

1 October 2019

**COMPANY ANNOUNCEMENT**

- Hawthorn Resources Limited
- Update Trouser Legs Mining Joint Venture
  - Hawthorn Resources Limited June 2019 Financial Report

**A. Update Trouser Legs Mining Joint Venture (Hawthorn 70%; GEL Resources 30%)**

Further to the Company's June 2019 Quarterly Activities Report.

Mining has continued at the Trouser Legs Mine for delivery of ore to the processing mill together with, in August, ore mined from the nearby satellite pit at the Coles Prospect.

The following table provides an update as to the processing of the joint ventures ore through the mill noting the:

- (a) Final invoicing details for Parcels 14 and 15;
- (b) Provisional invoicing details for Parcels 16, 17 and 18 – final invoices which are pending umpire agreed recoveries; and
- (c) The haulage of Parcel 19 which is expected to be finalized on 30 September.

**Trouser Legs Mine Joint Venture (Hawthorn 70% & GEL 30%)**

**Table 1 Status of ore Parcels 14 to 19**

Parcel #	Month 2019	Final Invoices	Provisional Invoices *	Hauling	Dry tonnes	Grams/tonne	Recovery %	Recovered oz	Au Price \$/oz
P 014	May	X			27,798	2.37	96.06	2,037	1,848.57
P 015	June	X			39,402	2.07	96.38	2,523	1,957.33
P 016	July		X		41,465	2.20	*	*	2,022.88
P 017	Aug		X		22,415	2.60	*	*	2,212.31
P 018 **	Aug		X		12,690	2.20	*	*	2,212.31
P 019 ***	Sep			X	***	***	***	***	***

**Notes:**

\* Provisional invoices issued pending confirmation from the Carosue Dam mill and or umpire of tonnes processed and gold recoveries using a provisional recovery factor of 75%.

\*\* As mined from the Coles Prospect

\*\*\* Parcel 19 hauling to be completed 30 September tonnes hauled expected to be of the order of 35,000 tonnes

**B. Hawthorn Resources Limited June 2019 Financial Report**

Attached for release to the Market is the Company's Financial Report for the financial year ended 30 June 2019.

END.

For further information contact:

Company Secretary, Mourice Garbutt: (03) 9605 5917.



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# Hawthorn Resources Limited

ABN 44 009 157 439

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## FINANCIAL REPORT YEAR ENDED 30 JUNE 2019

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# Hawthorn Resources Limited

ABN 44 009 157 439

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## **Directors' Report 2019**

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# 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 2019.

### 1 Directors

The Directors of the Company in office since 1 July 2018 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 Income Generator Ltd (ASX: CIE) and non-executive chairman of Think Childcare Limited (ASX: TNK).

Former directorships of listed entities during the past three-year period being: non-executive chairman of Contango Microcap Limited (ASX: CTN) - resigned 13 October 2017 – and non-executive director of Alice Queen Ltd (ASX: AQX) – resigned 30 June 2019.

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

**Mr Christopher D Corrigan - BEc**  
**Non-Executive Director**  
**Appointed 5 October 2017; and elected by shareholders 29 November 2017**

Mr C D Corrigan was appointed as a non-executive director of the Company with effect from 5 October 2017.

Mr Corrigan has had some earlier involvement in Hawthorn's Anglo-Saxon project where Hawthorn, in August 2017, announced its decision to mine.

Mr Corrigan, indirectly, by his associate Belfort Investment Advisors Limited, is a substantial shareholder in Hawthorn Resources Limited.

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

Prior to his appointment to the Board of Directors of Hawthorn Resources Limited, Mr Corrigan has during the past three years held directorships in listed entities:

- Qube Holdings Group – Chairman from September 2011 to June 2017;
- Webster Limited – Executive Chairman from February 2016 to December 2017. Mr Corrigan remains a non-executive Director of Webster Limited.

**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 of 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 in the last three years being Top End Minerals Limited (April 2015 to June 2017).

## Hawthorn Resources Limited Directors' Report

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 working in South-East Asia and China with several Australian, Canadian and British mining and exploration groups as a consulting geologist.

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

**Mr Liao, Yongzhong – MBA**

**Non-Executive Director**

**Appointed 30 October 2012; last re-elected 2017 AGM**

Mr. Liao, Yongzhong has served Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. for more than 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 May 2018.

He holds concurrent posts of investment adviser of Guangdong Ligguang New Material Co., Ltd. And Fenghua Mining Investment Holding (HK) Limited.

**Mr Li, Yijie**

**Non-Executive Director**

**Appointed 30 October 2012; last re-elected 2018 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, which has total assets of RMB 5 billion.

**Mr Liu, Zhensheng**

**Non-Executive Director**

**Appointed 9 December 2015; elected as a Director 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 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 January 2018; Investment Director of Guangdong Hongda Blasting Co., Ltd at present.

In addition, he was a member of the National Technical Committee on Gold of Standardisation 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 2019 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") and its controlled entities ("the Group") is an Australian diversified base metals and gold mining and exploration company, 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 Group during the financial year was the development and mining of the Trouser Legs Mining Joint Venture Project ("TLMJV" or "the Project"), in which the Company holds a 70 per cent interest. GEL Resources Pty Ltd ("GEL") owns the remaining 30% interest in the project. The Company also holds interests in exploration assets and continues exploration and evaluation activities on these assets.

As Hawthorn is deemed to control the operation of the TLMJV it has accordingly consolidated in full the Project assets and liabilities, plus income and expenditure, with the interest GEL holds being represented in the financial accounts as a non-controlling interest.

#### *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*

During the year the Group generated revenues of \$39,258,959 (2018: \$17,316,713) from ore sales. Mining costs and related development expenses amounted to \$37,907,828 (2018: \$20,667,899), including amortisation and impairment of previously capitalised exploration expenditure totalling \$3,418,986 (2018: \$2,332,687).

During the year the Group disposed of its interests in the Box Well and Deep South Mining Leases for a total of \$13,500,000, generating a gain of \$8,367,709 against the carrying values of those leases. Exploration write-offs and impairment for the year amounted to \$286,607 compared to \$476,791 in 2018.

Administration expenses for 2019 were \$1,210,655 (2018: \$1,028,109), and there was a share-based payment expense of \$115,377 (2018: \$745,570) and a reversal of the 2018 expense of \$156,947 due to a change in expected vesting of performance rights. Note that this share based payment was the subject of a prior period adjustment as it was not included in the financial accounts for the year ended 30 June 2018. The consolidated profit for the year was \$8,315,992 (2018: loss of \$5,586,744).

#### *Consolidated Statement of Financial Position*

The Group had cash funds on hand at 30 June 2019 of \$15,969,638 (2018: \$1,088,416), receivables of \$5,529,287 (2018: \$6,937,411), inventories of ore of \$1,360,063 (2018: nil), available for sale securities, following impairment testing of carrying values, of \$1,549 (2018: \$2,231) and current liabilities totaled \$5,816,734 (2018: \$6,475,316).

At 30 June 2019, the Group had working capital of \$17,042,254 (2018: \$1,550,511), being current assets less current liabilities (excluding mining assets disclosed as current assets), and net assets of \$20,947,003 (2018: \$13,272,581).

#### *Cash Flow*

During the year, the Group generated \$3,009,479 (2018: outflow of \$3,843,407) from operating activities, paid \$1,028,257 (2018: \$695,622) for exploration activities, \$nil (2018: 2,877,475) for mine development and mining assets. The Group received \$13,500,000 from the sale of its interests in exploration leases. It raised no capital from the issue of new equity (2018: \$5,520,695). In addition, it received no cash calls from the TLMJV partner (2018: \$1,685,795). Rather, a return of funds of \$600,000 was provided to the TLMJV partner.

### 3 Significant Change in State of Affairs

During the year the Group disposed of its interests in the Yundamindera and Deep South Mining Leases. The disposal generated income of \$13,500,000 and a net gain of \$8,367,709 over the value of the leases carried in the Group's accounts being the capitalized value of exploration expenditures thereon.

Other than this matter, the Directors are of the opinion that there has not been any significant change in the state of affairs of the Company during the year under audit.

## Hawthorn Resources Limited Directors' Report

### 4 Dividends

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

### 5. Status of operations at reporting date

#### ***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.

#### ***Yundamindera – Box Well West Prospect***

The Company disposed of its interests in the Box Well Prospect.

#### ***Deep South – Central Zone***

The Company disposed of its interests in the Deep South Prospect.

### 6. Events after the balance date

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

### 7. Future Developments and Results

The current focus is on the Trouser Legs Mining Joint Venture ("TLMJV") mining activities. The future results of the mine are all impacted by risk factors that impact the economic outcomes of the mine, including: -

- The gold price;
- Foreign exchange rates (as gold prices are linked to US dollars);
- Ore productions and reserves;
- Continued government approval for mining activities;
- Compliance with mining procedures
- The cost of restoring the mine site in accordance with government legislation.

Each of these factors may vary and impact the economic outcomes of the TLMJV mining operation.

The Group will also continue to develop its other exploration assets and will fund such operations from existing reserves, cash flows from the TLMJV mining operation and, where necessary, capital raising. 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 Group's operations in subsequent financial years.

### 8. Issued Securities

#### **(a) Ordinary Shares**

At the date of this Report this Company has on issue a total of 326,615,613 shares (2018: 321,265,613 shares).

#### **(b) Options**

At the date of this Report the Company has no options on issue (2018: nil).

#### **(c) ESOP – Performance Rights**

In October 2018 by a resolution of the Board of Directors with Directors Mr M Kerr and Dr D Tyrwhitt abstaining, a total of 20,165,000 Performance Rights were granted under the terms of the Company's Employee Share Option Plan ("ESOP") which included the grant of 8,250,000 performance rights to Mr Kerr and Dr Tyrwhitt as previously approved by shareholders. All the performance rights as granted were and are subject to the achievement of various milestones linked to the mining operations at the TLMJV mine and exploration successes.

In relation to Mr Kerr and Dr Tyrwhitt members at the 2017 Annual General Meeting of Shareholders resolved to approve the grant to Director Mr Kerr and Dr Tyrwhitt, in aggregate, a total of 8,250,000 Performance Rights subject to the achievement of the milestones set out in the Notice of Meeting documentation.



## Hawthorn Resources Limited Directors' Report

In October 2018 an aggregate of 2,850,000 performance rights vested and issued – 2,600,000 to Mr Kerr, 250,000 to Dr Tyrwhitt. The Directors have exercised these rights and converted them to ordinary shares leaving an aggregate balance of 5,400,000 performance rights, of which 1,350,000 have vested.

In addition, a further 11,915,000 performance rights were issued to four persons eligible to participate under the terms of the ESOP of which 2,500,000 performance rights vested during the year and were also converted upon issue to ordinary shares leaving on aggregate balance of 9,415,000 performance rights.

### 9. Directors Interest in Issued Securities

The declared relevant interest of each Director of fully paid ordinary shares of the Company as at the date of this Report is:

M G Kerr *	11,100,456	
C D Corrigan **	56,095,028	
D S Tyrwhitt	150,000	-
Liao, Yongzhong	-	-
Li, Yijie	-	-
Liu, Zhengsheng	-	-

\* Mr Kerr's shareholding is held indirectly through superannuation funds that Mr Kerr is trustee of (7,877,794 ordinary shares) and indirectly through Berkeley Consultants Pty Ltd (622,662 ordinary shares) and Paradyce Pty Ltd (2,600,000 ordinary shares), companies in which Mr Kerr is a director and shareholder.

\*\* Mr Corrigan's relevant interest in the Company's shares is held indirectly through Belfort Investment Advisors Limited, a company associated with Mr Corrigan.

In addition, Mr Kerr and Dr Tyrwhitt hold the following vested performance rights:

M G Kerr	1,100,000
D S Tyrwhitt	250,000

These Rights, upon issue, can be converted into ordinary fully paid shares based on one new shares for each vested and converted Right. Issue is subject to Board approval of the vesting conditions.

### 10. 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	1	1	2	2
C D Corrigan*	1	1	2	-
D S Tyrwhitt	1	1	2	2
Liao, Yongzhong	1	1	n.a.	n.a.
Li, Yijie	1	1	n.a.	n.a.
Liu, Zhensheng	1	1	n.a.	n.a.

**Note:**

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

\*\* Audit, Compliance and Corporate Governance Committee considerations are, when required, Chaired by Dr Tyrwhitt. Mr Corrigan did not attend the Audit Committee meetings as he was overseas. He provided commentary on all matters.

### 11. 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 formerly 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 several public and listed companies in Australia including the Hawthorn Resources Limited Group.

## Hawthorn Resources Limited Directors' Report

### 12. 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 misconduct 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.

### 13. Environment

The mining and 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 land holdings in Australia for exploration and exploitation of resources. 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 periodic 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. Mining activities are governed by licencing arrangements and the Company is committed to complying in full to all conditions and regulations associated with the TLMJV mining licence requirements.

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 mining and exploration activities and during the rehabilitation of disturbed areas. Generally, rehabilitation occurs immediately following the completion of a particular phase of exploration or, in the case of TLMJV, after the completion of mining activities. In addition, the Company continues to develop and maintain mutually beneficial relationships with the local communities affected by its activities.

### 14. Non-Audit Services

During the year 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.

	2019 \$	2018 \$
<b>Statutory audit</b>		
Auditors of the Company – BDO		
- audit and review of financial reports	69,716	53,010
Other Services – BDO		
- other non-audit services	-	-
<b>Total fees</b>	69,716	53,010

## Hawthorn Resources Limited Directors' Report

### 15. 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.

#### (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.

Total fees paid or due during the 30 June 2019 financial year amounted to \$190,000 plus GST (2018: \$190,000) for the provision of serviced office facilities at 90 William Street, Melbourne.

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 2001* and approved an extension to the term of the arrangement to 31 December 2017 and thereafter of a month to month basis.

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.

#### (ii) Overview of Company Performance on Remuneration Structures

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>
Revenue	39,318,439	17,339,153	70,669	161,679	285,152
Net profit / (loss)	8,315,992	(5,586,744)	(3,048,655)	(1,760,756)	(4,125,198)
Basic earnings / (loss) per share – cents	2.280	(1.723)	(1.780)	(1.028)	(2.409)
Diluted earnings per share-cents	2.280	(1.723)	(1.780)	(1.028)	(2.409)
Net assets	20,947,003	13,272,581	10,907,265	13,955,920	15,716,676

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. The development of the TLMJV is the Company's first such development and will provide a measure of the Company's progress.

## Hawthorn Resources Limited Directors' Report

### (iii) Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders in January 2008 at a General Meeting of shareholders and approved with a 99.65% acceptance in favour of the resolution, is not to exceed \$300,000 per annum. The current aggregate of Non-Executive Directors' base fees for the current year was \$170,000 per annum (2018: \$162,192). 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.

### (iv) Executive Directors Remuneration

The Company 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 was appointed on 24 June 2016. The key elements of the Executive Service Agreement were:

- (i) Term: to 31 December 2018, 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.

Performance Rights were granted during the 2018 financial year, and vested during the current year, with an expense of \$36,787 recognised (2018: \$307,792). Included in the 2018 expense was an amount of \$48,579 relating to performance rights that were expected to vest that did not vest in 2019 as the performance hurdle was not met. Consequently, the expense of \$48,579 was reversed in the current year.

### (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)
  - C D Corrigan – Non-Executive Director (appointed 5 October 2017)
  - 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)
- (b) Executives
  - M Garbutt – Company Secretary (appointed 5 May 2008)

## Hawthorn Resources Limited Directors' Report

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:

*Year Ended 30 June 2019*

	SHORT TERM EMPLOYMENT Cash Salary and Fees \$	BENEFITS Leave provision \$	Cash Bonus	POST EMPLOYMENT Superannuation Contributions \$	EQUITY BASED PAYMENTS Performance Rights \$ (2) (3)	TOTAL \$
<b>Non-Executive Directors</b>						
C Corrigan	30,000	-	-	2,850	-	32,850
D S Tyrwhitt (1)	68,000	-	-	4,750	(981)	71,769
Liao, Yongzhong	30,000	-	-	-	-	30,000
Li, Yijee	30,000	-	-	-	-	30,000
Liu, Zhensheng	30,000	-	-	-	-	30,000
<b>Sub-Total</b>	<b>188,000</b>	<b>-</b>	<b>-</b>	<b>7,600</b>	<b>(981)</b>	<b>194,619</b>
<b>Executive Directors</b>						
M G Kerr	147,000	-	-	13,965	(11,792)	149,173
<b>Sub-Total</b>	<b>147,000</b>	<b>-</b>	<b>-</b>	<b>13,965</b>	<b>(11,792)</b>	<b>149,173</b>
<b>Other KMP</b>						
M Garbutt	-	-	-	-	-	-
<b>Sub-Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>335,000</b>	<b>-</b>	<b>-</b>	<b>21,565</b>	<b>(12,773)</b>	<b>343,792</b>

1. In addition to directors' duties, Dr Tyrwhitt undertook additional exploration 'field' duties at the request of the Board of Directors and received \$18,000 in consulting fees.
2. During the year performance rights valued at \$8,361 vested with Dr Tyrwhitt during the year. An expense of \$9,342 recorded in 2018 was reversed in the current year in respect of performance rights that failed to vest.
3. During the year performance rights valued at \$36,787 vested with Mr Kerr during the year. An expense of \$48,579 recorded in 2018 was reversed in the current year in respect of performance rights that failed to vest.

*Year Ended 30 June 2018*

	SHORT TERM EMPLOYMENT Cash Salary and Fees \$	BENEFITS Leave provision \$	Cash Bonus	POST EMPLOYMENT Superannuation Contributions \$	EQUITY BASED PAYMENTS Performance Rights \$ (2) (3)	TOTAL \$
<b>Non-Executive Directors</b>						
C Corrigan	22,192	-	-	2,108	-	24,300
D S Tyrwhitt (1)	67,250	-	-	4,750	40,981	112,981
Liao, Yongzhong	30,000	-	-	-	-	30,000
Li, Yijee	30,000	-	-	-	-	30,000
Liu, Zhensheng	30,000	-	-	-	-	30,000
<b>Sub-Total</b>	<b>179,442</b>	<b>-</b>	<b>-</b>	<b>6,858</b>	<b>40,981</b>	<b>227,281</b>
<b>Executive Directors</b>						
M G Kerr	147,000	-	-	13,965	307,792	468,757
<b>Sub-Total</b>	<b>147,000</b>	<b>-</b>	<b>-</b>	<b>13,965</b>	<b>307,792</b>	<b>468,757</b>
<b>Other KMP</b>						
M Garbutt	-	-	-	-	-	-
<b>Sub-Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>326,442</b>	<b>-</b>	<b>-</b>	<b>20,823</b>	<b>348,773</b>	<b>696,038</b>

1. In addition to directors' duties, Dr Tyrwhitt undertook additional exploration 'field' duties at the request of the Board of Directors and received \$17,250 in consulting fees.
2. During the year performance rights valued at \$20,000 vested with Dr Tyrwhitt during the year. An additional expense of \$20,981 was recorded in relation to performance rights that have yet to vest.
3. During the year performance rights valued at \$208,000 vested with Mr Kerr during the year. An additional expense of \$99,792 was recorded in relation to performance rights that have yet to vest.

In the 2018 Remuneration Report the performance rights that comprise the share-based payments expense of \$348,773 was not reported. The omission has been reported as a prior year adjustment in Note 1(f) to the financial statements.

## Hawthorn Resources Limited Directors' Report

### (vi) Bonuses included in Remuneration

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	2019			2018		
	Fixed remuneration	At risk - STI	At risk – LTI	Fixed remuneration	At risk - STI	At risk – LTI
<b>Non-Executive Directors</b>						
C Corrigan	100%	-	-	100%	-	-
D S Tyrwhitt (i)	100%	-	-	64%	-	36%
Liao, Yongzhong						
Li, Yijie	100%	-	-	100%	-	-
Liu, Zhensheng	-	-	-	-	-	-
<b>Executive Directors</b>						
M G Kerr (i)	100%	-	-	34%	-	66%
<b>Other KMP</b>						
M Garbutt	-	-	-	-	-	-

(i) Mr Tyrwhitt and Mr Kerr were granted six tranches performance shares in 2018 under the Company's ESOP with various performance hurdles. In 2018 expenses were recorded in relation to 4 of the 6 tranches of performance rights granted. In 2018 two of the tranches vested, and these rights were converted into ordinary shares in the current year. In 2019 one further tranche vested. These rights have not been converted to shares. The fourth tranche did not vest, and the 2018 expense has been reversed. As a result, the current period performance-based remuneration is a credit and the proportion of remuneration that is linked to performance is deemed to be zero.

### (vii) Details of Directors and Executives Interest in Securities

The Company has on issue fully paid ordinary shares and since October 2018 Performance Rights.

	01.07.2018	Exercise of performance rights	On Market movements	30.06.2019
<b>Directors:</b>				
M G Kerr	8,500,456	2,600,000	-	11,100,456
C D Corrigan	56,095,028	-	-	56,095,028
D S Tyrwhitt	-	250,000	(100,000)	150,000
Liao, Yongzhong	-	-	-	-
Li, Yijie	-	-	-	-
Liu, Zhensheng	-	-	-	-
<b>Total Directors</b>	<b>64,595,484</b>	<b>2,850,000</b>	<b>(100,000)</b>	<b>67,345,484</b>

<b>Executives</b>				
M Garbutt	-	-	-	-
<b>Total Directors/Executives</b>	<b>64,595,484</b>	<b>2,850,000</b>	<b>(100,000)</b>	<b>67,345,484</b>

	01.07.2018	Issue of performance rights	Exercise of performance rights	30.06.2019 Balance	30.06.2019 Vested
<b>Directors:</b>					
M G Kerr	-	7,000,000	(2,600,000)	4,400,000	1,100,000
C D Corrigan	-	-	-	-	-
D S Tyrwhitt	-	1,250,000	(250,000)	1,000,000	250,000
Liao, Yongzhong	-	-	-	-	-
Li, Yijie	-	-	-	-	-
Liu, Zhensheng	-	-	-	-	-
<b>Total Directors</b>	<b>-</b>	<b>8,250,000</b>	<b>(2,850,000)</b>	<b>5,400,000</b>	<b>1,350,000</b>

<b>Executives</b>					
M Garbutt	-	-	-	-	-
<b>Total Directors/Executives</b>	<b>-</b>	<b>8,250,000</b>	<b>(2,850,000)</b>	<b>5,400,000</b>	<b>1,350,000</b>

The performance rights were granted in November 2017. Six different tranches were granted, each with different performance hurdles. The details are contained in note 18 to the financial statements. The outstanding Performance Rights that have not vested have expired and will not vest. At 30 June 2019 the Rights have not yet been cancelled.

Hawthorn Resources Limited  
Directors' Report

**(viii) Other transactions with Key Management Personnel**

- (i) During the year the Company paid \$190,000 (2018: \$190,000) to Berkeley Consultants Pty Ltd for serviced office facilities. Berkeley Consultants Pty Ltd is an entity in which Mr. M Kerr has a material personal interest in the transactions through his interests in Berkeley Consultants Pty Ltd.
- (ii) 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 \$129,211 (2018: \$142,076).
- (iii) During the year the Company paid consulting fees totalling \$12,663 (2018: \$13,976) to Public Relations Exchange, an entity controlled by a related party of Mr. M Kerr.

***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 1st day of October 2019.



Mark Kerr  
Chairman

## **DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF HAWTHORN RESOURCES LIMITED**

As lead auditor of Hawthorn Resources Limited for the year ended 30 June 2019, 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.



Wai Aw  
Partner

**BDO East Coast Partnership**

Melbourne, 1 October 2019



Hawthorn Resources Limited  
Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 30 June 2019

		<b>Consolidated</b>	
	<b>Note</b>	<b>2019 \$</b>	<b>2018 Restated \$</b>
<b>Continuing operations</b>			
Revenue	2	39,318,439	17,339,153
Other income	7	8,367,709	-
<b>Expenses</b>			
Mining costs	3	(37,907,828)	(20,667,899)
Exploration expenditure impaired	8	(92,236)	(183,163)
Exploration expenditure expensed	8	(194,371)	(293,628)
Administration expenses		(1,210,655)	(1,028,109)
Depreciation expense		(6,636)	(7,528)
Share based payments benefit/(expense)	18	41,570	(745,570)
<b>Profit / (Loss) before income tax expense from continuing operations</b>		<b>8,315,992</b>	<b>(5,586,744)</b>
Income tax expense	12	-	-
<b>Profit / (Loss) for the year after tax from continuing operations</b>		<b>8,315,992</b>	<b>(5,586,744)</b>
<b>Other comprehensive income - items that may be reclassified subsequently to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>8,315,992</b>	<b>(5,586,744)</b>
<b>Profit / (Loss) attributable to members</b>		<b>7,409,698</b>	<b>(5,009,290)</b>
Profit / (Loss) attributable to non-controlling interests		906,294	(577,454)
		<b>8,315,992</b>	<b>(5,586,744)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic profit / (loss) per share for the year attributable to ordinary equity holders	13	2.280	(1.723)
Diluted profit / (loss) per share for the year attributable to ordinary equity holders	13	2.280	(1.723)

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 2019

		Consolidated	
	Note	2019 \$	2018 Restated \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	14(a)	15,969,638	1,088,416
Trade and other receivables	5	5,529,287	6,937,411
Inventories	6	1,360,063	-
Development and mining assets	4	2,392,867	-
<b>Total Current Assets</b>		<b>25,251,855</b>	<b>8,025,827</b>
<b>Non-Current Assets</b>			
Other financial assets		1,549	2,231
Exploration expenditure	8	1,501,905	5,892,921
Development and mining assets	4	-	5,811,854
Plant and equipment		8,428	15,064
<b>Total Non-Current Assets</b>		<b>1,511,882</b>	<b>11,722,070</b>
<b>TOTAL ASSETS</b>		<b>26,763,737</b>	<b>19,747,897</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	4,563,169	6,099,441
Provisions	16	1,253,565	375,875
<b>Total Current Liabilities</b>		<b>5,816,734</b>	<b>6,475,316</b>
<b>TOTAL LIABILITIES</b>		<b>5,816,734</b>	<b>6,475,316</b>
<b>NET ASSETS</b>		<b>20,947,003</b>	<b>13,272,581</b>
<b>EQUITY</b>			
Contributed equity	17	62,043,314	61,615,314
Reserves	18	276,000	745,570
Accumulated losses		(42,786,946)	(50,196,644)
Equity attributable to the members of Hawthorn Resources Limited		19,532,368	12,164,240
Non-controlling interest	19	1,414,635	1,108,341
<b>TOTAL EQUITY</b>		<b>20,947,003</b>	<b>13,272,581</b>

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 2019

	Note	Consolidated	
		2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		40,657,745	5,157,393
Payments in the course of operations (inclusive of GST)		(37,707,746)	(9,023,240)
Interest received		59,480	22,440
<b>Net cash provided by / (used in) operating activities</b>	14 (b)	3,009,479	(3,843,407)
<b>Cash flows from investing activities</b>			
Payments for exploration expenditure		(1,028,257)	(695,622)
Receipts from sale of exploration leases		13,500,000	-
Payments for mine development		-	(2,877,475)
<b>Net cash provided by / (used in) investing activities</b>		12,471,743	(3,573,097)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		-	6,000,079
Cost of issuing shares		-	(479,384)
Receipts from JV partner		-	1,685,795
Return of cash calls to JV partner		(600,000)	-
<b>Net cash (used in) / provided by financing activities</b>		(600,000)	7,206,490
Net increase / (decrease) in cash and cash equivalents		14,881,222	(210,014)
Cash and cash equivalents at beginning of year		1,088,416	1,298,430
<b>Cash and cash equivalents at end of year</b>	14(a)	15,969,638	1,088,416

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 2019

	Contributed Equity	Accumulated Losses	Reserves	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$
<b>CONSOLIDATED</b>					
<b>At 1 July 2017</b>	56,094,619	(45,187,354)	-	-	10,907,265
Loss for the year after income tax expense - Restated	-	(5,009,290)	-	(577,454)	(5,586,744)
Other comprehensive income for the year, net of tax	-	-	-	-	-
<b>Total comprehensive income for the year - Restated</b>	-	(5,009,290)	-	(577,454)	(5,586,744)
Issued share capital	6,000,079	-	-	-	6,000,079
Share issue costs	(479,384)	-	-	-	(479,384)
Share based payment - Restated	-	-	745,570	-	745,570
Joint venturer - cash call contribution	-	-	-	1,685,795	1,685,795
<b>At 30 June 2018 Restated</b>	61,615,314	(50,196,644)	745,570	1,108,341	13,272,581
<b>At 1 July 2018</b>	61,615,314	(50,196,644)	745,570	1,108,341	13,272,581
Profit for the year after income tax expense	-	7,409,698	-	906,294	8,315,992
Other comprehensive income for the year, net of tax	-	-	-	-	-
<b>Total comprehensive income for the year</b>		7,409,698	-	906,294	8,315,992
Conversion of performance rights to shares	428,000	-	(428,000)	-	-
Share based payment	-	-	(41,570)	-	(41,570)
Joint venturer - return of cash calls	-	-		(600,000)	(600,000)
<b>At 30 June 2019</b>	62,043,314	(42,786,946)	276,000	1,414,635	20,947,003

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 2019

**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 development and mining of gold ore, as well as exploration and evaluation of various base metals and gold.

The consolidated financial report of the Company as at, and for the year ended, 30 June 2019, 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 financial assets at fair value through other comprehensive income 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 25.

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

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

**(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) Critical Accounting Estimates and Judgments**

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 have a significant effect on the financial report and estimates made in accordance with these Standards have a significant risk of material adjustment in the next year. The areas most impacted include:

- the amortisation of Development and Mining assets, as discussed in note 4 to the accounts; and
- Exploration expenditure in note 8.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**(e) 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 Company controls an entity when the Company 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 Company. They are de-consolidated from the date that control ceases.

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 Company.

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.

**(f) Prior period adjustment**

During the year the Company issued performance rights to employees under its ESOP. It was noted that these performance rights were granted on 29 November 2017 and based on the valuation and vesting conditions an expense should have been recorded during the year ended 30 June 2018. This represents an error in the application of the Company's accounting policy in relation to share-based payments and the application of AASB 2 *Share Based Payments*. Consequently, an adjustment has been made to the financial report for the year ended 30 June 2018 to record the expense arising from the share-based payments from the grant of the performance rights. The error impacts the employee expense and reserves in the financial report but does not impact net assets at 30 June 2018. As directors were granted performance rights the adjustment impacts the remuneration report during the prior year. A note of that adjustment has been made in the Remuneration Report note (v).

The adjustment is shown in the extracts of the financial statements for the year ended 30 June 2018 below:

**Extract of Statement of Profit or Loss and Other Comprehensive Income**

	30 June 2018	Effect of restatement	30 June 2018 Restated
	\$	\$	\$
Revenue	17,339,153	-	17,339,153
<i>Expenses</i>			
Mining costs	(20,667,899)	-	(20,667,899)
Exploration expenditure impaired	(183,163)	-	(183,163)
Exploration expenditure expensed	(293,628)	-	(293,628)
Administration expenses	(1,028,109)	-	(1,028,109)
Depreciation expense	(7,528)	-	(7,528)
Share based payments	-	(745,570)	(745,570)
<b>Loss before income tax expense</b>	(4,841,174)	(745,570)	(5,586,744)
Income tax expense	-	-	-
<b>Loss after income tax</b>	<b>(4,841,174)</b>	<b>(745,570)</b>	<b>(5,586,744)</b>

*Note that the adjustment did not impact Non-controlling interests or Other Comprehensive Income.*

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**Extract of the Statement of Financial Position**

	30 June 2018	Effect of restatement	30 June 2018 Restated
	\$	\$	\$
<b>EQUITY</b>			
Contributed equity	61,615,314	-	61,615,314
Reserves	-	745,570	745,570
Accumulated losses	(49,451,074)	(745,570)	(50,196,644)
Equity attributable to the members of Hawthorn Resources Limited	12,164,240	-	12,164,240
Non-controlling interest	1,108,341		1,108,341
<b>TOTAL EQUITY</b>	<b>13,272,581</b>		<b>13,272,581</b>

**2. REVENUE**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Ore sales	39,258,959	17,316,713
Interest	59,480	22,440
Total revenue	39,318,439	17,339,153

**Accounting Policy**

*Sale of goods*

Revenue from the sale of gold ore is recognised when the performance obligation is satisfied. The performance obligation is generally considered to be satisfied when the gold ore is physically transferred to the buyer.

Gold sales are recognised based on the quantity and grade of the ore mined and processed at Saracen Gold Mines Pty Ltd's ("Saracen") Carosue Dam Mill processing operation. The amount paid by Saracen is the amount billed, net of processing costs borne by Saracen and any discounts allowed. If required, adjustments are made for variations in commodity price, assay or weight between the time of dispatch and the time of final settlement.

*Interest*

Interest revenue is recognised as the interest accrues.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**3. MINING COSTS**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Processing costs	15,214,969	8,505,139
Mine management and contract services	16,021,583	7,408,523
Camp costs	1,387,448	829,784
Amortisation	3,418,987	1,540,273
Decision to mine payment	-	733,950
Impairment *	-	792,414
Royalties and related costs	1,689,401	645,235
Other expenses	1,535,503	212,581
	<b>39,267,891</b>	<b>20,667,899</b>
Closing work-in-progress	(1,360,063)	-
Total mining costs	<b>37,907,828</b>	<b>20,667,899</b>

\* impairment upon transfer of exploration expenditure into development and mining

**4. DEVELOPMENT AND MINING ASSETS**

Areas in the mining phase – At cost		
Current	2,392,867	-
Non-Current	-	5,811,854
	<b>2,392,867</b>	<b>5,811,854</b>

*The project is expected to be completed within the next 12 months and the assets are expected to be fully amortised within that period. Accordingly, the development and mining assets have been classified as current assets.*

Movement in the carrying value of development and mining assets during the year was:

Opening balance at 1 July	5,811,854	-
Transfer from exploration and evaluation assets (i)	-	3,726,793
Costs incurred during the year (ii)	-	4,417,748
Amortisation during the year (iii)	(3,418,987)	(1,540,273)
Development expenditure impaired during the year (iv)	-	(792,414)
Balance at 30 June	<b>2,392,867</b>	<b>5,811,854</b>

- (i) Exploration and evaluation expenditure previously expended on the Area of Interest was transferred to mining and development assets during the prior year. At the point of transfer the amount was impairment tested.
- (ii) Costs incurred on mining operations are capitalised as incurred.
- (iii) Costs transferred and capitalised are amortised on the unit-of-production method.
- (iv) Development expenditure is impaired to the extent that future ore resources support the carrying value of the development assets.

**Accounting policy**

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of the mine and the related infrastructure. The TLMJV project is a pre-existing open-cut mine. Therefore, the development decision and the mining decision was effectively made at the same time, with some initial development and stripping undertaken to confirm the operation. These costs were capitalised, and all the accumulated exploration and development costs classified into mining assets when it was deemed the mine was capable of operating in the manner intended by management. Amortisation is charged to using the units-of-production basis results in an



Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

amortisation charge proportional to the depletion of proved, probable and estimated reserves. Development properties are tested for impairment in accordance with the policy of impairment of assets.

***Accounting policy - Impairment***

The Group 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 Group 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.

***Key estimates and judgements***

*Ore reserve and resource estimate*

Ore reserves are estimates of the amount of product that can be economically and legally extractable from the Group's current mining tenements. The Group estimates its ore reserves based on information compiled by appropriately qualified persons able to interpret the geological data. The estimation of recoverable reserves is based on factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact on the value of mine properties and amortisation charges.

*Units of production amortisation*

Estimated recoverable reserves are used in determining the amortisation of mine specific assets. This results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The Group adopts a Run of Mine tonnes of ore produced methodology. This involves using tonnes of ore processed to estimate remaining recoverable reserves and requires accurate measurement of ore processed, the ore grade and the recoverable reserves.

*Impairment*

Based on an assessment of the key variables underpinning the value of the project the Directors have determined there are no indicators of impairment as at 30 June 2019.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**5. TRADE AND OTHER RECEIVABLES**

	Consolidated	
	2019 \$	2018 \$
<b>CURRENT</b>		
Trade receivables (i)	5,494,441	5,640,083
Accrued revenue (ii)	-	1,250,000
Other receivables (iii)	34,846	47,328
	<b>5,529,287</b>	<b>6,937,411</b>

- (i) Trade receivables relate to ore sales to Saracen Mining. All amounts are billed and due in accordance with the Ore Sale and Purchase Agreement. Under the agreement all amounts disputed due to ore quality are settled through an independent umpire. The Agreement deals with the processing of ore by Saracen and includes a discount on processing costs that is repayable to Saracen. As a result, the trade receivables balance represents a 'rolling balance' made up of initial sales invoices, payments, adjusting sales invoices, processing cost offsets and discounts. Consequently, there is no aged debtors listing. At 30 June 2019 the balance of trade receivables is not considered impaired.
- (ii) Accrued revenue relates to ore supplied to Saracen Mining but not yet invoiced. The final amount invoiced is subject to adjustment based on ore quality.
- (iii) Other debtors relate to GST and sundry debtors.

**Accounting policy**

Receivables are recognised initially at the amount of consideration that is unconditional. The Group holds trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Any impairment or expected loss allowance is recorded in a separate account and any write off is offset against this account in the future.

**6. INVENTORIES**

Ore stockpiles	1,360,063	-
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**Accounting policy**

Inventories of ore are valued at the lower of cost and net realisable value. Costs comprise direct material, labour, and an appropriate allocation of variable and fixed production overheads based on normal production capacity. These costs are included in Mining Costs in the Statement of profit or loss and other comprehensive income. Net realisable value is the estimated sales value in the ordinary course of the business less any direct and the estimated selling costs.

At 30 June 2019 there was 38,906 tonnes of ore that had been mined and had yet to reach its saleable state. 6,996 tonnes were transported, or were ready for transfer, to the Saracen processing plant, with the remainder of the ore at the TLMJV mine site ROM (run-of-mine) pad.

**7. OTHER INCOME**

**Disposal of interests in mining leases**

Proceeds from disposal	13,500,000	-
Disposal of exploration assets (Note 8)	(5,127,361)	-
Transaction costs	(4,930)	-
Total other income	<b>8,367,709</b>	<b>-</b>

During the year the Group completed the disposal of its interests in the Deep South and Yundamindera mining leases. The disposal included all tenements held under the licences. Proceeds were received in cash during the year.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**8. EXPLORATION EXPENDITURE**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Areas in the exploration phase At cost	1,501,905	5,892,921

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

Opening balance at 1 July	5,892,921	9,438,389
Costs incurred during the year	1,022,952	658,116
Transfer to mining development assets (i)	-	(3,726,793)
Disposal of exploration assets (ii)	(5,127,361)	-
Exploration expenditure written off during the year	(194,371)	(293,628)
Exploration expenditure impaired during the year (iii)	(92,236)	(183,163)
Balance at 30 June	1,501,905	5,892,921

- (i) During the prior year the Group developed mining operations at the Trouser Legs Mining Joint Venture operations, and in accordance with AASB 6 transferred all costs incurred into mining and development assets.
- (ii) During the year the Group disposed of its interests in the Yundamindera-Box Well and Deep South mining leases.
- (iii) Impairment expense for the year relates to amounts expended on lower priority projects where the Group has not committed to future expenditure.

**Accounting policy**

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.

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 Group conducted a review of its remaining exploration area of interest at Mt Bevan, considering planned exploration activity over the next twelve months, which is over and above the expenditure requirements to maintain the tenements in good standing. In addition, the Group 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.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**Key estimates and judgements**

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.

**9. INTEREST IN JOINT VENTURES**

The Company has an interest in the following joint ventures:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Edjudina – Pinjin (Westgold Resources Limited) (i)	80%	80%
Mt Bevan (Legacy Iron Ore Limited) (ii)	40%	40%

- (i) Edjudina – Pinjin: Westgold Resources Limited has a non-contributory 20% interest that is free carried to decision to mine;
- (ii) Mt Bevan: Whilst the Company's financial/contributing interest in the joint venture is 40% the Company and Legacy Iron Ore Limited share management decision making on a 50/50 basis.

The principal activity of these joint ventures is mineral exploration all of which are located within Australia.

The Company's interest in these projects is included in exploration expenditure (Note 8).

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Exploration expenditure	1,501,905	3,402,610
<b>Total Assets</b>	<b>1,501,905</b>	<b>3,402,610</b>
<b>Liabilities</b>		
Trade and other payables	59,000	59,000
<b>Total Liabilities</b>	<b>59,000</b>	<b>59,000</b>

Included in the Group commitments (note 10) are the following commitments in relation to the joint ventures:

Exploration		
Not later than 1 year	245,010	354,810
Later than one year but not later than five years	686,640	1,419,240
More than five years	1,070,020	2,130,720
<b>Total</b>	<b>2,001,670</b>	<b>3,904,770</b>

**Accounting policy**

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 Company 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.

**10. COMMITMENTS**

*(a) Exploration*

The Group must 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 Group's tenement portfolio management through expenditure exemption approvals and expenditure reductions through relinquishment of parts or the whole of tenements deemed non prospective.

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Notes to the Consolidated Financial Statements for the year ended 30 June 2019

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

	<b>Consolidated</b>	
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Not later than one year	538,610	1,045,410
Later than one year but not later than five years	1,101,040	4,501,640
More than five years	1,165,220	4,268,320
	<b>2,804,870</b>	<b>9,815,370</b>

The terms and conditions under which the Group 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 Group before the expiry of the full term of the licence.

*(b) Operating Leases*

The Company's lease for its principal place of business expired on 31 December 2018 and thereafter the Company has leased the premises on a month to month basis.

## 11. EXPENSES

Profit / (Loss) before income tax expense includes the following expenses whose disclosure is relevant in explaining the performance of the Group:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018 Restated</b>
	<b>\$</b>	<b>\$</b>
(i) Payroll and contractor expenses		
Salaries and other employee costs	478,640	369,622
Superannuation	27,265	26,523
Insurance	43,486	28,075
Consulting and contractor fees	52,000	58,500
Share based payments (see note 18)	(41,570)	745,570
Total payroll and contractor expenses	<b>559,821</b>	<b>1,228,290</b>
(ii) Fully serviced office rental expense	<b>190,000</b>	<b>190,000</b>

### **Accounting policy**

#### *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.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**12. TAXATION**

(a) <b>Income tax recognised in profit or loss</b> <b>Tax expense comprises:</b>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Current tax benefit	-	(1,331,323)
Deferred tax expense relating to the origination and reversal of temporary differences	-	27,510
Tax losses not recognised	-	1,303,813
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:**

Profit / (Loss) from operations	8,315,992	(5,586,744)
Income tax expense at 27.5% (2018: 27.5%)	2,286,898	(1,536,355)
Non-deductible expenditure	1,206,916	477,060
Capital expenditure deduction	(282,667)	(180,982)
Decline of value of depreciating assets	(1,825)	(2,070)
Allowable deductions	(165,207)	(61,466)
Tax base of assets disposed of	868,081	-
Tax and capital losses utilised	(3,912,196)	-
Tax losses not recognised	-	1,303,813
Income tax expense	-	-

**(b) Deferred tax assets and liabilities**

**Deferred tax liability comprises:**

Exploration costs	746,583	2,645,422
Amounts not recognised due to offset of deferred tax assets (detailed below)	(746,583)	(2,645,422)
	-	-

**Deferred tax asset comprises:**

Investments	-	531,383
Accruals and payables	71,775	7,574
Employee entitlements	33,564	35,475
Blackhole expenditure	79,098	105,465
Tax Losses utilised to offset remaining DTL	250,980	1,869,733
Provisions	311,166	95,792
	746,583	2,645,422

Tax Loss amounts where benefit not recognised (potential benefit of 27.5%) *	22,752,658	30,267,668
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Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**Accounting policy**

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.

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.

\*At 10 June 2008, the Company 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 Company 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 profits will exceed the value of the gross value of the deferred tax assets available to the Company. This is due to the uncertainties and risks associated with estimating economic benefits arising from the Trouser Legs Mining Joint Venture, due to the risk factors discussed related to the Company's assets and operations.

**13. EARNINGS PER SHARE**

**Basic and diluted earnings per share**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018 Restated</b>
	<b>\$</b>	<b>\$</b>
Basic and diluted earnings per share is calculated as follows:		
Profit / (Loss) for the year attributable to members	7,409,698	(5,009,290)
	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares at the end of the financial year	325,047,257	290,646,471
Basic/Diluted Profit/(Loss) Per Share (cents)	2.280	(1.723)

There were no outstanding options at the reporting date (30 June 2018: \$nil). Outstanding performance rights are considered non-dilutive as the rights have not vested due to the vesting conditions not being satisfied as at 30 June 2019.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**14. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(a) Cash and cash equivalents		
Cash at bank	1,895,810	728,132
Term deposits	14,073,828	360,284
Total cash and cash equivalents	15,969,638	1,088,416

**Accounting policy**

Cash and short-term deposits in the Consolidated 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.

*(b) Reconciliation of profit / (loss) after tax to net cash used in operating activities*

Profit / (Loss) for the year after tax	8,315,992	(5,586,744)
<i>Adjustment for:</i>		
Write off of exploration expenditure	194,371	293,628
Impairment of exploration expenditure	92,236	183,163
Impairment of development and mining expenditure	-	792,414
Amortisation of mine assets	3,418,987	-
Depreciation	6,636	7,528
Gain on disposal of exploration leases	(8,367,709)	-
Impairment of financial assets	683	-
Share based payments	(41,570)	745,570
Net cash from / (used in) operating activities before change in assets and liabilities	3,619,626	(3,564,441)
Change in assets and liabilities:		
Decrease/(increase) in receivables and other assets	1,408,124	(6,445,764)
(Increase) in inventories	(1,360,063)	-
(Decrease) / increase in trade and other payables	(1,535,898)	5,825,559
Increase in provisions	877,690	341,239
Net cash from / (used in) operating activities	3,009,479	(3,843,407)

*(b) Reconciliation of cash*

For the purpose of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks.

*(c) Non-cash financing and investing activities*

During the year, there was no non-cash financing or investing activities (2018: Nil).



Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**15. TRADE AND OTHER PAYABLES**

	<b>Consolidation</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade and other payables	4,563,169	4,955,045
Production discount (i)	-	1,144,396
Payables and accrued expenses	4,563,169	6,099,441

- (i) The Joint Venture production arrangements included a production discount to assist the Group's initial operational cash flows.

These amounts represent liabilities for goods and services provided to the Group 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.

These amounts represent liabilities for goods and services provided to the Group 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.

**Accounting policy**

These amounts represent liabilities for goods and services provided to the Group 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.

**16. PROVISIONS**

Employee entitlements	122,052	27,541
Land rehabilitation	1,131,513	348,334
Provisions	1,253,565	375,875
<i>Reconciliation of Land Rehabilitation provision</i>		
Opening balance	348,334	-
Provision made in the year	783,179	348,334
Closing balance	1,131,513	348,334

**Accounting policy**

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.

**Key estimates and judgements**

*Land rehabilitation*

The Group makes provision for the rehabilitation of the land used in its mining operations. The provision is required to estimate the costs that the Group will incur to rehabilitate the land in the future. The quantum of the rehabilitation work is uncertain, and therefore the estimates are subject to a number of factors that can vary. These factors include of the costs of performing the work, the volume of land to be rehabilitated, regulatory changes, technological changes and discounting factors.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**17. CONTRIBUTED EQUITY**

	<b>Consolidated</b>	
	<b>2019 \$</b>	<b>2018 \$</b>
Ordinary shares	62,043,314	61,615,314
	<b>2019 No. of Shares</b>	<b>2018 No. of Shares</b>
Ordinary shares	326,615,613	321,265,613
The reconciliation of opening and closing equity is as follows:		
	<b>Consolidated</b>	
	<b>2019 No. of shares</b>	<b>2019 \$</b>
Balance at 1 July 2017	171,263,644	56,094,619
Issued September 2017 for cash pursuant to non- renounceable rights issues (at 4 cents per share)	150,001,969	6,000,079
Costs of issuing shares	-	(479,384)
At 30 June 2018	321,265,613	61,615,314
Exercise of performance rights	5,350,000	428,000
At 30 June 2019	326,615,613	62,043,314

**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.

**Accounting policy**

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.

**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.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**18. RESERVES**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018 Restated</b>
	<b>\$</b>	<b>\$</b>
Performance rights reserve	276,000	745,570

*(a) Nature of Reserve*

This reserve records the value of the performance rights issued by the Company, in accordance with the measurement requirements of AASB 2 *Share Based Payments*. At the Group's AGM in November 2017, it was resolved to award long term performance rights to key personnel of the Company, and performance rights were awarded to 6 officers of the Group. Each right is to be issued upon completion of the performance hurdle. Each right issued entitles the officer to one share per right at no cost. The right is exercisable as soon as issued. The performance rights granted were in six tranches and details were as follows:

Grant Date	Total number granted	Performance condition	Performance date	STATUS
29/11/2017	2,000,000	Completion of capital raising	18/9/2017	Vested and issued
29/11/2017	3,350,000	First deliver/sale of gold ore	28/2/2018	Vested and Issued
29/11/2017	3,450,000	Completion of 50% of mining Pit 2	31/10/2018	Vested
29/11/2017	4,200,000	Completion of Pit 2 mining	28/2/2019	Expired *
29/11/2017	2,450,000	Discovery of additional 130,000 oz at Yundamindera/Box Well	N/A	Expired **
29/11/2017	4,715,000	Discovery of further 240,000 oz at Yundamindera/Box Well	N/A	Expired **
<b>Total</b>	<b>20,165,000</b>			

\* The vesting condition lapsed incomplete.

\*\* Yundamindera/Box Well has been sold, and therefore the performance rights cannot vest.

In accordance with AASB 2 the Company has valued each of the performance rights, and then determined the probability of the performance rights vesting, and calculated the total cost of issuing the performance rights. In order to estimate the cost, the Company has used the following inputs into a Black-Scholes/Binomial convergence model.

Input	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Valuation Date	29/11/2017	29/11/2017	29/11/2017	29/11/2017	29/11/2017	29/11/2017
Vesting Period	18/9/2017	28/2/2018	31/10/2018	28/2/2019	N/A	N/A
Spot Price	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Volatility	61%	61%	61%	61%	61%	61%
Risk free rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Dividend yield	0%	0%	0%	0%	0%	0%
Value per right						
Probability of success	100%	80%	60%	50%	25%	5%
Number of rights	2,000,000	3,350,000	3,450,000	4,200,000	-	-
Expected cost \$	160,000	268,000	276,000	336,000	-	-
<b>Actual Expense</b>						
<b>2019 \$</b>	-	-	<b>115,377</b>	<b>(156,947)</b>	-	-
<b>2018 \$</b>	160,000	268,000	160,623	156,947	-	-

Where the probability of the rights vesting is below 50% no expense has been recorded.

*Performance Hurdles*

**Tranche Performance Hurdle**

- 1 Completion of capital raising on 18 September 2017
- 2 First Gold Sale from Anglo Saxon
- 3 Half-completion of the Anglo-Saxon open pit mining by 31 October 2018
- 4 Completion of open-pit mining at Anglo-Saxon by 30 June 2010
- 5 Yundamindera-Box Well discovery of additional 130,000oz (total 260,000oz)
- 6 Yundamindera-Box Well discovery of additional 240,000oz (total 500,000oz)

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

(b) *Movements in reserve*

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018 Restated</b>
	<b>\$</b>	<b>\$</b>
Balance as at 1 July	745,570	-
Expense during the year	115,377	745,570
Expense reversed on reassessment of probability of achieving performance hurdle (i)	(156,947)	-
Issued and exercised during the year	(428,000)	-
<b>Balance at 30 June</b>	<b>276,000</b>	<b>745,570</b>

(i) At 30 June 2018 the Company estimated that there was a 50% probability that the performance hurdle would be met for Tranche 4. Therefore, an expense was recorded in relation to the Tranche. However, the project was not completed by the performance date and accordingly the expense previously reported was reversed.

(c) *Accounting policy*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

## 19. NON-CONTROLLING INTERESTS

Hawthorn Resources Limited has a 70% equity interest in the Trouser Legs Mining Joint Venture ("TLMJV") Project with GEL Resources Pty Ltd holding a 30% interest. As Hawthorn is deemed to control the operation it has accordingly consolidated in full the TLMJV Project assets and liabilities, plus income and expenditure, with the interest GEL holds being represented in the financial accounts as a non-controlling interest.

The movement in GEL's non-controlling interest during the year ended 30 June 2019 is shown below and is represented by contributed equity and adjusted for its share of the Joint Venture profit or loss for the period. During the year there was also a return of contributions of \$2 million to the Joint Venture partners, resulting in a reduction of Joint Venture assets of \$2,000,000 and a corresponding reduction of the Non-controlling interest of \$600,000.

	<b>Consolidation</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
At 1 July	1,108,341	-
Contributed equity – cash calls	-	1,685,795
Return of cash calls	(600,000)	-
Share of profit / (loss) for the year	906,294	(577,454)
<b>At 30 June</b>	<b>1,414,635</b>	<b>1,108,341</b>

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**20. 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)
Christopher D Corrigan – Non-Executive Director	(Appointed 5 October 2017)
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)
Mourice Garbutt – Company Secretary	(Appointed 5 May 2008)

The key management personnel compensation is as follows:

	<b>2019</b>	<b>2018 Restated</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	335,000	326,442
Share based payments	(12,773)	348,773
Post-employment benefits	21,565	20,823
	<b>343,792</b>	<b>696,038</b>

In addition to the above disclosed remuneration, \$190,000 (2018: \$190,000) 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 Mr. 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 \$12,663 (2018: \$13,936) to Public Relations Exchange, an entity controlled by a related party of Mr. M Kerr.

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 \$129,211 (2018: \$142,076).

At year end, no balance was outstanding (2018: \$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 2019, Hawthorn Resources Limited loan balances with its subsidiary companies were:

Payable to Ellendale Resources Pty Ltd	\$516,280 (2018: \$516,806)
Receivable from Northern Resources Australia Pty Ltd	\$261,553 (2018: \$261,290)
Receivable from Trouser Leg Mining Joint Venture	\$71,097 (2018: \$127,026)

As at 30 June 2019, Ellendale Resources Pty Ltd loan balances with its subsidiary companies were:

Payable to Sunderland Pty Ltd	\$477,691 (2018: \$477,954)
Receivable from Northern Resources Australia Pty Ltd	\$140,738 (2018: \$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.

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Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**21. CONSOLIDATED ENTITIES**

Name	Country of Incorporation	Ordinary Share	
		Consolidated Equity Interest	
		2019	2018
		%	%
<b>Parent entity</b>			
Hawthorn Resources Limited	Australia		
<b>Controlled entities</b>			
Ellendale Resources Pty Ltd	Australia	100%	100%
Sunderland Pty Ltd *	Australia	100%	100%
Northern Resources Australia Pty Ltd *	Australia	100%	100%
Trouser Leg Mining Joint Venture**	Australia	70%	70%

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

\*\* Trouser Legs Mining Joint Venture is an unincorporated joint venture, set up upon a decision to mine within the joint venture exploration tenements.

**22. FINANCIAL RISK MANAGEMENT**

The Group's operations expose it to various financial risks including market, credit, liquidity and price risks. Financial risk management is carried out by the Board on an informal basis using a variety of methods as deemed appropriate, including performance analysis, cash flow and operating/capital expenditure forecasts, 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 Group's exposure to market interest rates relates primarily to the Group'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 Group's net result and net assets would increase by \$61,629 (2018: \$33,019) and decrease by \$61,629 (2018: \$33,019). This is mainly attributable to the Group'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 Note 14). The Group's cash assets are held with large Australian banks. The Group's sales are all made to Saracen Gold Mines Pty Ltd. This presents itself as a credit risk to the Group, however, the

**Hawthorn Resources Limited**  
**Notes to the Consolidated Financial Statements for the year ended 30 June 2019**

directors are satisfied that the Saracen Group is a significant Australian gold producer that is listed on the ASX and has long history within the gold production industry. The directors have access to the results and financial position of the Saracen Group due to continuous disclosure requirements of the ASX.

**(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 Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group does not have any committed credit lines. As at the reporting date, the Group has no significant liquidity risk, as available cash assets significantly exceed amounts payable.

**(d) Price Risk**

The Group's revenue is derived from the sale of gold ore and is therefore impacted by fluctuations in the price of gold. The gold price is quoted in US dollars and as a result the Group's price risk is impacted by fluctuations in the exchange rate between the US and Australian dollars. The Group is limited in its ability to mitigate price risk as it is a new producer with little history of production, and limited financial resources to engage in forward contracts.

Whilst price risk is a risk facing the Group's future economic returns price risk does not impact any of the Group's financial assets at 30 June 2019.

**(e) Maturities of Financial Liabilities**

The tables below analyse the Group'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 2019**

	<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	(4,563,169)	-	-	-	(4,563,169)

**Group - 30 June 2018**

	<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	(4,955,045)	(1,144,396)	-	-	(6,099,441)

**(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 2019 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.

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Notes to the Consolidated Financial Statements for the year ended 30 June 2019

**Accounting policy**

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

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.

**23. EVENTS AFTER THE BALANCE DATE**

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

**24. REMUNERATION OF AUDITORS**

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by BDO for:		
An audit and review of the financial report of the Company and any other companies in the consolidated group	69,716	53,010

**25. PARENT ENTITY INFORMATION**

As at, and throughout the financial year ended 30 June 2019, the parent entity of the Group was Hawthorn Resources Limited.

	<b>2019</b>	<b>2018 Restated</b>
	<b>\$</b>	<b>\$</b>
Current assets	13,880,147	941,774
Non-current assets	8,025,373	13,823,815
Total assets	21,905,520	14,765,589
Current liabilities	371,869	217,676
Non-current liabilities	254,727	255,516
Total liabilities	626,596	473,192
Net assets	21,278,924	14,292,397
Issued capital	113,777,604	113,349,604
Reserves	276,000	745,570
Accumulated losses	(92,774,680)	(99,802,777)
Total equity	21,278,924	14,292,397
Profit / (Loss) of the parent entity	7,028,097	(2,881,133)
Comprehensive Income of the parent entity	7,028,097	(2,881,133)

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.



**26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities and contingent assets in existence at 30 June 2019.

**27. OPERATING SEGMENTS**

The Group 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 Chief Operating Decision Makers, in the Group's case being the Board of Directors, that are used to make strategic decisions. The Group operates predominately in one geographical location. The Group does not have any operating segments with discrete financial information. The Group does not have any customers outside Australia, and all the Group'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.

**28. IMPACT OF ADOPTING NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS NOT YET EFFECTIVE**

**(a) New, Revised or Amending Accounting Standards and Interpretations Adopted**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the year.

*AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of accumulated losses at 1 July 2018 and comparatives are not restated. Adoption of AASB 15 has had no impact on the results of the Group.

*AASB 9 Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Groups has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening accumulated losses as at 1 July 2018.

Based on the assessment by the Group, there is no cumulative effect of the initial application of AASB 9 at 1 July 2018 in accordance with the transition requirement.

*Reconciliation of financial instruments of adoption of AASB 9*

The Group's financial assets and liabilities are classified and valued identically under AASB 9 as under the previous AASB 139.

**(b) 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 2019. 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 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 Group does not have any operating leases that fall into the scope of AASB 16. Therefore, the directors do not expect any impact of adoption of the standard.

*IFRIC 23 Uncertainty over Income Tax Treatments (applicable to annual reporting periods beginning on or after 1 January 2019)*

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2019

This interpretation clarifies how to apply the recognition and measurement in AASB 112 when there is uncertainty over income tax treatments.

At the year end the Group does not have any uncertainties over its income tax treatments that would result in a material adjustment to the financial statements.

## Hawthorn Resources Limited Directors Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 40 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 2019 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 2019.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 1<sup>st</sup> day of October 2019.



M G Kerr  
Chairman

## 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 2019, 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 2019 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 expenditure*

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group has incurred significant exploration expenditure which have been capitalised. As the carrying value of exploration expenditure represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p><i>AASB 6 Exploration for and Evaluation of Mineral Resources</i> contains detailed requirements with respect to both the initial recognition of such assets and ongoing requirements to continue to carry forward the assets.</p> <p>Note 8 to the financial statements contains the accounting policy and disclosures in relation to exploration expenditure.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"><li>• Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration expenditure</li><li>• Confirming whether the rights to tenure of the areas of interest remained current at the reporting date as well as confirming that rights to tenure are expected to be renewed</li><li>• Reviewing the directors' assessment of the carrying value of the exploration expenditure, agreeing that management have considered the effect of impairment indicators and critically reviewed the status and findings of exploration activities at each tenement</li><li>• Reviewing budgets and challenging assumptions made by the Group to agree that substantive expenditure on further exploration for and evaluation of the mineral resources in the areas of interest are planned</li><li>• Reviewing ASX announcements and minutes of directors' meetings to agree that the Group had not decided to discontinue activities in any of its areas of interest</li></ul>

### Accounting for development and mining assets

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group's carrying value of development and mining assets is impacted by key accounting estimates and judgements, in particular the following:</p> <ul style="list-style-type: none"> <li>• Estimated ore reserves</li> <li>• Amortisation rates</li> </ul> <p>As the carrying value of development and mining assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Note 4 to the financial statements contains the accounting policy disclosures in relation to development and mining assets.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group's amortisation policy in accordance with Australian Accounting Standards and relevant accounting interpretations</li> <li>• Agreeing the inputs into Management's mining cost model used in the calculation of the amortisation rates</li> <li>• Testing the mathematical accuracy and application of the amortisation rate applied to the carrying value of development and mining assets by recalculating amortisation for the year</li> <li>• Assessing the competency and objectivity of the external independent expert engaged by management in preparation of the ore reserve report as incorporated in the mining cost model</li> <li>• Evaluating whether there were any indicators of impairment under the requirements of <i>AASB 136 Impairment of Assets</i></li> </ul>

### Accounting for share based payments

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>During the current financial year the management of the Group identified a prior period error in relation to the granting of performance rights to two directors and four eligible employees under the Group's Employees' Share Option Plan (ESOP) in the prior financial year ended 30 June 2018 which were not accounted for and disclosed in the prior year's financial statements, in accordance with <i>AASB 2 Share Based Payments</i>.</p> <p>This was corrected in the current financial year and a prior period error was recognised and disclosed in Notes 1(f) and 18.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Reviewing market announcements and board minutes to agree all performance rights granted and issued during the current and prior financial years have been accounted for</li> <li>• Evaluating management's assessment of the likelihood or probabilities of meeting the performance vesting conditions or milestones attached to the performance rights</li> <li>• Evaluating management's valuation methodology in determining the fair value of the performance rights</li> </ul>

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Share based payments is considered a key audit matter as their accounting and valuation are complex and requires significant judgements and the use of assumptions and estimates regarding their recognition and measurement.</p> <p>Note 18 to the financial statements contains the accounting policy disclosures in relation to share based payments and Note 1(f) discloses the impact of the prior period error.</p>	<p>including assessing the valuation inputs, using our internal specialists where required</p> <ul style="list-style-type: none"> <li>• Assessing management's estimation and judgement in their determination of achieving the non-market vesting conditions</li> <li>• Assessing the allocation of the share-based payments expense over management's expected vesting period</li> <li>• Reviewing the disclosures in relation to the share based payments to ensure compliance with AASB 2</li> <li>• Reviewing the disclosures in relation to the prior period error and the restatement of the comparatives to ensure compliance with <i>AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</i></li> </ul>

#### **Other information**

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

#### **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](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 2019.

In our opinion, the Remuneration Report of Hawthorn Resources Limited, for the year ended 30 June 2019, 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**

BDO  


Wai Aw  
Partner

Melbourne, 1 October 2019