from March 2010 to December 2013; Director and Vice General Manager of Guangdong Rising Mining Investment Ltd from December 2013 to July 2016; Director of Fenghua Mining Investment Holding (HK) Limited and Guangdong Rising Holding (HK) Limited from 2014 to 2015; Director and General Manager of Guangdong Rising Mining Investment Ltd from July 2016 to the present.

In addition, he was a member of the National Technical Committee on Gold of Standardization Administration of China and the Membership Committee of the Shanghai Gold Exchange. Currently, he serves as a chief of the Technical Committee on Precious Metals of Standardization Administration of Guangdong Province and a member of Senior Engineer (professor level) Commission on Accrediting of Guangdong Province.

FORMER DIRECTORS

During the financial year ended 30 June 2017 and up to the date of this Report there have been no resignations of directors from the Board of Directors.

DIRECTORSHIPS

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

Hawthorn Resources Limited

Directors' Report

2 Principal Activities and Review and Results of Operations

Hawthorn Resources Limited ("Hawthorn" or "the Company") 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. 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 \$70,669 (2016: \$161,679). In both years the revenue has been interest received on surplus funding.

Costs and expenses totalled \$3,119,324 in 2017 compared to \$1,922,435 in 2016 after allowing for the impairment in carrying value of exploration tenements – refer to Note 9 to the financial statements. Exploration expenditure written off and impaired in 2017 was \$1,944,549 (*) compared to \$632,527 in 2016.

Administration expenses for 2017 were \$1,155,906 (2016: \$1,273,483).

(*) In line with the its accounting policy for exploration and evaluation expenditure the Company has ranked its exploration / development tenements according to their priority for economic exploitation as to short term (FY 2017/2018) and longer term (beyond FY 2018/2019). For the longer term tenements the Company has impaired their carrying values – as and when the non-current tenements become ranked as current then the Company has the ability to reassess the previously impaired amounts.

Consolidated Statement of Financial Position

The Company had cash funds in hand at 30 June 2017 of \$1,298,430 (2016: \$4,288,580), receivables of \$491,647 (2016: \$111,090), available for sale securities, following impairment testing of carrying values, of \$2,231 (2016: \$2,231) and current liabilities totaled \$346,024 (2016: \$292,171).

At 30 June 2017, the Company had working capital of \$1,444,053 (2016: \$4,107,499) and net assets of \$10,907,265 (2016: \$13,955,920) after the abovementioned impairment in carrying values.

Cash Flow

During the year, the Company used \$1,438,903 (2016: \$1,038,664) in operating activities, paid \$1,525,945 (2016: \$1,747,770) for exploration activities, paid \$25,302 (2016: nil) for plant and equipment, and raised no new equity capital (2016: nil). As a result, the Company has cash in bank at 30 June 2017 of \$1,298,430 (2016: \$4,288,580).

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 audit.

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.

Hawthorn Resources Limited Directors' Report

5. Events After The End of the Financial Year

Exploration and Development

In the interval between the end of the financial year and the date of this Report and, as reported to the ASX, the Company has continued its exploration and development on its Western Australia Gold Projects in South Laverton Zone

Gold Project - South Laverton Zone

Trouser Legs – Anglo Saxon Project

During the March 2016 quarter the **Anglo Saxon Gold Mining Project - Mining Proposal, Mine Closure Plan** and **Environment Management Plan** documents were approved by the West Australian Department of Mines and Petroleum ("DMP"). Hawthorn was further granted an **Approval to Commence Mining Operations** on the basis of the approved Project Management Plan. An application for a Native Vegetation Clearing Permit was approved by the West Australian Department of Environment.

During the Financial Year a re-optimization of the **Anglo Saxon Gold Mining Project** was completed following an updated Resource estimate and Maiden Ore Reserve reflecting the current sustained stronger gold price and existing plant and equipment rates. A final Mining Schedule was developed following the re-optimization. In addition, the Company undertook and finalized the conditions precedents requirements imposed by the DMP.

In August 2017 the Board of Directors formally resolved a Decision to Mine having put in place supportive equity funding through proposals to raise new equity capital of \$6,000,078.76 by way of the issue of 150,001,969 new fully paid ordinary shares. This raising was completed on 18 September 2017.

Since the 'Decision to Mine' the Company, as Manager of the Joint Venture and on behalf of the Joint Venture, has negotiated various agreements for the development and mining of the Anglo Saxon Gold Project and construction of the haul road to the mine site and has commenced with an expected completion date in October 2017.

Yundamindera – Box Well West Prospect

No significant changes have occurred in the project area subsequent to the end of the financial year 2017. Further drilling programs are expected to commence in October 2017.

Deep South – Central Zone

No significant changes have occurred in the project area subsequent to the end of the financial year 2017. Further drilling programs are expected to commence in late 2017.

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; and
- the state of affairs of the Company

in financial years subsequent to this financial year.

6. Future Developments and Results

As noted above, for the Anglo Saxon Gold Project a "Decision to Mine" has been taken, new equity funding put in place and development works commenced in the form of the haul road in to the mining area.

In relation to the other Gold Projects, whilst the priority is the development of the Anglo Saxon mining activities, the Company will continue an aggressive exploration/development programme. 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.

Hawthorn Resources Limited

Directors' Report

7 Issued Securities

(a) Ordinary Shares

At the date of this Report this Company has on issue a total of 321,265,613 shares (2016: 171,263,644 shares). Subsequent to the 30 June 2017 Balance Date the Company undertook an Accelerated Pro Rata Non-Renounceable Rights Issue to shareholders resulting in the issue of 150,001,969 New Shares at an issue price of \$0.04 a share to raise new equity capital of \$6,000,078.76

(b) Options

At the date of this Report the Company has no options on issue (2016: nil).

As such, during the 2016/2017 year and up to the date of this Report, the Company has not issued options over fully paid ordinary shares.

8 Directors Interest in Issued Securities

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

Director	30.06.2017	22.09.2017
	Ordinary Shares	Ordinary Shares
M G Kerr *	2,659,379	8,500,456
D S Tyrwhitt	-	-
Liao, Yongzhong	-	-
Li, Yijie	-	-
Liu, Zhengsheng	-	-

*Mr M G Kerr. Since the end of the financial year under review and through participation in the Accelerated Pro Rata Non-Renounceable Rights Issue ("NRRI"), as conducted by the Company in August / September 2017, Mr Kerr has acquired an interest in an additional 5,841,077 New Shares through entitlements as shareholder (2,329,198 shares) and as co-underwriter of the NRRI (3,511,879 shares). In relation to the underwriting of the NRRI shortfall shares Mr Kerr through Paradyce Pty Ltd took up 7,011,879 shares of which 3,500,000 shares were subject to sub-underwriting agreements leaving Paradyce Pty Ltd with a net 3,511,879 shares.

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	2	2	2	2
D S Tyrwhitt	2	2	2	2
Liao, Yongzhong	2	2	-	-
Li, Yijie	2	2	-	-
Liu, Zhensheng	2	2	-	-

Hawthorn Resources Limited Directors' Report

Note:

* In between Board Meetings, Directors passed a total of six circulating resolutions which were then noted and ratified at the next occurring Board meeting.

** Audit, Compliance and Corporate Governance Committee considerations are, when required, 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 Governance Institute of Australia (FGIA) and Chartered Institute of Secretaries (FCIS) and until recently a Justice of the Peace in Victoria. He has over 30 years commercial experience and currently conducts a corporate compliance and company secretarial company providing such services to a number of public and listed companies in Australia including Hawthorn Resources Limited group.

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.

Pursuant to the requirements of the Indemnity Deed, the Company has taken out Directors and Officers Liability Insurance the terms of which are subject to confidentiality prohibiting disclosure of the terms and conditions of the policy cover.

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.

Hawthorn Resources Limited Directors' Report

13 Non-Audit Services

During the year, other than as noted below, BDO East Coast Partnership, 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 East Coast Partnership, and its related practices for audit and non-audit services provided during the year are set out below.

	2017 \$	2016 \$
Statutory audit		
Auditors of the Company - BDO		
- audit and review of financial reports	51,495	50,500
Other Services - BDO		
- other non-audit services	-	-
Total fees	51,495	50,500

14 Remuneration Report - Audited

The Remuneration Report sets out remuneration information for non-executive directors, executive directors and other key management personnel.

The Report contains the following sections:

- (i) Management Services – Berkeley Consultants Pty Ltd;
- (ii) Overview of Company Performance on Remuneration Structures;
- (iii) Non-Executive Directors;
- (iv) Executive Directors Remuneration;
- (v) Details of Directors, Executives and Remuneration; and
- (vi) Details of Directors and Executives Interest in Securities.

14 (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.

Total fees paid or due during the 30 June 2017 financial year amounted to \$215,000 plus GST (2016: \$315,000) for the provision for serviced office facilities at 90 William Street, Melbourne. As noted in the Company's 2016 Directors' Report it was agreed that from 1 January 2017 and after a further reconfiguration of the office accommodation area, the annual services fee would be at the rate of \$190,000 per annum.

This arrangement with Berkeley Consultants represented a related party transaction with Mr M Kerr having a material personal interest in the transactions through his interests in Berkeley Consultants Pty Ltd.

Given the nature of the related party interest in this matter, the non-related non-executive directors, in March 2014 conducted a 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 approved an extension to the term of the arrangement to 31 December 2017 and thereafter of a month to month basis.

Hawthorn Resources Limited Directors' Report

In considering the extension of the Agreement to 31 December 2017 and beyond and the services to be provided by Berkeley Consultants Pty Ltd to the Hawthorn Resources group of companies, the non-related Directors 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.

14 (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:

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>
Revenue	70,669	161,679	285,152	499,578	170,354
Net loss	(3,048,655)	(1,760,756)	(4,125,198)	(1,604,405)	(1,886,339)
Basic earnings per share-cents	(1.780)	(1.028)	(2.409)	(0.937)	(1.499)
Diluted earnings per share-cents	(1.780)	(1.028)	(2.409)	(0.937)	(1.499)
Net assets	10,907,265	13,955,920	15,716,676	22,959,704	24,564,109

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 a General Meeting of shareholders and approved with a 95.65% acceptance in favour of the resolution, in January 2008, is not to exceed \$300,000 per annum. The current aggregate of Non-Executive Directors' base fees, on an **annualised basis** as of the date of this Report is \$140,000 per annum (2016: \$215,000). Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities and membership of Board committees. 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. For such additional services, consultancy fees are in addition to directors' fees and are outside of the shareholder approved aggregate for directors' fees.

There has been no change to the remuneration structure during the year, and as such no independent remuneration expert was engaged during the year.

Hawthorn Resources Limited Directors' Report

(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 G Kerr, who was appointed on 24 June 2016, was remunerated on the same terms applicable under the Executive Service Agreement for Mr M Elliott (the former Managing Director) who resigned as a director of the Company on 24 June 2016. The key elements of the Agreement were:

- (i) Term: to 31 December 2017, and thereafter, renewable annually;
- (ii) Remuneration: \$147,000 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: the Agreement may be terminated by:
 - (a) mutual agreement between the Company and the Executive;
 - (b) expiry of the Agreement at the agreed date as extended; and
 - (c) by being summarily terminated by the Company without notice or compensation where certain events have occurred. The Agreement does not contain a period of notice; and
- (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 2017 financial year (2016: nil).

As noted above, following the resignation of the former Managing Director Mr Elliott the Board of Directors resolved that Mr M G Kerr be appointed as Managing Director with the same entitlements as applied to Mr Elliott.

(v) Details of Directors, Executives and Remuneration

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

(a) Directors

M G Kerr – Executive Chairman and Managing Director * (appointed 22 November 2007)

D 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)

Liu, Zhensheng – Non Executive Director (appointed 9 December 2015)

Note: * Mr Kerr was appointed as Managing Director on 24 June 2016.

(b) Executives

M Garbutt – Company Secretary (appointed 5 May 2008)

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:

Hawthorn Resources Limited Directors' Report

		Primary		Post-employment	Other Services	Total \$	s300A (1)(e)(i) Proportion of remuneration performance related %	s300A (1)(e)(ii) Value of options as proportion of remuneration %
		Salary & fees \$	Non-monetary benefits \$	Super-annuation \$	See Notes below \$			
Directors								
<i>Executive</i>								
M E Elliott (i)	2017	-	-	-	-	-	nil	n.a.
	2016	147,000	-	13,965	-	160,965	nil	n.a.
<i>Non-Executive</i>								
M G Kerr (i)	2017	147,000	-	13,965	-	160,965	nil	n.a.
	2016	75,000	-	7,125	-	82,125	nil	n.a.
D S Tyrwhitt (ii)	2017	50,000	-	4,750	25,500	80,250	nil	n.a.
	2016	50,000	-	4,750	23,250	78,000	nil	n.a.
Liao, Yongzhong	2017	30,000	-	-	-	30,000	nil	n.a.
	2016	30,000	-	-	-	30,000	nil	n.a.
Li, Yijie	2017	30,000	-	-	-	30,000	nil	n.a.
	2016	30,000	-	-	-	30,000	nil	n.a.
Ye, Xiaohui	2017	-	-	-	-	-	nil	n.a.
	2016	7,500	-	-	-	7,500	nil	n.a.
Liu, Zhensheng	2017	30,000	-	-	-	30,000	nil	n.a.
	2016	22,500	-	-	-	22,500	nil	n.a.
Total all Directors	2017	287,000	-	18,715	25,500	331,215	nil	n.a.
	2016	362,000	-	25,840	23,250	411,090	nil	n.a.
<i>Executives</i>								
M Garbutt (iii)	2017	-	-	-	-	-	nil	n.a.
	2016	-	-	-	-	-	nil	n.a.
Total all Directors & Executives	2017	287,000	-	18,715	25,500	331,215	nil	n.a.
	2016	362,000	-	25,840	23,250	411,090	nil	n.a.

- (i) In addition to the above disclosed remuneration, \$215,000 (2016: \$315,000) was paid to Berkeley Consultants Pty Ltd during the year for serviced office facilities as noted in item 14(i) above. As noted, Berkeley Consultants Pty Ltd is an entity in which Messrs. M Kerr has a material personal interest in the transactions through his interests in Berkeley Consultants Pty Ltd.
- (ii) In addition to directors duties, Dr Tyrwhitt undertook additional exploration 'field' duties at the request of the Board of Directors and received \$25,500 (2016: \$23,250) in consulting fees.
- (iii) K R Corporate Compliance Pty Ltd., a company related to and controlled by Mr Garbutt, has provided corporate secretarial, compliance and support services to the Hawthorn Resources Limited group for which it was paid fees of \$140,313 (2016: \$92,928).
- (iv) During the year the Company paid consulting fees totalling \$4,109 (2016: \$6,722) to Public Relations Exchange, an entity controlled by a related party of Messrs. M Kerr.

There were no short term cash bonuses, post-employment prescribed benefits, termination benefits or insurance premiums paid during the 30 June 2017 financial year (2016: nil).

There has been no change to the remuneration structure during the year, and as such no independent remuneration expert was engaged during the year.

Hawthorn Resources Limited Directors' Report

(vi) Details of Directors and Executives Interest in Securities

The only security that the Company has on issue is the fully paid ordinary share.

	01.07.2016	30.06.2017	Movements
Directors:			
M G Kerr	2,659,379	2,659,379	-
D S Tyrwhitt	-	-	-
Liao, Yongzhong	-	-	-
Li, Yijie	-	-	-
Liu, Zhensheng	-	-	-
Total Directors	2,659,379	2,659,379	-
			-
Executives:			
M Garbutt	-	-	-
			-
Total	2,659,379	2,659,379	-
Directors/Executives			-

This concludes the Remuneration Report, which has been audited.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's Independence Declaration:

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 29th day of September 2017.



Mark Kerr
Chairman

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF HAWTHORN RESOURCES LIMITED

As lead auditor of Hawthorn Resources Limited for the year ended 30 June 2017, 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 of Hawthorn Resources Limited and the entities it controlled during the period.



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 29 September 2017

Hawthorn Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017

		Consolidated	
	<u>Note</u>	2017 \$	2016 \$
Revenue from continuing operations			
Finance income	3	70,669	161,679
Expenses			
Exploration expenditure impaired	9	(1,632,431)	(472,922)
Exploration expenditure expensed	9	(312,118)	(159,605)
Administration expenses		(1,155,906)	(1,273,483)
Depreciation expense	10	(18,869)	(16,425)
Loss before income tax expense from continuing operations		(3,048,655)	(1,760,756)
Income tax expense	4	-	-
Loss for the year after tax from continuing operations		(3,048,655)	(1,760,756)
Other comprehensive income - items that may be reclassified subsequently to profit or loss		-	-
Total other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		(3,048,655)	(1,760,756)
Loss attributable to members		(3,048,655)	(1,760,756)
Earnings per share		Cents	Cents
Basic loss per share for the year attributable to ordinary equity holder	5	(1.780)	(1.028)
Diluted loss per share for the year attributable to ordinary equity holders	5	(1.780)	(1.028)

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

Hawthorn Resources Limited
Consolidated Statement of Financial Position as at 30 June 2017

		Consolidated	
	Note	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,298,430	4,288,580
Trade and other receivables	7	491,647	111,090
Total Current Assets		1,790,077	4,399,670
Non-Current Assets			
Other financial assets	8	2,231	2,231
Exploration expenditure	9	9,438,389	9,830,031
Plant and equipment	10	22,592	16,159
Total Non-Current Assets		9,463,212	9,848,421
TOTAL ASSETS		11,253,289	14,248,091
LIABILITIES			
Current Liabilities			
Trade and other payables	11	311,388	286,035
Employee benefits		34,636	6,136
Total Current Liabilities		346,024	292,171
TOTAL LIABILITIES		346,024	292,171
NET ASSETS		10,907,265	13,955,920
EQUITY			
Contributed equity	12	56,094,619	56,094,619
Accumulated losses		(45,187,354)	(42,138,699)
TOTAL EQUITY		10,907,265	13,955,920

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

Hawthorn Resources Limited
Consolidated Statement of Cash Flows for the year ended 30 June 2017

		Consolidated	
	<u>Note</u>	2017 \$	2016 \$
Cash flows from operating activities			
Payments in the course of operations (inclusive of GST)		(1,509,572)	(1,200,343)
Interest received		70,669	161,679
Net cash used in operating activities	14 (a)	(1,438,903)	(1,038,664)
Cash flows from investing activities			
Payments for exploration expenditure		(1,525,945)	(1,747,770)
Payments for plant & equipment		(25,302)	-
Payments for share acquisition		-	-
Net cash used in investing activities		(1,551,247)	(1,747,770)
Net cash provided by financing activities		-	-
Net decrease in cash and cash equivalents		(2,990,150)	(2,786,434)
Cash and cash equivalents at beginning of year		4,288,580	7,075,014
Cash and cash equivalents at end of year	6	1,298,430	4,288,580

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

Hawthorn Resources Limited
Consolidated Statement of Changes in Equity for the year ended 30 June 2017

	Contributed Equity	Accumulated Losses	Total Equity
	\$	\$	\$
CONSOLIDATED			
At 1 July 2015	56,094,619	(40,377,943)	15,716,676
Loss for the year after income tax expense	-	(1,760,756)	(1,760,756)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(1,760,756)	(1,760,756)
Transfer of expired benefits to accumulated losses			
At 30 June 2016	56,094,619	(42,138,699)	13,955,920
Loss for the year after income tax expense	-	(3,048,655)	(3,048,655)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(3,048,655)	(3,048,655)
At 30 June 2017	56,094,619	(45,187,354)	10,907,265

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

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Hawthorn Resources Limited (the "Company") 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 2017, 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 profit or loss that have been measured at fair value in accordance with Australian Accounting Standards.

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 21.

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.

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)(xvi).

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

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

The Group incurred a consolidated net loss for the year of \$3,048,655 (2016: \$1,760,756) and had a consolidated cash outflow from operations of \$1,438,903 (2016: \$1,038,664). At 30 June 2017, the Group has net current assets of \$1,444,053 (2016: \$4,107,499). The Group has cash of \$1,298,430 at 30 June 2017 (2016: \$4,288,580), which is sufficient to meet its operating costs for at least the next 12 months.

In August 2017 the Board of Directors formally resolved a Decision to Mine having put in place supportive equity funding through proposals to raise new equity capital of \$6,000,078.76 by way of the issue of 150,001,969 new fully paid ordinary shares. This raising was completed on 18 September 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

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

(d) Summary of Significant Accounting Policies

(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) 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.

(iv) Leases

Operating lease payments are recognised as an expense in the Profit or Loss on a straight-line basis over the lease term.

(v) 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 the reporting date, net of bank overdrafts.

(vi) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vii) 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 Profit or Loss. 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.

(viii) 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 at the reporting 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 reporting 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 profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

(ix) Other Taxes

Revenues, expenses and assets are recognised net of the amount of associated 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.

(x) 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 Profit or Loss 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 assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

(xi) 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 (continued)

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 Profit or Loss 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.

The Company conducted an extensive review of its exploration areas of interest and identified four project areas that were deemed to be significant and current in terms of validating further exploration activity within the next twelve months, over and above the expenditure requirements to maintain the tenements in good standing. In addition, the Company has other areas of interests, classified as a lower priority over the next twelve months. These lower priority areas of interests have been fully impaired in the current year.

(xii) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

(xiii) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(xiv) 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.

(xv) 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 (continued)

(xvi) 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 to profit or loss in the period when the new information becomes available.

(xvii) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets, liabilities and results 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 Company or Group.

Subsidiaries are all those entities over which the consolidated Group has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The balances and effects of transactions between entities in the Group 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 all 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.

(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 and price risk), credit risk and liquidity 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 risk and by being aware of market forecasts for interest rate 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 18.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9: Financial Instruments and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. The financial assets and liabilities of the Consolidated entity consist of cash, receivables and payables. Therefore, the directors do not expect a material impact on transition to AASB 9.

AASB 15: Revenue from Contracts with Customers and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018 as further amended by AASB 2016-8).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligation is satisfied.

The Consolidated entity does anticipate a material impact on the transition to AASB 15.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117 and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- Depreciation of right-to-use assets in-line with AASB 116 Property, plant and equipment in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account all components as a lease; and
- Additional disclosure requirements.

The directors expect that the adoption of AASB 16 will result in lease assets and liabilities being recognised on balance sheet and a change in how related expenses are incurred. The impact is not expected to have a material impact on transition to AASB16.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

AASB 2016-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable to annual reporting periods beginning on or after 1 January 2017)

Amends a number of pronouncements as a result of the IASBs 2012-2014 annual improvements cycle.

Key amendments include:

AASB 5 – Change in methods of disposal

AASB 7 – Servicing contracts and applicability of the amendments to AASB7 to condensed interim financial statements.

AASB 119 – Discount rate: regional market issue; and

AASB 134 – Disclosure of information ‘elsewhere in the interim financial report’

The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable to annual reporting periods beginning on or after 1 January 2017)

The changes require disclosures that assist users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

AASB 2016-1: Amendments to Australian Accounting Standards- Recognition of Deferred Tax Assets for Unrealised Losses (applicable to annual reporting periods beginning on or after 1 January 2017)

This standard makes amendments to AASB 112 Income Taxes to clarify that:

- Restrictions in tax laws that do not permit the offset of deductible temporary difference reversals against a particular source of taxable profit should be considered;
- An entity should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences; and
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The transitional provisions require the amendments to be retrospectively applied as per AASB 108 Accounting Policies, Changes in Accounting Estimates and Error. The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

2. OPERATING SEGMENTS

The consolidated entity has adopted AASB 8 Operating Segments whereby segment information is presented using a “management approach”. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The consolidated entity operates predominately in one geographical location. The consolidated entity does not have any operating segments with discrete financial information. The consolidated entity does not have any customers outside Australia, and all the consolidated entity’s assets and liabilities are located within Australia.

The Board of Directors review internal management reports at regular intervals that are consistent with the information provided in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result no reconciliation is required because the information as presented is what is used by the Board of Directors to make strategic decision including assessing performance and in determining the allocation of resources.

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:

	Consolidated	
	2017	2016
	\$	\$
(i) Finance income		
Interest	70,669	161,679
Total finance income	70,669	161,679
(ii) Director expenses		
Salaries	287,000	362,000
Superannuation	18,715	25,840
Consulting fees	25,500	23,250
Total Director expenses	331,215	411,090
(iii) Unrealised gain/(loss) on foreign exchange	(149)	180
(iv) Fully serviced office rental expense	215,000	315,000
(v) Impairment of exploration expenditure	1,632,431	472,922
(vi) Write off of exploration expenditure	312,118	159,605

4. TAXATION

	Consolidated	
	2017	2016
	\$	\$
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax benefit	(914,597)	(528,227)
Deferred tax expense relating to the origination and reversal of temporary differences	96,342	(367,315)
Tax losses not recognised	818,255	895,542
Income tax expense	-	-

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

Loss from operations	(3,048,655)	(1,760,756)
Income tax expense at 30% (2016: 30%)	(914,597)	(528,227)
Non-deductible expenditure	609,617	189,758
Capital expenditure deduction	(465,872)	(524,330)
Decline of value of depreciating assets	(5,661)	(4,928)
Allowable deductions	(41,742)	(27,815)
Tax losses not recognised	818,255	895,542
Income tax expense	-	-

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

4. TAXATION (continued)

Consolidated	
2017	2016
\$	\$
(b) Deferred tax assets and liabilities	
Deferred tax liability comprises:	
Exploration costs	(2,831,517) (2,949,009)
Amounts not recognised due to offset of deferred tax assets (detailed below)	2,831,517 2,949,009
	- -
Deferred tax asset comprises:	
Investments	579,690 579,690
Share issue costs	- 30,002
Accruals and payables	27,900 27,600
Employee entitlements	10,391 1,841
Tax Losses utilised to offset remaining DTL	2,213,536 2,309,876
	2,831,517 2,949,009
Tax Loss amounts where benefit not recognised (potential benefit of 30%) *	23,312,998 23,626,299

*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 at this stage of the Company's development, it is not currently considered 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:

Loss for the year	(3,048,655)	(1,760,756)
Consolidated		
	2017	2016
	Number of shares	Number of shares
Weighted average number of ordinary shares at the end of the financial year	171,263,644	171,263,644
Basic/Diluted Loss Per Share (cents)	(1.780)	(1.028)

There were no outstanding options at the reporting date (30 June 2016: NIL).

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	490,483	238,160
Term deposits	807,947	4,050,420
Total Cash and Cash Equivalents	1,298,430	4,288,580

7. TRADE AND OTHER RECEIVABLES

CURRENT

Other receivables (i)	491,647	111,090
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(i) Other predominantly relates to Joint Venture recovery of exploration expenditure and to GST receivable. Trade and other receivables are current, not past due and not considered impaired.

8. OTHER FINANCIAL ASSETS

Available for sale investments at fair value	1,490	1,490
Investments at fair value through profit or loss	741	741
	2,231	2,231

9. EXPLORATION EXPENDITURE

Areas in the exploration phase At cost	9,438,389	9,830,031
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Movement in the carrying value of exploration expenditure during the year was:

Opening balance at 1 July	9,830,031	8,714,789
Costs incurred during the year	1,552,907	1,747,769
Exploration expenditure written off during the year	(312,118)	(159,605)
Exploration expenditure impaired during the year (i)	(1,632,431)	(472,922)
Balance at 30 June	9,438,389	9,830,031

(i) See Note 1 (d) (xi) Exploration

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

10. PLANT AND EQUIPMENT

	Consolidated	
	2017	2016
	\$	\$
Plant, equipment and motor vehicles		
Cost balance at 1 July	130,528	130,528
Acquisitions	25,302	-
Retirement of Asset	-	-
Balance at 30 June	155,830	130,528
Accumulated depreciation		
Balance at 1 July	114,369	97,944
Depreciation charge for the year	18,869	16,425
Retirement of Asset	-	-
Balance at 30 June	133,238	114,369
Carrying amounts		
At 1 July	16,159	32,584
At 30 June	22,592	16,159

11. TRADE AND OTHER PAYABLES

Payables and accrued expenses	311,388	286,035
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12. CONTRIBUTED EQUITY

Ordinary shares	56,094,619	56,094,619
	2017	2016
	No. of Shares	No. of Shares
Ordinary shares	171,263,644	171,263,644

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.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

13. INTEREST IN JOINT OPERATIONS

	<u>2017</u>	<u>2016</u>
The Company has an interest in the following joint operation:		
Edjudina – Pinjin (Westgold 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, and all are located within Australia.

Metals X Limited has a non-contributory 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-feasibility status on or before 4 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 9).

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

	Consolidated	
	2017	2016
	\$	\$
Assets		
Exploration expenditure	7,051,568	7,756,726
Total Assets	7,051,568	7,756,726
Liabilities		
Trade and other payables	59,000	59,000
Total Liabilities	59,000	59,000

Included in the Company commitments (note 15) are the following commitments in relation to the joint ventures:

Exploration		
Not later than 1 year	354,810	382,179
Later than one year but not later than five years	1,039,840	826,241
More than five years	2,068,400	1,371,440
Total	3,463,050	2,579,860

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

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

	Consolidated	
	2017	2016
	\$	\$
<i>(a) Reconciliation of loss after tax to net cash used in operating activities</i>		
Loss for the year after tax	(3,048,655)	(1,760,756)
<i>Adjustment for:</i>		
Write off of exploration expenditure	312,118	159,605
Impairment of exploration expenditure	1,632,431	472,922
Unrealised (loss)/gain on foreign exchange	149	(180)
Impairment of available-for-sale investments	-	-
Depreciation	18,869	16,425
Net cash used in operating activities before change in assets and liabilities	(1,085,088)	(1,111,984)
Change in assets and liabilities:		
Decrease/(increase) in receivables and other assets	(380,706)	4,725
Increase/(decrease) in trade and other payables	(1,609)	68,634
Increase/(decrease) in provision for employee benefits	28,500	(39)
Net cash used in operating activities	(1,438,903)	(1,038,664)

(b) Reconciliation of cash

For the purpose of the Consolidated 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 (2016: Nil).

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

15. 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	
	2017	2016
	\$	\$
Not later than one year	1,009,810	1,140,686
Later than one year but not later than five years	1,920,840	1,709,397
More than five years	2,571,800	1,521,040
	5,502,450	4,371,123

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 "More than five 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.

(b) Operating Leases

The company extended the lease for its principal place of business to 31 December 2017 and thereafter on a month to month basis.

Not later than one year	95,000	157,500
Later than one year but not later than five years	-	-
More than five years	-	-
	95,000	157,500

16. 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 – Chairman and Managing Director	(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)
Liu, Zhensheng – Non Executive Director	(Appointed 9 December 2015)

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

The key management personnel compensation is as follows:

	Consolidated	
	2017 \$	2016 \$
Short-term employee benefits	312,500	385,250
Post-employment benefits	18,715	25,840
	331,215	411,090

In addition to the above disclosed remuneration, \$215,000 (2016: \$315,000) was paid to Berkeley Consultants Pty Ltd during the year for serviced office facilities. As noted, Berkeley Consultants Pty Ltd is an entity in which Messr. M Kerr has a material personal interest in the transactions through his interests in Berkeley Consultants Pty Ltd.

During the year the Company paid consulting fees totalling \$4,109 (2016: \$6,722) to Public Relations Exchange, an entity controlled by a related party of Messr. M Kerr.

At year end, no balance was outstanding (2016: NIL).

(b) 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 2017, Hawthorn Resources Limited loan balances with its subsidiary companies were:

Payable to Ellendale Resources Pty Ltd	\$517,314 (2016: \$517,812)
Receivable from Northern Resources Australia Pty Ltd	\$261,036 (2016: \$260,787)

As at 30 June 2017, Ellendale Resources Pty Ltd loan balances with its subsidiary companies were:

Payable to Sunderland Pty Ltd	\$478,208 (2016: \$478,457)
Receivable from Northern Resources Australia Pty Ltd	\$140,738 (2016: \$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.

17. CONSOLIDATED ENTITIES

Name	Country of Incorporation	Ordinary Share	
		Consolidated Equity Interest	
		2017	2016
		%	%
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 non-operating 100% owned subsidiaries of Ellendale Resources Pty Ltd.

18. 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, cash flow 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 has 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 the reporting date, if interest rates had been 100 basis points higher or lower and all other variables held constant, the Company's net result and net assets would increase by \$26,028 (2016: \$55,820) and decrease by \$26,028 (2016: \$55,820). 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

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

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 2017

	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>5 + Years</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Non-Interest Bearing	(311,388)	-	-	-	(311,388)

Group - 30 June 2016

	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>5 + Years</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Non-Interest Bearing	(286,035)	-	-	-	(286,035)

(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 reporting 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 Consolidated 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 2017 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.

19. EVENTS AFTER THE BALANCE DATE

Since the end of the June 2017 Financial Year and following the completion of the conditions precedent set by the Department of Mines and Petroleum in the Approval to Mine” and the putting in place new equity proposals the Board of Directors has resolved a ‘Decision to Mine’ for the Anglo Saxon Gold Project and the haul road to the mine site has commenced.

In relation to the new equity raising the Accelerated Pro Rata Non-Renounceable Rights Issue (“NRRI”) offering to eligible shareholders has been completed with the raising of \$6,000,078.76 by way of the issue of 150,001,969 New Shares at an issue price of \$0.04 a share. This issue has increased the number of fully paid ordinary shares on issue and quoted on the official lists of the ASX to 321,265,613 shares.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Other than these matters 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.

20. REMUNERATION OF AUDITORS

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

	Consolidated	
	2017	2016
	\$	\$
An audit and review of the financial report of the Company and any other companies in the consolidated group	51,495	50,500

21. PARENT ENTITY INFORMATION

As at, and throughout the financial year ended 30 June 2017, the parent entity of the Group was Hawthorn Resources Limited.

	2017	2016
	\$	\$
	1,792,308	4,401,901
	9,717,259	10,103,215
	11,509,567	14,505,116
Current liabilities	346,024	292,171
Non current liabilities	256,278	257,025
Total liabilities	602,302	549,196
Net assets	10,907,265	13,955,920
Issued Capital	107,828,909	107,828,909
Accumulated Losses	(96,921,644)	(93,872,989)
Total equity	10,907,265	13,955,920
Loss of the parent entity	(3,048,655)	(1,760,756)
Comprehensive loss of the parent entity	(3,048,655)	(1,760,756)

The parent company has not provided any guarantees for its subsidiaries, nor does it have any contingent liabilities or contractual commitments to purchase plant and equipment. This is consistent with prior years.

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and contingent assets in existence at 30 June 2017.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2017

In the directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 39 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 entity's financial position as at 30 June 2015 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 9 to 13 of the Directors' Report is 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 2017.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 29th day of September 2017.



M G Kerr
Chairman &
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the members of Hawthorn Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hawthorn Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
Refer to note 9 in the financial report. The Group carries capitalised exploration expenditure totalling \$9,438,389 in accordance with the Group's accounting policy for exploration expenditure as disclosed in note 1(xi). The carrying value of exploration expenditure is a key audit matter due to its significance to total assets, and the level of procedures undertaken to evaluate management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources with regards to any indicators of impairment that may be present.	Our procedures included: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration expenditure by obtaining confirmation of a sample of the Group's tenement holdings • Agreeing a sample of the additions to capitalised exploration expenditure during the year to supporting documentation, and ensuring that the amounts were capitalised correctly • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects • Assessing the ability to finance any planned future exploration and evaluation activity • Assessing and evaluating management's assessment of impairment

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Hawthorn Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership



James Mooney
Partner

Melbourne, 29 September 2017