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14 May 2018

**Mr Dean Litis**  
**Principal Advisor, Listings Compliance (Melbourne)**  
**ASX Compliance Pty Limited**  
**Level 4, North Tower**  
**Rialto, 525 Collins Street**  
**MELBOURNE VIC 3000**

**by email: [dean.litis@asx.com.au](mailto:dean.litis@asx.com.au)**

Dear Mr Litis/Dean

**Hawthorn Resources Limited ("Hawthorn" or "the Company")**  
**Appendix 5B – Query**

We refer to your letter dated 10 May 2018 in relation to the Appendix 5B Quarterly Cash Flow report for the period ended 31 March 2018 lodged by the Company with ASX on Tuesday 30 April 2018 and released to the Market by ASX at 5.59 p.m.

In response the Company advises as follows in respect to each of the questions below.

- 1 Does HAW expect that it will continue to have negative operating cash flows for the time being and, if not, why not? In answering this question, please expand on the information contained in the Note by providing the estimated revenue expected from the Ore Sale and Purchase Agreement.

***Response:***

*No, Hawthorn does not expect to have negative operating cash flows for the time being.*

*Of the 'estimated cash outflows for the next quarter' expenditure of \$10,840,000 referred to in section 9.3 of the Company's March 2018 Quarterly Cash Flow Report (Appendix 5B) an amount of \$10,250,000 relates to the estimated 'Production' payments to be made on behalf of the Trouser Legs Mining Joint Venture ('TLMJV') in the June Quarter by Hawthorn, in its capacity as Manager of the TLMJV.*

*In February 2018 Hawthorn, in its capacity as Manager of the TLMJV, completed the preparatory mining works at and commenced hauling of ore from the TLMJV.*

*As such, the Company's March 2018 Quarterly Reports activities included a large number of capex and opex operations incurred in establishing the mine, mining and haulage of ore. The settlement of some of such activities, in cash flow terms, will be made in the June 2018 quarter.*

*As reported, the first tranche of revenue, from ore hauled for processing in February 2018, was received in late March 2018. Revenue from the balance of February ore haulage and the ore hauled in March, April and May for milling will be received in the June quarter; the ore revenues for the June haulage tonnes being receivable in the September 2018 quarter.*

*As mining of the TLMJV progresses and knowledge and experience of the geological formation is gained Hawthorn is continually reviewing each of the various service provider agreements seeking further cost savings.*

*As such, the cash balance projections incorporates recently renegotiated variations to supplier agreements. This process will be continued over the life of the TLMJV seeking to optimise the returns to the Company's and the wealth of its shareholders.*

- 2 Has HAW taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

**Response:**

*The Company's current cash model forecast over the coming 12 month period and for the quarterly periods ending 30 June 2018, 30 September 2018, 31 December 2018 and 31 March 2019 each show a positive cash balance.*

*The Company has an ongoing active funding review process that identifies the cash requirements going forward and reviewing appropriate actions that could be taken, if needed.*

- 3 Does HAW expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

**Response:**

*Yes, see answers for 1 and 2 above.*

- 4 Please provide any other information that HAW considers may be relevant to ASX forming an opinion on whether HAW is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

**Response:**

*For the June 2018 Quarterly Activities and Cash Flow Reports the Company will advise shareholders of production achieved, income received and resulting cash flow position.*

*The Company can confirm that its policies have been followed and the appropriate sign offs are in place.*

- 5 Please confirm that HAW is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

**Response:**

*The Company confirms it is in compliance with the listing rules and, in particular Listing Rule 3.1. The Company will make ongoing announcements to the ASX as required to comply with its continuous disclosure obligations*

- 6 Please confirm that HAW's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HAW with delegated authority from the board to respond to ASX on disclosure matters.

**Response:**

*The Company confirms that as with all of the Company's public releases or announcements the above responses have been reviewed, authorized and approved for release by Directors.*

Should you require any additional information, please do not hesitate to contact the Company on (03) 9605 5917.

Yours Sincerely  
Hawthorn Resources Limited



per Mourice Garbutt  
Company Secretary

asx\5B enquiry 140518

10 May 2018

**Mr Mourice Garbutt**  
**Company Secretary**

Hawthorn Resources Limited  
Level 2, 90 William Street  
Melbourne VIC 3000

By email to <mailto:mgarbutt@krcc.com.au>

**Re: Hawthorn Resources Limited ("HAW:)- Appendix 5B Query**

Dear Mr Garbutt

I refer to HAW's Appendix 5B quarterly report for the period ended 31 March 2018 lodged with ASX Market Announcements Platform on 30 April 2018 (the "Appendix 5B").

ASX notes that HAW has reported:

- negative net operating cash flows for the quarter of \$1,316,000;
- cash at the end of the quarter of \$2,921,000;
- estimated cash outflows for the next quarter of \$10,840,000; and
- The note marked by an asterisk to the estimated production outflow (section 9.3) ("Note") which states:

*Revenue expected to be received during the quarter per the signed Ore Sale and Purchasing Agreement- see ASX announcement 27<sup>th</sup> October, 2017.*

It is possible to conclude, based on the information in the Appendix 5B that if HAW were to continue to expend cash at the rate indicated by the Appendix 5B, HAW may not have sufficient cash to continue funding its operations. In view of that, ASX asks HAW to respond separately to each of the following questions and requests for information:

1. Does HAW expect that it will continue to have negative operating cash flows for the time being and, if not, why not? In answering this question, please expand on the information contained in the Note by providing the estimated revenue expected from the Ore Sale and Purchase Agreement.
2. Has HAW taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does HAW expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that HAW considers may be relevant to ASX forming an opinion on whether HAW is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that HAW is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

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6. Please confirm that HAW's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HAW with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9:30am AEST on Tuesday 15 May 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in HAW's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, HAW's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [dean.litis@asx.com.au](mailto:dean.litis@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to HAW's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that HAW's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

#### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in HAW's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

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If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

[Sent electronically, without signature]

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**Dean Litis**

Principal Adviser, Listings Compliance (Melbourne)