



31 October 2019

ABN 44 009 157 439

**Market Announcements Office
ASX Limited**

Level 2, 90 William St
Melbourne Victoria 3000
Australia

COMPANY ANNOUNCEMENT

Hawthorn Resources Limited

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www.hawthornresources.com

**2019 Annual Report
2019 Annual General Meeting ("AGM")
Appendix 4G/Corporate Governance Statement**

Attached for release to the market is a copy of the Company's 2019 Annual Report together with the 2019 AGM documentation as dispatched to members as requested, either by post or electronically, and comprising:

- 2019 Annual Report, and
- 2019 Notice of Meeting/Explanatory Statement and sample Proxy Form

In addition, attached for released to the market is the Company's Appendix 4G – Key to Disclosures Corporate Principles and Recommendations/Corporate Governance Statement.

Annual General Meeting

The 2019 AGM is to be held:

Day/Date: Friday 29 November 2019
Time: 2.00 p.m. (registration from 1.30 p.m.)
Place: Level 23, Rialto, 525 Collins Street, Melbourne, Victoria

The above documentation can be viewed on the Company's website at:
www.hawthornresources.com

END

Enquiries: Mourice Garbutt, Company Secretary
Telephone: + 613 9605 5917

ANNUAL REPORT 2019
HAWTHORN RESOURCES LIMITED



Hawthorn
RESOURCES

TROUSER LEGS OPEN-PIT MINE OCTOBER 2019,
EASTERN GOLDFIELDS, WESTERN AUSTRALIA



TROUSER LEGS OPEN PIT MINE OCTOBER 2019. EASTERN GOLDFIELDS.
WESTERN AUSTRALIA



Hawthorn Resources Limited
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Hawthorn Resources Limited Corporate Directory

Directors

Mark Kerr	Executive Chairman & Managing Director
David Tyrwhitt	Non-Executive Director
Christopher Corrigan	Non-Executive Director
Liao, Yongzhong	Non-Executive Director
Li, Yijie	Non-Executive Director
Liu, Zhensheng	Non-Executive Director

Company Secretary

Mourice Garbutt

Mine Manager

William Lloyd

Financial Officer

Tony Amato

Registered Office and Domicile

Level 2, 90 William Street, Melbourne, Victoria 3000, Australia

Telephone: +61 3 9605 5901

E-mail: info@hawthornresources.com

Internet: <http://www.hawthornresources.com>

Legal Form

A public company - Liability Limited by shares

Country of Incorporation

Australia

Australian Securities Exchange Listing Code

HAW - Ordinary shares

Share Registry

Link Market Services Ltd

Tower 4, 727 Collins Street, Melbourne Victoria 3000, Australia

Telephone: +61 1300 554 474 (toll free within Australia)

Auditors

BDO East Coast Partnership

Collins Square, Tower 4, Level 18, 727 Collins Street, Melbourne, VIC 3008

Bankers

National Australia Bank Limited

Level 1, 99 Bell Street, Preston Victoria 3072, Australia

Solicitors

MinterEllison Lawyers

Rialto Towers, 525 Collins Street, Melbourne Victoria 3000, Australia



Hawthorn Resources Limited Chairman and Managing Director's Report

During and since the end of the 2018-2019 Financial Year ("FY 2019"), Hawthorn Resources Limited ("Hawthorn") continued to concentrate on the mining of the Trouser Legs Gold Project Mine in conjunction with co-venturer GEL Resources Pty Ltd together with the development and exploration of its prioritised gold projects within its portfolio of West Australian gold tenements with the goal to identify prospects with near term potential to optimise the returns to shareholders.

Mining Operations

As such, and on behalf of the joint venturers [Hawthorn 70% and GEL Resources Pty Ltd 30%], it is a pleasure to be able to report to shareholders that mining activities which commenced in the December 2017 quarter at the Trouser Legs Mine Gold Project ("TLMJV") have continued throughout the 2019 financial year. In all, during the 2019 financial year the joint venture caused to be hauled to the nearby processing mill for Toll treatment a total of 10 parcels of ore (2018: 5 parcels).

For the for the 2019 financial year the TLMJV mining operations produced the following results:

Mined:	FY 2019	FY 2018 *
BCM – total	2,007,835	1,463,287
BCM – waste	1,827,786	1,357,479
Tonnes Ore Mined – high grade	328,166	183,731
Tonnes Ore Mined – low grade(stockpiled)	115,149	37,492
Tonnes Hauled	304,343	185,151

Processed at Mill:

Following top-cutting and recovery deductions and on a weighted average basis the mill processing has resulted in:

	FY 2019	FY 2018 *
Number of Parcels	10	5
Tonnes hauled/processed	210,358	171,721
Grams/t Au	718,473	332,901
Recovery percentages	96.03%	98.77%
Ounces Au	22,193	10,249

N.B. * Data for FY 2018 covers the period December 2017 to June 2018

Operations at the Trouser Legs Gold Mine continued to employ around 51 full time direct employees at the project with up to a further 8 personnel (surveyors, electricians etc) on site on a regular as needs basis and a significant but unquantified number of indirect supporting roles when at full capacity. As in the 2018 financial year lead contractors at the mine were all Kalgoorlie based. Gold recovered from the mining operation to date has attracted Gold Royalty payments to the DMIRS Royalty division totalling \$781,222 for the 2019 financial year June 2019 (2018: \$299,319).

As a responsible junior mining company Hawthorn, on behalf of its 3,700 shareholders and the TLMJV, has maintained a professional and pro-active approach to the often-complex issues associated with Mine commencement and operations.

Field Activities

• Gold

With the continuation of mining at the Trouser Legs Gold Mine Project the Company's priority continued to be centred on such mining operations the level of exploration activities on the Company's other prioritised gold project areas were principally follow-up assessment and maintenance for:

Box Well West – Yundamindera Project
Coffey Bore – Yundamindera Project and
Central Zone – Deep South Project



Hawthorn Resources Limited Chairman and Managing Director's Report

As announced in April 2019 the Company entered into Sale and Purchase Agreement for the sale of these tenement interests for a cash consideration of \$13,500,000 which at the time of the sale were being carried in the Company's financial accounts at \$5,132,291; the sale of these interests was completed on 5 June 2019.

UNDERGROUND - Trouser Legs

The TLMJV has continued to assess the merits and viability of underground mining once the Trouser Legs open-pit mining has been completed. The Company, as TLMJV Manager has proposed for the parties consideration a short Stage 1 six-week drilling programme which if approved will take place in November /December.

• Iron Ore/Base Metals

The **Mt Bevan Iron Ore Project** - a joint venture with Legacy Iron Ore Limited [ASX: LCY] ("Legacy").

Iron Ore

Having established Indicated and **Inferred Resource estimates** and with the continued general decline in the iron ore market over the past few years the Joint Venture partners, while recognising the value of this substantial resource, again affirmed that exploration expenditure on the project area in the upcoming year will be maintained at a level that keeps the tenements in good standing.

Base Metals

The Joint Venture has commenced exploration to determine whether repetitions of continuing encouraging nickel and copper results, reported to within 700 metres north of joint venture tenements, by **St George Mining Limited** (ASX: SGQ) occur within the Joint Venture area.

During previous quarterly results of RC drilling program carried out over magnetic anomalies on the Joint Venture tenement were announced by Legacy Iron Ore Limited as Manager("Legacy")

Legacy has commenced a RC drilling program testing magnetic targets very close to the St George Mining (ASX: SGQ) tenement areas adjacent to and adjoining the Joint Ventures northern tenement boundaries. The drilling program was expected to be completed in August with the results announced by the Manager. Since both assay results and petrographic reports will only be available later this month the manager can only report on these data later. The petrographic studies of RC rock chips are important to establish if we have intersected the favourable mafic rocks of Proterozoic age, significantly younger than the overall greenstone rocks of BIF and basic volcanic rocks which form the bulk of the Mt Bevan lease area. Should petrology establish that we have intersected the younger mafic rocks this will significantly increase the possibility of finding sulphide concentrations of Ni-Cu-PGM mineralisation similar to that being drilled by St George. In places this activity is less than a kilometre from our northern lease boundary.

For additional detailed information on the Company's exploration and development activities in FY 2018 shareholders are referred to the Company's Quarterly Activities Reports for September and December 2018 and March and June 2019 either on the Company's website or on the Company's ASX webpage.

Corporate Activities

• Funding

Hawthorn has continued to be prudent and ensured that expenditures were contained within the annual activities budgets.

The Company 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 or of \$1,360,063 (2018: nil); current liabilities totalling \$5,816,734 (2018: \$6,475,316); working capital of \$17,042,254 (2018: \$1,550,511), being current assets less current liabilities, and net assets of \$20,947,003 (2018: \$13,272,581).



Hawthorn Resources Limited Chairman and Managing Director's Report

In terms of Cash Flow the Company during the financial year:

- Generated \$3,009,479 (2017: outflow of \$3,843,407) in operating activities associated with the Trouser Legs Gold Mine Project;
- Used \$1,028,257 (2017: \$685,622) for exploration activities;
- Paid \$nil (2017: \$2,877,475) for development and mining assets;
- Raised no new equity capital (2017: \$5,520,695); and
- Received cash of \$13,500,000 from the sale of the Yundamindera and Deep South tenement interests.

In addition, rather than new cash calls from the TLMJV co-venturer (2018: \$1,685,795) a return of funds of \$600,000 was provided to the TLMJV co-venturer.

• Issued Securities

The number of securities on issue at the end of the June 2019 financial year and at the date of this Report was 326,615,613 ordinary fully paid shares (2018: 321,265,613 shares); these shares are as quoted on the ASX under security code: "HAW". During the financial year a total of 5,350,000 shares were issued upon the conversion of Performance Rights issued under the Company's Employee Share Purchase Plan following the achievement of designated milestones related to the mining and processing of ore from the Trouser Legs mine.

Board of Directors

For all of the year ended 30 June 2018 and as at the date of this Report the membership of the Board of Directors has been:

Mr Mark Kerr
Mr Liao, Yongzhong
Mr Li, Yijie
Mr Liu, Zhensheng
Dr David Tyrwhitt
Mr Christopher D Corrigan

A full and detailed description of each Director in office at 30 June 2019 is set out in the Directors' Report as contained in this Annual Report.

West Australian Parliament Select Committee Hearing

As reported in the Company's 2018 Annual Report following the appearance of signage of an abusive and racial nature on the Crown Reserve on which the Trouser Legs mine is situated a WA Parliament Select Committee into mining activities on the adjacent Pinjin station was established. The Committee has held its hearings and is presently scheduled to hand down a Report in November 2019.

To all members of Hawthorn Resources Limited I again stress that the Company and its co-venturer strenuously denies all allegations of abuse, racial discrimination and intimidation that have been raised by various parties and we look forward to the findings of the Select Committee.

Website

The Company continues to update its website to shareholders and potential investors with reports and announcements. / See the website at www.hawthornresources.com

This Annual Report details all of Hawthorn's activities over the past financial year the Board of Directors encourage its readership.

Memorial – Vale Ian Moody

Suddenly in July Ian Moody passed away. Ian, since 2008, had consulted to the Company providing exploration services. His presence, wise counsel and expertise are sadly missed.

Mark Kerr
Executive Chairman and Managing Director
Melbourne, 25 October 2019

Hawthorn Resources Limited
Table of Interests in Mining Tenements – as at 30 June 2019

Project/ Tenement	Location	Interest at 01.07.2018	Interest at 30.06.2019	Joint Venture Partner / Farm-In Partner / Farm Out Partner
Pinjin East	West Australia			
E 31/760		100%	100%	
E 31/781		100%	100%	
E 31/782		100%	100%	
E 31/783		100%	100%	
E 31/882		100%	100%	
E 31/1049		100%	100%	
E 31/1050		100%	100%	
E 31/1176		100%	100%	
Triumph	West Australia			
M 31/481		100%	100%	
Mt Bevan Iron Ore Joint Venture	West Australia			
E 29/510 -I		40%	40%	Legacy Iron Ore Limited
Pinjin – Trouser Legs Joint Venture	West Australia			
G 31/4		70%	70%	GEL Resources Pty Ltd
L 31/32		70%	70%	GEL Resources Pty Ltd
L 31/65		70%	70%	GEL Resources Pty Ltd
L 31/66		70%	70%	GEL Resources Pty Ltd
L 31/68		70%	70%	GEL Resources Pty Ltd
L 31/69 (A)		Application	Application	GEL Resources Pty Ltd
M 31/78		70%	70%	GEL Resources Pty Ltd
M 31/79		70%	70%	GEL Resources Pty Ltd
M 31/88		70%	70%	GEL Resources Pty Ltd
M 31/113		70%	70%	GEL Resources Pty Ltd
M 31/284		70%	70%	GEL Resources Pty Ltd
Edjudina - Pinjin Joint Venture	West Australia			
E 31/789		80%	80%	RNC Resources
Teutonic Bore Royalty *	West Australia			Conditional Royalty up to \$1 m. *
E 37/902		0%	0%	Jabiru Metals
P 37/7351		0%	0%	Jabiru Metals

Hawthorn Resources Limited

Table of Changes in Interests in Mining Tenements – Financial Year
ended - 30 June 2019 – all Tenements located in West Australia

Tenement Reference	Nature of Interest [note (4)]	Interest at 01.07.2018	Interest at 30.06.2019
E 39/1292	Disposal	100%	0%
E 39/1297	Disposal	100%	0%
E 39/1351	Disposal	100%	0%
E 39/1673	Disposal	100%	0%
E 39/1674	Disposal	100%	0%
E 39/1791	Disposal	100%	0%
E 39/1804	Disposal	100%	0%
E 39/1810	Disposal	100%	0%
E 39/1881	Disposal	100%	0%
P 39/5817	Disposal	100%	0%
P 39/5821	Disposal	100%	0%
P 39/5822	Disposal	100%	0%
P 39/5846	Disposal	100%	0%
M 39/1112	Disposal	100%	0%
E 39/1294	Disposal	80%	0%
E 39/1295	Disposal	80%	0%
M 39/1109	Disposal	80%	0%
M 39/1110	Disposal	80%	0%

Note re Changes:

As announced to the ASX on 18 April 2019 Hawthorn Resources Limited entered in to a binding Sale and Purchase Agreement with Saracen Mineral Holdings Limited and its subsidiary Saracen Gold Mines Pty Ltd for the sale of the Company's interest in the above noted Box Well and Deep South mining and tenement interests for a cash consideration of \$13.5 million.

The completion of this sale was as announced to the ASX on 4 June 2019.



Hawthorn Resources Limited
Additional Shareholder Information

HAWTHORN RESOURCES LIMITED

**Additional Shareholder Information -
ASX Listing Rule 4.10 as at 30 September 2019**

QUOTED SHARES - ASX CODE : HAW

Twenty Largest Holdings : Ordinary Fully Paid Shares ASX Code : HAW		Number Shares Held	% Issued Shares	Ranking
FENG HUA MINING INVESTMENT HOLDING (HK) LIMITED		120,788,101	36.98	1
BELFORT INVESTMENT ADVISORS LIMITED		56,095,028	17.17	2
LEGACY IRON ORE LIMITED		12,575,000	3.85	3
MR MARK GREGORY KERR	& ASSOCIATES	11,100,456	3.40	4
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		6,777,488	2.08	5
MR BRIAN THORNTON		5,861,879	1.79	6
YELRIF INVESTMENTS PTY LIMITED	<PENSION FUND A/C>	5,500,000	1.68	7
MR VICTOR LORUSSO		4,127,529	1.26	8
DR MARK THEO BLOCH		3,835,000	1.17	9
MR WILLIAM DONALD LLOYD		2,376,166	0.73	10
YELRIF INVESTMENTS PTY LIMITED		2,000,002	0.61	11
MR MICHAEL ROBERT WELLARD		2,000,000	0.61	12
AUSTIC ENTERPRISES PTY LTD		2,000,000	0.61	13
MR SHIJUN CHEN		1,922,295	0.59	14
MR MARK ANDREW MITCHELL & MRS LINDA JOAN MITCHELL	<M & L MITCHELL S/F A/C>	1,800,000	0.55	15
MR LUKE MARGOCSY		1,791,861	0.55	16
MILA INVESTMENT CO PTY LTD	<MILA INVESTMENT A/C>	1,420,000	0.43	17
MR LUCIO ANTHONY CONTE		1,403,938	0.43	18
MR NICHOLAS ANDREOU		1,346,256	0.41	19
MR TONY DOMENIC AMATO		1,346,254	0.41	20
Total Holding - 20 Largest Shareholders		246,067,253	75.34	
Total Holding - Other Shareholders		80,548,360	24.66	
TOTAL HOLDING- ALL SHAREHOLDERS		326,615,613	100.00	



Hawthorn Resources Limited
Additional Shareholder Information Cont.

VOTING RIGHTS

Shares:	One vote per share
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RANGE OF SHAREHOLDERS - CODE : HAW	Holdings		Shares Held	
Range	Holders	%	Holders	%
1 to 1,000	1,830	49.35	394,851	0.12
1,001 to 5,000	773	20.85	2,181,438	0.67
5,001 to 10,000	256	6.90	1,995,333	0.61
10,001 to 100,000	658	17.75	24,151,927	7.39
100,001 and Over	191	5.15	297,892,064	91.21
	3,708	100.00	326,615,613	100.00

MARKETABLE PARCELS - SHARES

Holdings that are less than a marketable parcel of the Company's ordinary fully paid shares as at 30 September 2019 at a closing price of 5.2 cents/share consisted of a total of 3,972,873 shares held by 2,799 holders each holding a parcel of 9,615 or less shares

BUY-BACK

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

SUBSTANTIAL SHAREHOLDINGS

As at 30 September 2019 the following substantial shareholdings have been declared to the Company

Declared entitled party:	No. shares
Feng Hua Mining Investment Holding (HK) Ltd	120,788,101
Belfort Investment Advisors Limited	56,095,028

NON-QUOTED PERFORMANCE RIGHTS	Number on issue	Number Holders
Performance Rights over unissued ordinary shares	14,815,000	6

TROUSER LEGS OPEN PIT MINE OCTOBER 2019. EASTERN GOLDFIELDS.
WESTERN AUSTRALIA



TROUSER LEGS OPEN PIT MINE OCTOBER 2019. EASTERN GOLDFIELDS.
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Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT YEAR ENDED 30 JUNE 2019

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Hawthorn Resources Limited

ABN 44 009 157 439

Directors' Report 2019



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 Cont.

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 Cont.

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 Cont.

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 Cont.

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 Cont.

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 \$
Statutory audit		
Auditors of the Company - BDO - audit and review of financial reports	69,716	53,010
Other Services - BDO - other non-audit services	-	-
Total fees	69,716	53,010

Hawthorn Resources Limited Directors' Report Cont.

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

	2019 \$ <u>Consolidated</u>	2018 \$ <u>Consolidated</u>	2017 \$ <u>Consolidated</u>	2016 \$ <u>Consolidated</u>	2015 \$ <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 Cont.

(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 Cont.

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 BENEFITS			POST EMPLOYMENT	EQUITY BASED PAYMENTS	TOTAL
	Cash Salary and Fees	Leave provision	Cash Bonus	Superannuation Contributions	Performance Rights	
	\$	\$		\$	\$	\$
Non-Executive Directors					(2) (3)	
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
Sub-Total	188,000	-	-	7,600	(981)	194,619
Executive Directors						
M G Kerr	147,000	-	-	13,965	(11,792)	149,173
Sub-Total	147,000	-	-	13,965	(11,792)	149,173
Other KMP						
M Garbutt	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Total	335,000	-	-	21,565	(12,773)	343,792

- 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.
- 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.
- 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 BENEFITS			POST EMPLOYMENT	EQUITY BASED PAYMENTS	TOTAL
	Cash Salary and Fees	Leave provision	Cash Bonus	Superannuation Contributions	Performance Rights	
	\$	\$		\$	\$	\$
Non-Executive Directors					(2) (3)	
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
Sub-Total	179,442	-	-	6,858	40,981	227,281
Executive Directors						
M G Kerr	147,000	-	-	13,965	307,792	468,757
Sub-Total	147,000	-	-	13,965	307,792	468,757
Other KMP						
M Garbutt	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Total	326,442	-	-	20,823	348,773	696,038

- 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.
- 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.
- 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 Cont.

(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
Non-Executive Directors						
C Corrigan	100%	-	-	100%	-	-
D S Tyrwhitt (1)	100%	-	-	64%	-	36%
Liao, Yongzhong						
Li, Yijie	100%	-	-	100%	-	-
Liu, Zhensheng	-	-	-	-	-	-
Executive Directors						
M G Kerr	100%	-	-	34%	-	66%
Other KMP						
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.

Directors:	01.07.2018	Exercise of performance rights	On Market movements	30.06.2019
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	-	-	-	-
Total Directors	64,595,484	2,850,000	(100,000)	67,345,484
Executives				
M Garbutt	-	-	-	-
Total Directors/Executives	64,595,484	2,850,000	(100,000)	67,345,484

Directors	01.07.2018	Issue of performance rights	Exercise of performance rights	30.06.2019 Balance	30.06.2019 Vested
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	-	-	-	-	-
Total Directors	-	8,250,000	(2,850,000)	5,400,000	1,350,000
Executives					
M Garbutt	-	-	-	-	-
Total Directors/Executives	-	8,250,000	(2,850,000)	5,400,000	1,350,000

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 Cont.

(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.

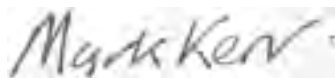
Proceedings on behalf of the Company

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



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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.

A handwritten signature in black ink, appearing to read 'Wai Aw', is written over a light blue horizontal line.

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

Consolidated		
Note	2019 \$	2018 Restated \$
Continuing operations		
Revenue	2 39,318,439	17,339,153
Other income	7 8,367,709	-
Expenses		
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)
Profit / (Loss) before income tax expense from continuing operations	8,315,992	(5,586,744)
Income tax expense	12 -	-
Profit / (Loss) for the year after tax from continuing operations	(4,841,174)	(3,048,655)
Other comprehensive income - items that may be reclassified subsequently to profit or loss	-	-
Total other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	8,315,992	(5,586,744)
Profit / (Loss) attributable to members	7,409,698	(5,009,290)
Profit / (Loss) attributable to non-controlling interests	906,294	(577,454)
	8,315,992	(5,586,744)
Earnings per share	Cents	Cents
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

Note	Consolidated	
	2019 \$	2018 Restated \$
14(a)	15,969,638	1,088,416
5	5,529,287	6,937,411
6	1,360,063	-
4	2,392,867	-
	25,251,855	8,025,827
	1,549	2,231
8	1,501,905	5,892,921
4	-	5,811,854
	8,428	15,064
	1,511,882	11,722,070
	26,763,737	19,747,897
15	4,563,169	6,099,441
16	1,253,565	375,875
	5,816,734	6,475,316
	5,816,734	6,475,316
	20,947,003	13,272,581
17	62,043,314	61,615,314
18	276,000	745,570
	(42,786,946)	(50,196,644)
	19,532,368	12,164,240
19	1,414,635	1,108,341
	20,947,003	13,272,581

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 \$
Cash flows from operating activities			
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
Net cash provided by / (used in) operating activities	14 (b)	3,009,479	(3,843,407)
Cash flows from investing activities			
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)
Net cash provided by / (used in) investing activities		12,471,743	(3,573,097)
Cash flows from financing activities			
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)	-
Net cash (used in) / provided by financing activities		(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
Cash and cash equivalents at end of year	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 \$
CONSOLIDATED					
At 1 July 2017	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	-	-	-	-	-
Total comprehensive income for the year - Restated	-	(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
At 30 June 2018 Restated	61,615,314	(50,196,644)	745,570	1,108,341	13,272,581
At 1 July 2018	6,000,079	-	-	-	6,000,079
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	-	-	-	-	-
Total comprehensive income for the year	-	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)
At 30 June 2019	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

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)
Loss before income tax expense	(4,841,174)	(745,570)	(5,586,744)
Income tax expense	-	-	-
Loss after income tax	(4,841,174)	(745,570)	(5,586,744)

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
	\$	\$	\$
EQUITY			
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
TOTAL EQUITY	13,272,581		13,272,581

2. REVENUE

	Consolidated	
	2019	2018
	\$	\$
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

	Consolidated	
	2019	2018
	\$	\$
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
	39,267,891	20,667,899
Closing work-in-progress	(1,360,063)	-
Total mining costs	37,907,828	20,667,899

* 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
	2,392,867	5,811,854

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	-
-	3,726,793	1,540,273
Costs incurred during the year (ii)	-	4,417,748
Amortisation during the year (iii)	(3,418,987)	(1,540,273)
Development impaired during the year (iv)	-	(792,414)
Balance at 30 June	2,392,867	5,811,854

(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.

Hawthorn Resources Limited

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

Amortisation is charged to using the units-of-production basis results in an 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
	\$	\$
CURRENT		
Trade receivables (i)	5,494,441	5,640,083
Accrued revenue (ii)	-	1,250,000
Other receivables (iii)	34,846	47,328
	5,529,287	6,937,411

(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	8,367,709	-

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

	Consolidated	
	2019	2018
	\$	\$
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

	Consolidated	
The Company has an interest in the following joint ventures:	2019	2018
	\$	\$
Edjudina – Pinjin	80%	80%
(Westgold Resources Limited) (i)		
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:

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

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
Total	2,001,670	3,904,770

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.

Hawthorn Resources Limited

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

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.

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

	Consolidated	
	2019	2018
	\$	\$
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
	2,804,870	9,815,370

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:

	Consolidated	
	2019	2018
	\$	\$
(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	559,821	1,228,290
(ii) Fully serviced office rental expense	190,000	190,000

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.

Hawthorn Resources Limited

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

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.

12. TAXATION

	Consolidated	
	2019	2018
(a) Income tax recognised in profit or loss Tax expense comprises:	\$	\$
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

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

Consolidated	
2019	2018
\$	\$

Basic and diluted earnings per share is calculated as follows:

Profit / (Loss) for the year attributable to members	7,409,698	(5,009,290)
	-	1,303,813

	Consolidated	
	2019 Number of shares	2018 Number of shares
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

	Consolidated	
	2019	2018
	\$	\$
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)
<i>Change in assets and liabilities:</i>		
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

	Consolidated	
	2019	2018
	\$	\$
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

Reconciliation of Land Rehabilitation provision

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

	Consolidated	
	2019	2018
	\$	\$
Ordinary shares	62,043,314	61,615,314
	2019 No. of Shares	2018 No. of Shares
	\$	
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

Consolidated	
2019	2018
\$	\$
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 **
Total	20,165,000			

* 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	-	-
Actual Expense						
2019 \$	-	-	115,377	(156,947)	-	-
2018 \$	160,000	268,000	160,623	156,947	-	-

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

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

	Consolidated	
	2019	2018 Restated
	\$	\$
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)	-
Balance at 30 June	276,000	745,570

- (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.

	Consolidated	
	2019	2018
	\$	\$
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)
At 30 June	1,414,635	1,108,341

Hawthorn Resources Limited

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

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:

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

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.

Hawthorn Resources Limited

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
		%	%
Parent entity			
Hawthorn Resources Limited	Australia		
Controlled entities			
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 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.

Hawthorn Resources Limited

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

(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

	Less than 3 months	3 months to 1 year	1 - 5 years	5 + Years	Total
	\$	\$	\$	\$	\$
Non-Interest Bearing	(4,563,169)	-	-	-	(4,563,169)

Group - 30 June 2018

	Less than 3 months	3 months to 1 year	1 - 5 years	5 + Years	Total
	\$	\$	\$	\$	\$
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.

Hawthorn Resources Limited

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.

	Consolidated	
	2019 \$	2018 Restated \$
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

	Consolidated	
	2019 \$	2018 Restated \$
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.

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

IFRIC 23 Uncertainty over Income Tax Treatments (applicable to annual reporting periods beginning on or after 1 January 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 2018 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 2018.

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

Mark Kerr
Chairman



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Australia

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

Key audit matter	How the matter was addressed in our audit
<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">• Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration expenditure• 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• 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• 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• 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



Accounting for development and mining assets

Key audit matter	How the matter was addressed in our audit
<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"> • Estimated ore reserves • Amortisation rates <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"> • Evaluating the Group's amortisation policy in accordance with Australian Accounting Standards and relevant accounting interpretations • Agreeing the inputs into Management's mining cost model used in the calculation of the amortisation rates • 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 • 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 • Evaluating whether there were any indicators of impairment under the requirements of <i>AASB 136 Impairment of Assets</i>

Accounting for share based payments

Key audit matter	How the matter was addressed in our audit
<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"> • 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 • Evaluating management's assessment of the likelihood or probabilities of meeting the performance vesting conditions or milestones attached to the performance rights • Evaluating management's valuation methodology in determining the fair value of the performance rights

Key audit matter	How the matter was addressed in our audit
<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"> • Assessing management's estimation and judgement in their determination of achieving the non-market vesting conditions • Assessing the allocation of the share-based payments expense over management's expected vesting period • Reviewing the disclosures in relation to the share based payments to ensure compliance with AASB 2 • Reviewing the disclosures in relation to the prior period error and the restatement of the comparatives to ensure compliance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>

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

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

A handwritten signature in blue ink, appearing to read 'Wai Aw', is written over a faint, stylized 'BDO' logo.

Wai Aw
Partner

Melbourne, 1 October 2019



TROUSER LEGS OPEN-PIT MINE OCTOBER 2019. EASTERN GOLDFIELDS.
WESTERN AUSTRALIA



TROUSER LEGS OPEN PIT MINE OCTOBER 2019.
EASTERN GOLDFIELDS, WESTERN AUSTRALIA

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Hawthorn Resources Limited

ABN 44 009 157 439

Notice of 2019 Annual General Meeting And Explanatory Memorandum

**The Annual General Meeting is to be held on
Friday 29 November 2019 at 2.00 p.m.
at Minter Ellison Lawyers Offices, Level 23 Rialto, 525 Collins Street, Melbourne, Victoria,
Australia**

Important Notice

**Shareholders who opted in writing to receive a printed Annual Report will have received it.
All shareholders can view the Annual Report either by visiting the Company's website at:
www.hawthornresources.com**

OR

by visiting the Company's webpage on the ASX website under the ASX Security Code "HAW"

THIS IS AN IMPORTANT DOCUMENT

**If you are in doubt as to the action you should take, please consult with your stockbroker,
solicitor, accountant, bank manager or other professional adviser immediately**

IMPORTANT NOTICE

(a) General

You should read this Notice of Annual General Meeting and accompanying Explanatory Statement in its entirety before making a decision on how to vote on the Resolutions set out in the Notice. The Notice is contained on page 4 and the Explanatory Statement on page 7 and the proxy form for this AGM accompanies this Booklet.

(b) Defined Terms

Capitalised terms in this Booklet are defined either in the Glossary or where the relevant term is first used.

(c) Purposes of the Explanatory Statement

The purposes of the Explanatory Statement which forms part of the Notice of Annual General Meeting are to:

- (a) explain the terms and effect of each Resolution to Shareholders;
- (b) explain the manner in which each Resolution is to be considered and, if approved, implemented; and
- (c) provide such information as is prescribed by the Corporations Act, Corporations Regulations and ASX Listing Rules or as is otherwise material to the decision of Shareholders about how to vote on the Resolutions.

(d) Investment Decisions

This document does not take into account the investment objectives, financial situation or particular needs of any Shareholder or any other person. This document should not be relied on as the sole basis for any investment decision in relation to Shares. Shareholders should consider obtaining independent advice before making any decision in relation to the Resolutions. The Company is not licensed to provide financial product advice in relation to its Shares or any other financial products.

(e) Forward Looking Statements

Certain statements in this document relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from expected future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. These statements reflect the expectations of relevant parties only as of the date of this Booklet.

(f) Glossary - In this document, including in the Notice:

AGM means the annual general meeting of Hawthorn Shareholders, notice of which is given in the Notice

ASIC means the Australian Securities and Investments Commission

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this document and the Company was the designated body

ASX means ASX Limited ACN 008 624 691 or the financial market it operates, as the context requires

Auditor means the Company's auditor, BDO- East Coast Partnership

Board means the board of Directors of the Company.

Booklet means this Booklet, comprising the Notice of Annual General Meeting and the Explanatory Statement

Company or Hawthorn means Hawthorn Resources Limited ACN 009 157 439

Constitution means the constitution of the Company

Corporations Act means the *Corporations Act 2001* (Cth)

Corporations Regulations means the *Corporations Regulations 2001* (Cth)

Director means a director of the Company.

EPS means earnings per share.

Employee Share and Option Plan or Plan means the Company's Employee Share and Option Plan.

Explanatory Statement means the explanatory statement contained in this Booklet in relation to the Resolutions to be considered at the AGM and which accompanies and forms part of the Notice

Independent Director means Dr D S Tyrwhitt

Listing Rules means the Listing Rules of ASX

Non-Executive Director means a Director other than Mr Mark G Kerr

Notice means the notice of AGM contained in this Booklet

NPAT means net profit after tax

Ordinary Share or Share means a fully paid ordinary share in Hawthorn

Ordinary Shareholder or Shareholder means a holder of at least one Ordinary Share

Participant means a participant for the time being in the Plan.

Performance Right means an entitlement of a Participant to receive an Ordinary Share, subject to the satisfaction of applicable vesting conditions and performance hurdles

Register of Members means the register of members of the Company

Resolutions means the resolutions set out in the Notice

Voting Entitlement Time means 7.00 p.m. Melbourne time on Wednesday, 27 November 2019

Voting Exclusion Statement means a statement set out in the Notice in this Booklet under the heading 'Voting Exclusion Statement'

A reference to **dollars, \$, AUD, cents, A\$ or \$A** is to the lawful currency of Australia.

Hawthorn Resources Limited

ABN 44 009 157 439

Notice of Annual General Meeting

Notice is given that the 2019 Annual General Meeting of Hawthorn Resources Limited (**Company**) will be held on:

Date: Friday 29 November 2019

Time: 2.00 p.m.

Venue: at the offices of Minter Ellison Lawyers, Level 23 Rialto, 525 Collins Street, Melbourne, Victoria, Australia

ORDINARY BUSINESS

1 Financial Statements and Reports

To receive and consider the Consolidated Financial Report and the Reports of the Directors and of the Auditor for the financial year ended 30 June 2019 which are contained in the 2019 Annual Report.

2 Election of Directors

To consider and, if thought fit, pass the following resolutions:

Resolution no. 1 - Dr David S Tyrwhitt

"That Dr David S Tyrwhitt, a Director retiring by rotation in accordance with Clause 8.1.5.2 of the Constitution of the Company and the Listing Rules of ASX Limited, being eligible and having offered himself for re-appointment, is re-appointed as a Director of the Company".

Resolution no. 2 - Liu, Zhensheng

"That Mr Liu, Zhensheng, a Director appointed during the current financial year and retiring in accordance with Clause 8.1.5.1 of the Constitution of the Company and the Listing Rules of ASX Limited, being eligible and having offered himself for election, is elected as a Director of the Company".

3 Adoption of Remuneration Report

Resolution no. 3

To consider and, if thought fit, pass the following resolution

"That the Remuneration Report for the year ended 30 June 2019 as disclosed in the Directors' Report be adopted".

Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.

Dated: 24 October 2019

BY ORDER OF THE BOARD

Mourice Reginald Garbutt, FGIA, FCIS
Company Secretary

NOTES:

1 Proxies

A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies. If two proxies are appointed, each proxy may be appointed to represent a specific proportion or number of the member's voting rights. If no proportions are specified, each proxy may exercise half the available votes. A proxy need not be a member of the Company. A proxy may be an individual or a body corporate.

If you wish to appoint one proxy, please use the form provided. If you want to appoint two proxies please follow the instructions set out on the reverse side of the proxy form.

To be effective, a proxy form and an original or notarial certified copy of the authority (if any) under which it is signed must be deposited at, or faxed to, the Company's Share Registrar as follows:

Hawthorn Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235, Australia; or

sent by facsimile to (02) 9287 0309, to arrive (in either case) no later than 2.00 p.m. (Melbourne time) on Wednesday, 27 November 2019.

2 Corporate Shareholders and Proxies

Corporate shareholders and proxies wishing to appoint a representative to attend and vote at the meeting on their behalf must provide the representative with:

- (a) a properly executed letter or certificate authorising the person to act as the corporate shareholder's or proxy's representative; or
- (b) a copy of the resolution of the corporate shareholder or proxy appointing the representative, certified by a secretary or director of the shareholder or proxy.

3 Explanatory Statement

An explanation of each resolution is included in the accompanying Explanatory Statement. The Explanatory Statement forms part of the notice of meeting.

4 Voting Entitlements

The Board of Directors of the Company, pursuant to Section 1074E (2)(g) of the *Corporations Act 2001*, Regulation 7.11.37 of the *Corporations Regulations 2001* and ASX Settlement Operating Rule 5.6.1, and as the convenor of the meeting, has determined that the shareholding of each member for the purpose of ascertaining voting entitlements for the Annual General Meeting will be as it appears on the Register of Members at 7.00 p.m. Melbourne time on Wednesday 27 November 2019.

On a show of hands, every person present and qualified to vote will have one vote. If members appoint one proxy then that proxy may vote on a show of hands. However, if members appoint two proxies, neither may vote on a show of hands.

If members appoint a proxy who is also a shareholder or also a proxy for another shareholder, your directions may not be effective on a show of hands. However, upon a poll and upon your proxy voting on the poll then your voting direction will be fully counted. Should a poll be taken then the Company's external Auditor, BDO, will act as scrutineer.

5 Remuneration Report

At the 2018 AGM of the Company shareholders resolved to adopt the Remuneration Report. Of the votes cast at the 2018 AGM on the resolution, less than 25% of the votes cast were against adoption of the report. As such, a "first strike" was not recorded.

6 Voting Exclusion and Restriction Statements

There are no voting exclusions in relation to – Election of Directors (resolutions no. 1).

As noted below in Item no. 7

Voting exclusions apply in relation to voting on the Remuneration Report (resolution no. 3).

7 Voting Exclusions in relation to Voting on the Remuneration Report (Resolution 3)

The Company will disregard all votes cast on the resolution to adopt the Remuneration Report (resolution no. 3) by or on behalf of;

- (a) a member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report (**KMP**); and
- (b) a closely related party of a KMP, whether the votes are cast as a shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast on the resolution by a KMP or a closely related party of a KMP if:

- (a) the vote is cast as a proxy;
- (b) the proxy:
 - (i) is appointed by writing that specifies how the proxy is to vote on the resolution; or
 - (ii) is the chair of the meeting and the appointment of the chair as proxy; and
 - (A) does not specify the way the proxy is to vote on the resolution; and
 - (B) expressly authorises the chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company; and
- (c) the vote is not cast on behalf of a member of the key management personnel of the Company or a closely related party of such a member.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of key management personnel include directors (both executive and non-executive) and certain senior executives.

A closely related party of a member of key management personnel is defined as:

- (a) a company the member controls;
- (b) the member's spouse, child or dependant or a child or dependant of the member's spouse; or
- (c) anyone else who is one of the member's family and may be expected to influence or be influenced by, the member in the member's dealings with the Company.

You may be liable for breach of the voting restrictions in the Corporations Act if you cast a vote that the Company must disregard.

8 Undirected Proxies

The chairman of the Company or if the chairman is not present at the meeting or unable or unwilling to act, [] will chair the meeting.

The chairman of the meeting will vote all available undirected proxies **in favour of** all resolutions put to the meeting other than, if it is put, any Spill Resolution.

The Company recommends that shareholders who submit proxies should consider giving 'how to vote' directions to their proxyholder on each resolution.

9 Voting – General Comment

Each resolution will be moved, and then will be open to the meeting for discussion.

Following the completion of discussion the Chairman will inform the meeting of the details of the valid proxy voting received by the Company. The resolutions will then be put to the vote.

10 Questions and Comments by Members and Proxyholders at the Meeting

A reasonable opportunity will be given to members and proxyholders to ask questions about or make comments on the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to shareholders and proxyholders to ask the Company's external Auditor, BDO, questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Auditors' Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to BDO via the Company, no later than 5 business days before the meeting, if the question is relevant to the content of BDO Audit Report or the conduct of its audit of the Company's Financial Report for the year ended 30 June 2019.

Relevant written questions for BDO must be received no later than 5.00 p.m. (Melbourne time) on Friday, 22 November 2019. A list of those relevant written questions will be made available to shareholders attending the meeting. BDO will either answer the questions at the meeting or table written answers to them at the AGM. If written answers are tabled at the meeting, they will be made available to shareholders as soon as practicable after the meeting.

Please send any written questions for BDO to the Company @ Hawthorn Resources Limited, Level 2, 90 William Street, Melbourne 3000, or email to mgarbutt@krcc.com.au by no later than 5.00 p.m. (Melbourne time) on **Friday 22 November 2019**

Hawthorn Resources Limited

ABN 44 009 157 439

Explanatory Statement

*This Explanatory Statement accompanies and forms part of the
Notice of Annual General Meeting dated 24 October 2019*

ORDINARY BUSINESS

Item 1 - Receive and Consider the Financial and Other Reports

This item of business is intended to provide members with the opportunity to raise and discuss any matter on the reports themselves and on the performance of the Company generally.

Item 2 - Election of Directors (Resolution 1 and 2)

Details of the Directors seeking election and all other Directors are contained in the 2019 Annual Report.

Resolution 1

Election of Dr David S Tyrwhitt as a Director

Information about Dr Tyrwhitt.

Dr David S Tyrwhitt PhD(Geology) BSc (Hons) FSEG(USA) FAusIMM CPGeo

Non-Executive / Independent 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 a non-executive directorship of Merlin Diamonds Limited - Provisional Liquidator Appointed (December 2011 to current).

Former directorships of listed entities during the past three-year period being: non-executive director of Top End Minerals Limited (April 2015 to June 2017) and Northern Capital Resources Incorporated (January 2008 to 10 October 2019).

Dr Tyrwhitt worked for over 20 years with Newmont Mining Corporation in Australia, South East Asia and the United States. During this time, he was responsible for the discovery of the Telfer Gold Mine in Western Australia. He was Chief Executive of Newmont Australia Limited between 1984 and 1988 and Chief Executive Officer of Ashton Mining Limited between 1988 and 1991. He established his own consultancy business in 1991 and worked with Normandy Mining Limited on a number of mining projects in South East Asia.

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

Directors' Recommendations

The Board of Directors (with the exception of the relevant director) unanimously recommends that members vote in favour of the re-election of Dr Tyrwhitt.

Resolution 2

Election of Mr Liu, Zhensheng as a Director

Information about Mr Liu.

Mr Liu, Zhensheng

Non-Executive Director

Appointed 9 December 2015; elected as a Director 2017 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 Standardization Administration of China and the Membership Committee of the Shanghai Gold Exchange. Currently, he serves as a chief of the Technical Committee on Precious Metals of Standardization Administration of Guangdong Province and a member of Senior Engineer (professor level) Commission on Accrediting of Guangdong Province

Other Directorships

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

Directors' Recommendations

The Board of Directors (with the exception of the relevant director) unanimously recommends that members vote in favour of the re-election of Mr Liu.

Item 3 - Adoption of the Remuneration Report (Resolution 3)
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The Company must put to a vote a resolution to adopt the Remuneration Report as disclosed in the Directors' Report. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Directors' Report must include a Remuneration Report containing prescribed information about the Board's policy for determining the nature and amount of the remuneration of Directors and other key management personnel. The Remuneration Report must also explain the relationship between the remuneration policy of the Board and the Company's performance. The Remuneration Report of the Company for the year ended 30 June 2019 is set out in of the Directors' Report as incorporated in to the Company's 2019 Annual Report.

The vote on this resolution is advisory only and non-binding. However, if at least 25% of the votes cast on the resolution are voted against the Remuneration Report at the meeting (a “first strike”), then:

- (a) if comments are made on the report at the meeting, the Company's Remuneration Report for the following financial year will be required to include an explanation of the board's proposed action in response or, if no action is proposed, the board's reasons for this; and
- (b) if at the following year's annual general meeting, at least 25% of the votes cast on the resolution for the adoption of the Remuneration Report for that year are against adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting be called to consider the election of directors of the Company (**Spill Resolution**). If a Spill Resolution is passed, all of the directors (other than the managing director, if any) will cease to hold office at a subsequent general meeting (**Spill Meeting**), unless re-elected at that meeting; such meeting to be held within 90 days of the Annual General Meeting (AGM) that passed the Spill Resolution.

If at the Spill Meeting, the resolutions are all passed against re-electing the relevant directors, the legislation includes a mechanism to ensure the Board continues with the statutory required minimum of 3 directors. After the managing director, the remaining two positions will be filled by the directors whose re-election resolutions at the Spill Meeting received the highest percentage of votes in favour of re-election. If the number of votes is the same for two directors, the Managing Director and any other director whose re-election has been confirmed at this Spill Meeting, can choose who is to become the third director, with such appointment to be confirmed by shareholders at the 2020 AGM.

At the 2018 AGM of the Company shareholders resolved to adopt the Remuneration Report for the year ended 30 June 2018. Of the votes cast at the 2018 AGM on the resolution less than 25% of the votes cast were against adoption of the Report. As such, a “first strike” was not recorded at the 2018 AGM.

The resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting. As noted above the Remuneration Report is set out in the Directors’ Report contained in the Company’s 2019 Annual Report.

The report:

- explains the Board’s policies in relation to the nature and level of remuneration paid to directors, secretaries and senior managers within the Hawthorn Resources Limited group;
- discusses the link between the Board’s policies and the Company’s performance;
- provides a detailed summary of performance conditions, explaining why they were chosen and how performance is measured against them;
- identifies the companies that the Company’s performance is measured against for the purpose of its long term incentive plan;
- sets out remuneration details for each director and for each member of the Company’s senior executive management team; and
- makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors;

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Directors' Recommendation

Remuneration Report

The Board unanimously recommends that shareholders vote in favour of Resolution 3. The Chairman has informed the Board that he intends to vote any open and available proxies given to him in favour of Resolution 3.

Voting Generally

Each resolution will be moved, seconded and open to the meeting for discussion.

Following the completion of discussion the Chairman will inform the meeting of the details of the valid proxy voting received by the Company.

The resolutions will then be put to the vote either on a show of hands or, if requested, a poll.



ABN 44 009 157 439

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Hawthorn Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

PROXY FORM

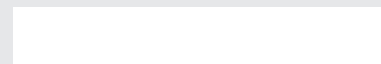
I/We being a member(s) of Hawthorn Resources Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy



or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm (AEDT) on Friday, 29 November 2019 at Minter Ellison Lawyers Offices, Level 23 Rialto, 525 Collins Street, Melbourne, Victoria** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolution 3: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 3, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

For Against Abstain*

1 Re-election of Dr David S Tyrwhitt as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

2 Re-Election of Mr Liu, Zhensheng as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

3 Adoption of Remuneration Report

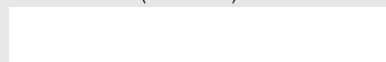
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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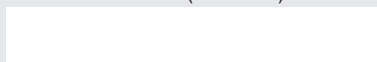
* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

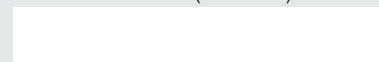
Shareholder 1 (Individual)



Joint Shareholder 2 (Individual)



Joint Shareholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HAW PRX1901C

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm (AEDT) on Wednesday, 27 November 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Hawthorn Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

HAWTHORN RESOURCES LIMITED

ABN / ARBN:

44 009 157 439

Financial year ended:

30 June 2019

Our corporate governance statement² for the above period above can be found at:³

- ☐ These pages of our annual report:
- ☒ This URL on our website: <http://www.hawthornresources.com/media/2692/2016-hr-cgs.pdf>

The Corporate Governance Statement is accurate and up to date as at 31 October 2019 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 31 October 2019

Name of Secretary authorising lodgement: Mourice Garbutt

Signature



¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at: http://www.hawthornresources.com/media/2692/2016-hr-cgs.pdf ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at[insert location] ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at[insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at[insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at[insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at[insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at[insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at[insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES		NOT APPLICABLE	
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

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

The information in this statement is current as at 31 October 2018 and has been approved by the Board. The statement includes cross references to the Company's charters, codes and policies; a copy or summary of which can be viewed on the Company's website in its Corporate Governance section.

This statement should be read in conjunction with the Directors' Report, the Remuneration Report and the Financial Report for the financial year ended 30 June 2018 as contained in the 2019 Annual Report:

- (a) Directors' Report at page 2
- (b) Remuneration Report at page 9 to 13
- (c) Financial Statements and Notes at pages 15 to 40

Hawthorn Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2019.

Principle 1 LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT
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Board Role and Functions

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

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

The directors in office at the date of this statement, their skills, experience, expertise and period of directorship are detailed in the Directors' Report which can be found as noted above at page 3 of the 2017 Annual Report. In respect of the attendance at Board and Committee Meetings, shareholders are referred to the table of Meeting Attendance contained on page 7.

Structure of the Board

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

In the context of director independence, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the

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appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

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

Name	Position and status	Term in Office
Non-Executive Directors		
David S Tyrwhitt	Non-Executive Director& Chair Audit, Compliance & Corporate Governance Committee	22.6 years
Christopher D Corrigan	Non-Executive Director	1.75 years
Liao, Yongzhon	Non-Executive Director	6.6 years
Li, Yijie	Non-Executive Director	6.6 years
Liu, Zhensheng	Non-Executive Director	3.6 years
Executive Directors		
Mark G Kerr	Managing Director/ CEO	11.6 years

During the year there were no changes to the membership of the Board of Directors.

The Board acknowledges the Corporate Governance Council's recommendation that the Chairman should be an independent director.

Composition of the Board

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

Mr Kerr, following his appointment as Managing Director in June 2016 is no longer considered to be a Non-Executive Director.

The Chairman of the Company's Audit, Compliance and Corporate Governance Committee, Dr Tyrwhitt, continues to be considered to be an Independent Director.

Messrs Liao, Yongzhong, Li, Yijie and Liu, Zhensheng are Directors nominated by Feng Hua Mining Investment Holding (HK) Limited pursuant to its rights under the August 2012 Share Subscription Agreement. As such, whilst they are Non-Executive directors they are not regarded as Independent Directors.

Mr Corrigan, who joined the Board of Directors on 5 October 2017, whilst a Non-Executive Director is not regarede as an Independent Director through his declared interest in the shares held by an associate – substantial shareholder Belfort Investment Advisors Limited.

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

Board Responsibilities

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

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

- implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense
- the review and approval of acquisitions and disposals of businesses and assets, and the approval of contracts and financing arrangements within defined limits; and
- the appointment of an outsourced service provider, which is responsible for managing the Company's public image and communication with shareholders.

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

BOARD COMMITTEES

The Board of Directors is responsible for the overall governance of the Company inclusive of its strategic development and the direction and the control of operations of the Company. Whilst the Board retains overall responsibility, it has established an Audit, Compliance and Corporate Governance Committee.

Matters normally delegated to Remuneration and Nomination Committees are addressed at Board of Directors meetings.

ROLE OF MANAGEMENT

The day to day management of the Company's activities and implementation of the corporate strategy and initiatives is delegated by the Board and vested in the Managing Director/CEO.

Day to day management of the Company's activities and the implementation of Board strategy, policy and decisions is delegated to the Chief Executive Officer. This includes the following:

- to develop and recommend internal control and accountability systems for the Company and if approved, ensure compliance with such systems

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

DIRECTOR SELECTION AND APPOINTMENT

When considering a candidate for appointment as a director of the Company or recommends the appointment to shareholders the Company undertakes information checks which include the person's character, business, professional and educational qualifications, the existence of any criminal proceedings and probity. Such information, where considered material, is incorporated into shareholder meeting documentation for their consideration when voting on the election of directors.

As noted above, Messrs Liao, Li and Liu are directors as nominated by Feng Hua Mining Investment Holding (HK) Limited pursuant to its rights under the August 2012 Share Subscription Agreement. Dr Tyrwhitt has been a director of the Company since November 1996; Mr Kerr a director since November 2007 and Mr Corrigan a director since October 2017.

COMPANY SECRETARY

The position of Company Secretary is accountable directly to the Board through the Chairman, on matters relevant to the proper functioning of the Board. The Directors have direct access to the Company Secretary through electronic communications or in-person meetings.

DIVERSITY

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

The Company's Diversity Statement can be viewed on the website at www.hawthornresources.com/governance.aspx

Whilst Hawthorn Resources Limited, as a small-cap exploration/mining entity, seeks to restrict the size of its staffing by the outsourcing of such functions as accounts preparation; secretarial and exploration services; mining tenement management and share registry services to experienced professionals it recognises the value contributed to an organization by employing or engaging people with varying skills, cultural backgrounds, ethnicity and experience. Hawthorn Resources believes that the quality of the workforce is the key to its continued growth, improved productivity and performance. As at the date of this report apart from the members of the Board of Directors the Company has one direct employee. The Company is not a 'relevant employer' under the Workplace Gender Equality Act.

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

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

Broadly, the Company's measurable objectives are as follows:

- Hawthorn Resources state and re-state where necessary that there are no forms of discrimination/bias in considering anyone for a position with the Company either as an employee or service provider, i.e. on grounds of gender, age, physical appearance, origins, race, religion, marital status, sexual preference, pregnancy or likely pregnancy, political leanings, disabilities
- All new appointments or promotion/career enhancement and remuneration be on the basis of merit and ability to carry out the work responsibilities
- Within the broad ambit of ensuring that the Company's activities are best developed and to ensure harmony of working within the Company that there be flexibility in working hours to enable domestic/private lives to allow for a balance between career and family obligations
- Consideration be given to job sharing in such circumstances that would permit sharing.

The table below outlines the diversity within Hawthorn Resources Limited:

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

As noted, the Hawthorn Resources Limited Board of Directors adopted the policy on diversity in July 2011.

The Board of Directors is responsible for the reviewing and reporting on diversity.

BOARD PERFORMANCE

A performance evaluation process has been finalised through the Chairman together with informal performance monitoring sessions undertaken during the 2019 financial year at the in-person Board meetings.

Arising from the informal monitoring, it is considered that the Board and the Board members are functioning in an appropriate manner in managing the affairs of the Company.

SENIOR EXECUTIVE PERFORMANCE

The process of assessing the performance of the Managing Director/Chief Executive Officer and the outsourced service providers within their delegated duties/services is reviewed by the Board of Directors when considering the Company's each half-year and annual budget forecasts; as was the case for the 2019 financial year.

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Principle 2 STRUCTURE THE BOARD TO ADD VALUE

NOMINATION AND REMUNERATION COMMITTEE

Director Nomination and Membership

Nomination Committee

The Company does not have a Nomination Committee. The Board believes that with five directors of which only two directors on the Board are normally resident in Australia, the Board itself is the appropriate forum to deal with this function. Subject to the provisions of the Company's Constitution, Board composition and selection criteria for directors are addressed by the full Board.

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

Remuneration Committee

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

BOARD SKILL MATRIX

The Company has developed a matrix of skills and experiences necessary for the growth and development of the Company as an active explorer and mine developer in the Australian mining industries. The matrix is designed an ongoing review tool aids in noting the existing skills and experiences within the Company and those skills necessary to grow the Company as it expands in to mining activities such as, but not limited to:

- (a) industry experience in exploration activities in relation to identification of areas of geological interest
- (b) industry experience in Federal and State mining legislation
- (c) industry experience in developing and managing mining operations
- (d) experience in negotiating joint venture agreements
- (e) experience in capital raising and capital management
- (f) strategy planning to ensure the best usage of capital funds and over time, the ultimate delivery of returns to investors; and
- (g) Corporate governance – experience in holding office in listed entities

INDEPENDENT DIRECTORS

As noted in Principle 1 – the Company has a Board of six directors of which five are classified as Non-Executive directors. Of the Non-Executive directors only Dr Tyrwhitt has been considered to be Independent for the reasons stated.

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In making this regular assessment the criteria applied included the factors set out in ASXCGPR to assess if a director is free of any interest, position, association or relationships that might influence or be perceived to influence in a material manner, the director's capacity to hold an independent view on matters before the Board.

CHAIR

The Chairman is responsible for the efficient organization and conduct of the Board and the proper briefing of Board members on the activities of the Company and any specific responsibilities or duties assigned to Board members. The Chairman is also the bridge between the Board and the Company's executive officers and advisers.

The Chairman of the Board of Directors is Mr M G Kerr who has been the Chairman of the Board since 2008 and, since June 2016, the Company's Managing Directors/CEO.

Mr Kerr acknowledges that as the Chairman and Managing Director of a junior exploration company there is a significant time commitment and has confirmed that the other positions that he holds do not and will not hinder his effectiveness in the role of the Company's Executive Chairman he is reviewing this dual role.

TERM OF OFFICE

The Company's Constitution requires that all directors other than the Managing Director submit themselves for re-election every three years and may not hold office beyond the third Annual General Meeting following the Director's election/re-election. In addition, at every Annual General Meeting not less than one third of the previously elected directors must retire by rotation. Directors appointed during the period since the last Annual General Meeting of the Company must submit themselves for election at the next Annual General Meeting.

The term of office of each director is as incorporated into Principle 1 above and as noted on pages 3, 4 and 10 of the 2019 Annual Report.

BOARD INDUCTION AND PROFESSIONAL DEVELOPMENT

All new directors participate in an informal induction to the Company's activities, procedures, key strategies and staffing. The Board encourages all directors to participate in industry conferences and presentations that are particularly appropriate the Company's exploration and mining activities.

INDEPENDENT PROFESSIONAL ADVICE

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

<p>Principle 3 ACT ETHICALLY AND RESPONSIBLY</p>
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CODE OF CONDUCT

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

- discrimination against any staff member or potential employee
- carrying out of duties in respect to the law at all times
- use and protection of the Company's assets responsibly
- respect for the confidentiality of the Company's business dealings

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- responsibility for their own actions and for the consequences surrounding their own actions
- trading in securities
- a commitment to shareholder's interests
- conflicts of interest; and
- reporting of violations of the code

The Company has a Code of Conduct.

Principle 4 SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

AUDIT AND RISK COMMITTEE ("Audit Committee")

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

The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Committee. However, as the Board of Directors comprises six only directors of which two are normally resident in Australia, the functions of the committee are carried out within the structure and conduct of Board Meetings but under the Chairmanship of Dr Tyrwhitt. The Audit and Risk charter has been reviewed, updated and is subject to final review and approval by the Board.

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

Chairman	Dr D S Tyrwhitt
Member	Mr M G Kerr
Member	Mr C D Corrigan

Each of the Committee members is financially literate and having served in senior positions within mining and financial industry entities – their personal qualifications are set out in detail in the Directors' Report contained in the 2019 Annual Report at pages 3 and 4 together with the details of Committee meetings attended during the 2019 financial year are shown on page 7.

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

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

- the review of the Audit Programme and all matters relevant to the financial affairs of the Company's activities together with the production of Statutory Financial Reports inclusive of the Reports and Declarations by Directors
- to review and advise on procedures in place to record the Company's activities and to ensure the safety of the Company's records and assets
- to review Internal Control Procedures; the External Auditor Engagement letter and the Auditor's Management Representation letter
- to review the half-yearly and yearly reports to the ASX Limited together with a review of the scope and quality of the annual statutory audit and the half-year audit review
- to monitor Compliance with the provisions of the Corporations Act 2001, Australian Securities and Investment Commission guidelines and practice notes, ASX Listing Rules, taxation requirements and all regulatory bodies

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- carry out the functions of the Remuneration Committee
- carry out the functions of Group Risk management
- to review the performance of the external auditor and the level of fees charged for audit services.

CEO AND CFO DECLARATION

As required, the Managing Director/CEO and Chief Financial Officer provided assurance to the Board prior to the release of the 31 December 2018 and the 30 June 2019 financial statements that, in their opinion:

- (a) the financial records of the company/disclosing entity have been properly maintained in accordance with section 286 of the Corporations Act 2001
- (b) the financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and the consolidated entity.
- (c) any other matters prescribed by the Regulations for the purposes of section 295A have been satisfied in relation to the financial statements and notes for the financial year, and
- (d) the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

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

EXTERNAL AUDITOR

As noted, the duties of the Committee include reviewing the performance of the external auditor and the level of fees charged for audit services to ensure the quality and independence of the External Auditor.

The Company's External Auditor is BDO – East Coast Partnership which has audited the Company's financial affairs since 2012 when it merged its activities with those of PKF (Pannell Kerr Foster) which had been the Company's Auditors since incorporation.

In line with legislation the BDO- East Coast Partnership rotate the audit engagement partner on listed entities at least every five years. The current audit engagement partner was appointed on and as from the financial year ended 30 June 2018.

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The amount of the fees paid to the External Auditor is reported in the Annual Report on page 38; there were no fees paid for non-audit services. As required and as included in the Annual Report, the Auditor provides an annual declaration of independence – see page 14 of the Annual Report.

The External Auditor attends the Company's Annual General Meetings and is available to answer shareholders questions relative to the conduct of the audit and the preparation and content of the Auditor's Independent Report – see pages 42 to 46 of the 2019 Annual Report.

Principle 5 MAKE TIMELY AND BALANCED DISCLOSURES

CONTINUOUS DISCLOSURE

While the Company's policy on continuous disclosure for complying with the disclosure obligations recommended by the ASXCGPR (Recommendation 5.1) has been adopted which is to ensure that the Company identifies and discloses any matter that a reasonable person would expect to have a material effect on the price of the Company's shares.

All such disclosure matters as released to the ASX are posted onto the Company's website.

The Company's continuous disclosure compliance procedure enables it to meet its obligations and to ensure that all matters, which may require announcement to the Australian Securities Exchange, are brought to the attention of directors immediately. Corporate Governance and Compliance is a 'standing' Agenda item for Board of Directors meetings.

Principle 6 RESPECT THE RIGHTS OF SECURITY HOLDERS

COMPANY WEBSITE

The Company maintains a website at www.hawthornresources.com providing shareholders with up to date information on the Company's activities inclusive of management, news, projects, governance and market/investor information.

Shareholders may also communicate with the Company through its e-mail address info@hawthornresources.com

INVESTOR RELATIONS

Shareholder Communication Policy/Shareholder Meetings/Electronic Communications

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

- ensuring that shareholders and the financial markets are provided with full and timely information about Hawthorn's activities in a balanced and understandable way
- complying with continuous disclosure obligations contained in applicable ASX listing rules and the Corporations Act in Australia, and
- communicating effectively with its shareholders and making it easier for shareholders to communicate with Hawthorn Resources Limited.

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

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

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

The External Auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

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

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

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

Principle 7 RECOGNIZE AND MANAGE RISK
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AUDIT AND RISK (mandated to the Audit, Compliance and Corporate Governance Committee)

Structure – refer to Principle 4 for details composition, structure and membership.

Risk

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Company's approach to creating long-term shareholder value.

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

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

Management reports to the Committee on the Company's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by Management is a standing agenda item at Board meetings.

A review of the Risk Management Policy and Framework is currently under consideration and, if thought fit, adoption by the Board of Directors.

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Business Risk

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

- failure to identify and develop commercial undertakings from the exploration research and development activities
- failure to secure and ensure the integrity and good standing of the Company's interests in mining tenements
- ability to raise capital or generate free cash flow to fund future exploration and development activities
- failure to market the company's mining resources
- general economic factors including those affecting interest rates, mineral commodity prices and exchange rates
- changes in Corporations and Taxation Laws.

INTERNAL AUDIT FUNCTION

Given the size of the Company as a junior exploration entity, an internal audit function has not been established. However, through the internal practices applied by the Company and the half-year and annual external audit programs, the Board considers that there is proper conduct of the Company's affairs.

ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The Company through management and the Board monitors its risks be they economic, environmental or social; refer to pages 36 and 38 of the 2019 Annual Report.

Principle 8 REMUNERATE FAIRLY AND RESPONSIBLY
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NOMINATION AND REMUNERATION COMMITTEE

As noted in Principle 2 the Company has not established such committees. Rather such matters are dealt within the meetings of the Board of Directors. In carrying out these functions the Board receives regular briefings and advices from external advisers on remuneration and related human resources matters.

NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Refer to pages 10 to 13 in the 2019 Annual Report

EXECUTIVE DIRECTOR REMUNERATION POLICY

Refer to pages 10 to 13 in the 2019 Annual Report

SHARE TRADING POLICY

In December 2011 the Company, in accordance with the requirements of the ASX, adopted a Share Trading Policy which was released to the ASX and which can be viewed on the Company's website at www.hawthornresources.com/governance.aspx

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

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

OCCUPATIONAL HEALTH AND SAFETY

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

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