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# Hawthorn Resources Limited

ABN 44 009 157 439

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## FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH  
THE JUNE 2014 ANNUAL FINANCIAL REPORT AND  
THE SEPTEMBER AND DECEMBER 2014 QUARTERLY ACTIVITY STATEMENTS**

These reports can be viewed on the Company's website at:  
[www.hawthornresources.com](http://www.hawthornresources.com)

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**Directors**

Mark Kerr (Chairman and Non-Executive Director)  
Mark Elliott (Managing Director and CEO)  
David Tyrwhitt (Non-Executive Director)  
Liao, Yongzhong (Non-Executive Director)  
Li, Yijie (Non-Executive Director)  
Ye, Xiaohui (Non-Executive Director)

**Company Secretary**

Mourice Garbutt

**Exploration Manager**

Ian Moody

**Project Manager**

Paul Chare

**Financial Officer**

Tony Amato

**Registered Office and Domicile**

Level 2, 90 William St., Melbourne, Victoria 3000 Australia  
Telephone: +61 3 9605 5901  
Facsimile: +61 3 9605 5999  
E-mail: [info@hawthornresources.com](mailto:info@hawthornresources.com)  
Internet: <http://www.hawthornresources.com>

**Legal Form**

A public company - Liability Limited by Shares

**Country of Incorporation**

Australia

**Share Registry**

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

**Auditors**

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

**Australian Securities Exchange Listing Code**

HAW Ordinary shares

**Bankers**

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

**Solicitors**

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

# Hawthorn Resources Limited

## Directors' Report

The Directors of Hawthorn Resources Limited present their report for the half year ended 31 December 2014.

<b>1 DIRECTORATE</b>
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The Directors of the Company in office since 1 July 2014 and up to the date of this Report are:

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

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

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

Mr Kerr is also a director of the ASX listed entities – Contango Microcap Limited & Think Childcare and Education Limited

**Mr M E Elliott - LL.B BCom FFin**  
**Executive Director and CEO**  
**Appointed 22 November 2007**

Mr Mark Elliott is the Managing Director and CEO of the Hawthorn Resources Limited Group. Mr Elliott is a former partner of the international law firm Minter Ellison specializing in corporate and securities law and a former director of Spotless Group Limited, E\*trade Limited, Oakton Limited and Mineral Deposits Limited and a former director of legal counsel of Computershare Limited. With the increased exploration and corporate activities the Board of Directors appointed Mr Elliott as the Company's Managing Director /CEO effective 29 May 2009. In the 2014 review of director's performance the Board of Directors agreed to offer and Mr Elliott agreed to accept an extension of his Executive Service Agreement to 31 December 2015. Currently Mr Elliott is not a director of any other listed entities.

**Dr David S Tyrwhitt - PhD(Geology) BSc(Hons) FSEG(USA) FAusIMM CPGeo**  
**Non-Executive Director**  
**Appointed 14 November 1996; last re-elected 2013 AGM**

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

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

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

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

# Hawthorn Resources Limited

## Directors' Report

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

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

**Mr Ye, Xiaohui**  
**Non-Executive Director**  
**Elected 30 January 2013; formally appointed 30 April 2013; last re-elected 2014 AGM**

Mr Ye Xiaohui holds a Masters degree in business management and is qualified as an Economist in the PRC.

Mr Ye currently holds the following positions:

Director and deputy general manager of Guangdong Rising Assets Management Co., Ltd., in charge of the Mineral Resources Department and Mineral Investment Management, Director of Caledon Resources PLC, Chairman of the board at Guangdong Rising (Laos) Investment and Development Limited. Mr Ye is also the Deputy Director of the Guangdong Geological Institute and Director of the Guangdong Society for Metals.

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

### Directorships

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

## 2 REVIEW AND RESULTS OF OPERATIONS

### 2.1 Objectives

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

### 2.2 Results

After allowing for the write-off of prior year's exploration expenditures of \$1,182,291 (2013: \$240,487) the Company recorded a consolidated net loss of \$1,749,871 for the half-year ended 31 December 2014 (2013: loss \$704,194).

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

As an exploration company, the Company does not have an ongoing source of revenue. Its revenue stream is normally from ad-hoc tenement/plant and equipment disposals and interest received. In the 2014 half-year revenue amounted to \$162,911 (2013: \$305,518).

Total consolidated expenses for the period amounted to \$1,912,782 (2013: \$1,009,712) inclusive of exploration expenditure written-off of \$1,182,291 in 2014 (2013: \$240,487) and administration expenses of \$730,491 (2013: \$769,225).

As a result, the consolidated loss for the period from continuing activities after income tax expense was \$1,749,871 in the 2014 half-year compared to a loss of \$704,194 in 2013.

#### *Statement of Financial Position*

At 31 December 2014, the consolidated entity had working capital of \$8,110,769 (30 June 2014: \$9,352,431) made up of cash at bank of \$8,184,098 (30 June 2014: \$9,560,743), receivables of \$130,285 (30 June 2014: \$182,908), other current assets of \$24,193 (30 June 2014: \$6,168) and payables of \$227,807 (30 June 2014: \$397,388).

Non-current assets totalled \$13,099,064 (30 June 2014: \$13,607,273) primarily made up of carried forward exploration expenditure of \$13,055,181 (30 June 2014: \$13,555,476).

Net assets at 31 December 2014 amounted to \$21,209,833 (30 June 2014: \$22,959,704).

# Hawthorn Resources Limited

## Directors' Report

### Cash Flow

During the half-year, the consolidated entity's cash and cash equivalents decreased by \$1,376,645 (2013: decreased \$2,744,341) having paid \$699,715 (2014: \$1,015,750) in the normal course of operations and \$839,841 (2013: \$1,818,227) for exploration expenditure. There were no new equity-capital raising activities in the half-year (2013:\$nil).

Cash and cash equivalents in hand at 31 December 2014 totalled \$8,184,098 (2013: \$11,622,241).

### 2.3 Corporate Activities

#### Funding

No new equity capital raisings were undertaken during the December 2014 half-year period (2013: \$NIL).

#### Issued Securities

As at 31 December 2014 and as at the date of this report the number of securities on issue is represented solely by 171,263,644 ordinary fully paid shares.

### 2.4 Dividends

No dividends were paid or declared during the period and no dividends are recommended in respect of the financial half-year ended 31 December 2014

### 2.5 Earnings per Share

	2014	2013
Basic loss per share	(\$0.01022)	(\$0.00411)
Diluted loss per share	(\$0.01022)	(\$0.00411)

### 2.6 Exploration and Development

At the **Trouser Legs – Pinjin JV** exploration and development has continued at the **Anglo Saxon Mine** area of the historic Pinjin Mining Centre area (a joint venture with partner Gel Resources contributing 30%) during the half year.

Hawthorn announced a Mineral Resource Estimate at the Anglo Saxon Deposit during October 2013 of

- **Indicated Mineral Resource – 599,000t at 3.3 g/t gold for 63,700 oz of gold (Oxide and Transition Zones Only), and**
- **Inferred Mineral Resource – 1,687,000t at 4.1 g/t gold for 221,800 oz of gold (Oxide, Transition and Primary)**

*Hawthorn Resources confirms that all material assumptions and technical parameters underpinning the Mineral Resource Estimate in the announcement, **Anglo Saxon – Indicated Mineral Resource Upgrade; ASX Announcement: 30/10/2013**, continue to apply and have not materially changed, and that the form and context in which the Competent Persons findings are presented have not been materially altered.*

During the second half of 2014 Hawthorn received a number of commissioned independent consultant reports covering the potential mining development of the Anglo-Saxon mine including environmental, hydrological, mineralogical, metallurgical and geotechnical studies. These completed studies were required in order to submit a Mining Approval, to mine oxide and transition ore at Anglo Saxon, to the Western Australia Department of Mines. It is expected that this Mining Approval will be submitted for assessment in the upcoming year.

At the **Deep South-Belize Project** Area substantial RC drilling programs have been completed to date. The project area lies directly along strike to the south of Deep South Mine approximately 170 km to the north east of Kalgoorlie in Western Australia. Hawthorn holds tenements in this project area in Joint Venture with Metals X Limited.

Opencut mining was completed at the Deep South Mine, owned by Saracen Mineral Holdings Limited, during 2013. Saracen have reported that an underground reserve of approximately 120,000 ounces with a further Feasibility study to be completed in the September 2015 Quarter.

Drill testing of targets along strike of the interpreted Deep South - Mexico ore horizon was completed in the previous half year, with the target lithology - a deeply weathered quartz-carbonate-sulphide horizon – was further intersected.

Results from this drilling included an intercept in **DSC123** of **14m @ 3.50 g/t Au** (incorporating **3 metre intervals of 6.47 g/t Au** and **7.74 g/t Au**) that is the broadest intercept returned in the project to date. Results to date have encouraged Hawthorn to develop a block model that can be used to report a resource estimate in the upcoming half, while attempting to identify the key vectors in discovery of high gold grade lodes in the unit.

Directors' Report

At the **Yundamindera Project**, located approximately 175 kilometres to the north east of Kalgoorlie, Western Australia exploration has focused on the discovery of gold associated with mineralised syenitic porphyry dykes, BIF's and shears. Within the South Laverton Zone syenite porphyries host or are associated with significant gold mineralised bodies including **Wallaby** (+7.1 Million ounces), **Butcher Well** (0.3 Million ounces) and **Jupiter** (0.1 Million ounces).

Gold mineralisation is consistently associated with stockwork quartz veining at the base of a shallow, 45° east dipping, porphyry intrusion. Metallurgical testwork carried out on mineralised samples indicates that the ore responds well to traditional milling processes.

RAB and RC Drilling programs continued during the half that have identified two new gold mineralised prospects at **Box Well West** and **Pearce Bar 20** amongst 10 new targets tested. The southern faulted offset extension of the **Coffey Bore** porphyry was also identified – with the unit apparently becoming thicker and remaining open along strike to the south.

At **Box Well West** a sheared and weathered porphyry unit was intercepted in RAB drilling beneath transported stream sediment cover. Results from this initial RAB program included **68 metres @ 0.40 g/t Au from 16 metres to End of Hole (including 16 metres @ 1.05 g/t Au from 20 metres)**. A three hole, follow-up RC drill program returned results including **12 metres @ 2.00 g/t Au from 42 metres in YMC043, 6 metres @ 0.50 g/t Au from 85 metres in YMC044 and 3 metres @ 0.91 g/t Au from 32 metres and 4 metres @ 0.97 from 92 in YMC045**.

These results are considered highly encouraging for the discovery of a significant mineralised body as no surface exposures of this gold mineralisation are known, being obscured by transported alluvial cover sequence, with several kilometres of interpreted strike remaining untested by drilling to date.

At **Pearce Bar 20** a series of flatlying quartz veins were drilled 200 metres along strike of historic mine workings. Results from these stacked quartz veins included **12 metres @ 1.17 g/t Au from 4 metres** indicating that the gold mineralisation may possess significant strike extent while remaining open along strike and at depth.

RC Drilling at **Coffey Bore** intersected the target mineralised porphyry unit at depth returning a result of **20 metres @ 0.72 g/t Au from 204 metres in YMC019**. This result further confirms that the target unit remains a significant host for broad zones of gold mineralisation, similar to the major porphyry hosted or associated ore bodies in the Yundamindera district including **Wallaby, Mt Morgans** and **Butcher Well**.

At **Coffey Bore South West** RC drilling successfully located the faulted, southern extension of the main **Coffey Bore** porphyry. While the gold mineralised values from the unit are relatively modest, broad zones of anomalous gold results were returned from the lower margin of the unit. The target unit remains open along strike to the south, and is untested for up to 1400 metres of faulted and structurally complex strike.

In the **Edjudina - Triumph / Savannah Project (combined)** area drilling has been carried out on the strike extensive Edjudina Workings in the centre of the combined project area, where historic production of over 40,000 ounces of gold, at >25 g/t Au, was mined between 1898-1921, and 1983-1985. Several reports and prospectus articles in 1983 refer to the area having "proven" and "probable" reserves of over 70,000 ounces of gold in situ. These reports are clearly not JORC compliant, however exploration has been carried out along the strike length of the workings to assess the potential of the area to host exploitable high grade underground resources. Further exploration and development is planned for the upcoming year focussed beneath and along strike of the **Senate Mine** (10,398 oz of Au produced from 6942 tonnes of ore).

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

The project area is adjacent to the historic **Gindalbie Mining Centre** (45,000 ounces of gold produced at 27 g/t Au) and surrounds the KalNorth Gold Mines Limited (ASX:KGM) – **Lindsay's Deposit** (43,000 ounces of Gold Reserve, 323,000 ounce Gold Resource). KalNorth commenced and subsequently suspended ore production commenced from this project area during 2013.

RC drilling programs have been completed at Hawthorn's **Lindsay South, Whiteheads Dam** and **Whiteheads North** prospects during previous periods.

The drilling has identified thick zones of supergene clays above a complex suite of quartz veined and brecciated basalts, in contact with granodiorite sills and dykes in the Lindsay's South area and sheared felsic volcanics in contact with more mafic units in the two Whiteheads areas drilled. Results from the program in the **Lindsays South** remain of interest as strong gold results are obtained in a well develop saprolitic clay layer, however the fresh rock source of this mineralisation remains to be identified. At **Whiteheads Dam** drilling to date has been disappointing as only low grade gold intercepts have been returned. By contrast a high grade result of **4 metres @ 7.33 g/t Au** at the **Whiteheads North** prospect ensures that follow up exploration drilling will be required at this prospect in the upcoming year.

In conclusion the completed mining and associated development studies carried out at **Pinjin – Anglo Saxon** has progressed the potential for this project to move into a mining phase during the upcoming year.

## Hawthorn Resources Limited

### Directors' Report

With mining operations underway at sites in close proximity to the **Deep South, Edjudina-Triumph, Yundamindera and Whiteheads Project** areas, close to existing known mineralised zones held or drilled by Hawthorn, the potential for exploitation of mineralisation that may be identified continues.

The **Mount Bevan Iron Ore Project** (EL 29/510) is located approximately 100 km west of the Leonora township in the central Yilgarn region of Western Australia.

The tenement covers the northern portions of the Mt Ida Greenstone belt and is situated in close proximity to a number of historic and current gold mines in the Copperfield – Timoni and Bottle Creek area.

Geology mapping and sampling, following a tenement wide aeromagnetic survey, confirmed the presence of three substantial BIF horizons within the tenement extending in a north-northwest direction for a strike distance of more than 25 km. Several (out and sub-cropping) pods of haematite mineralisation of up to 20 metres width and several hundreds metres of strike length were identified in accessible areas throughout the southern portion of the Project area. High grade intercepts of haematite mineralisation were intercepted in the southernmost drilling within the Project. Follow up drilling by Hawthorn confirmed these to be the strike extension of the Mt Mason Iron Ore Inferred Resource of non-listed company Jupiter Mines Limited ("Jupiter").

Between 2008-2010 Hawthorn identified substantial widths of haematite mineralisation as an extension of the Mt Mason haematite mineralised zone, and substantial magnetite mineralisation along the main Mt Bevan BIF ridge. Several drill sections (100 -1200 m section spacing) intersected the magnetite iron formation unit in sections continuing from the southern boundary of the tenement to at least 6.0 kilometres to the north. It was interpreted and reported that the intercepts appear continuous with a strike extent at least 6.0 kilometres along the main Mt Bevan ridge line.

A Joint Venture was formed covering the Mt Bevan Project Area with ASX listed company Legacy Iron Ore Limited ("Legacy") in 2010. This joint venture has seen Legacy earn 60% of the Mt Bevan Project by expenditure. Hawthorn accepted Legacy Iron Ore Limited's claim to have met the expenditure covenant in July 2012 and initiated transfer of a 60% interest in the Joint Venture tenements to Legacy. Exploration expenditure has been on a pro-rata contributory basis since this period.

In late 2013 the Joint Venture Manager, Legacy Iron Ore, released an updated **Mt Bevan Mineral Resource Estimate (Legacy Iron Ore Announcement 16/12/2013 "Significant Resources Upgrade at Mt Bevan Iron Ore Project")** on the known magnetite mineralisation of the Western BIF area.

An **Indicated Resource** estimate of **322 Mt @ 34.7% Fe** with high mass recovery rates of **44.2%** has been estimated for a central 2.0km section of the larger 10km strike of the BIF unit which hosts a combined **Indicated and Inferred Resource estimate** of **1,170 Mt @ 34.9% Fe**. The Joint Venture remains encouraged by the mass recovery of the Indicated Resource at 44% - indicative of the relative high Fe content of the magnetite in the host BIF.

Further details of this project and the Mineral Resources Estimate are available on the various Joint Venture websites ([www.hawthornresources.com](http://www.hawthornresources.com) and [www.legacyiron.com.au](http://www.legacyiron.com.au))

A work program and budget proposed by the Joint Venture manager material was approved for during the half. This work program was designed to drilling test the known near surface haematite mineralisation at **Mt Mason North**, that is the northern extension of the Jupiter Mines Limited **Mt Mason Resource** of **9.4Mt @ 57.6% Fe (JMS AGM presentation 28/11/13)**.

Legacy reported (**ASX: LCY Mt Bevan Project Drilling Update – 6/10/2014**) that the drilling program was successful with a significant number of high grade haematite intercepts reported. These intercepts confirm earlier drilling carried out in this area and appear to be direct extension of the known Mt Mason resource of Jupiter.

*The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Moody, who is a member of the Australasian Institute of Mining and Metallurgy and a full time consultant geologist with First Principle Mineral Exploration Company Pty Ltd. Mr Moody has sufficient experience as a geologist which is relevant to the style of mineralization and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Moody consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

## 2.7 Subsequent Events

There has not been any matter or circumstances, other than those referred to in the financial statements or notes thereto, that have arisen since the end of the financial half-year, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.



Directors' Report

## 2.8 Material Business Risks

Hawthorn Resources is in the minerals exploration and mining sectors. Its objective is to undertake both exploration and mine development, which by their nature are high-risk. The group is subject to normal business risks, including but not limited to government policies, infrastructure, commodity price and exchange rate fluctuations, labour market conditions and other factors which are outside the control of the Board and management. Material risks specific to the group include, but are not limited to:

- *Exploration and Development* – exploration for and identification of economic mineral resources product development requires a high level of technical investigation, the outcomes of which cannot be known beforehand. Activities are exploratory in nature so risk of failure or delay is a real possibility.
- *Commercialisation* – the Company's strategy is to explore for, identify, evaluate and mine economically viable mineral resources either on its own account or through joint venture agreements.
- *Regulatory* – approvals such as referred to under item 2.10 below - **Environmental Regulation** may not be received.
- *Financial* – the Company does not receive sufficient income to cover its operating expenses. Although there are sufficient current cash reserves, there is no certainty that additional capital funding will not be required and there is no certainty that capital funding will be available.
- *Commodity Prices* – the timing and extent of fluctuations in global commodity prices can significantly affect the economic viability of the extraction and exploitation of mineral resources
- *Key personnel* – the execution of the Company's exploration and development programmes relies on key personnel of its technical teams. The ability to retain and attract these personnel is critical.
- *Infrastructure* – the ability of the Company to deliver the extracted resources to market from remote inland sites relies on the availability of suitable road, rail and port facilities together with appropriate processing plant facilities.

## 2.9 Legal

No legal matters or claims brought by or against the Company have arisen during or since the ended of the December 2014 financial half-year up to and including the date of this Report. Nor are the Company's directors and officers aware of the likelihood of any such matters.

## 2.10 Environmental Regulation

The Company, as an exploration / mining entity, is subject to both State and Federal legislation – in particular the Mining Act WA 1978, as amended 2010, covering Environmental; Hydrological; Geotechnical and O H & S matters as referred to under the Act.

The Company is not aware of any material breaches of any of these environmental related regulations.

## 2.11 Health & Safety

The Board, CEO and senior management team are committed to creating a positive environment for the health and wellbeing of the Company's employees and anyone affected by our operations, including contractors and visitors.

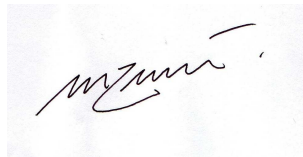
## 3 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this Report.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 13th day of March 2014.



M G Kerr  
Chairman and Non-Executive Director



M E Elliott  
Managing Director & CEO

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

As lead auditor for the review of Hawthorn Resources Limited for the half-year ended 31 December 2014, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



James Mooney  
Partner

**BDO East Coast Partnership**

Melbourne, 13 March 2015

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# Hawthorn Resources Limited

ABN 44 009 157 439

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## **REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

THIS REPORT SHOULD BE READ IN CONJUNCTION WITH THE 2014  
ANNUAL FINANCIAL REPORT

# Hawthorn Resources Limited

## Statement of Profit or Loss and Other Comprehensive Income

	<u>Note</u>	<b>Consolidated</b>	
		<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	162,911	305,518
Expenses	2	(1,912,782)	(1,009,712)
Loss before income tax		(1,749,871)	(704,194)
Income tax expense		-	-
<b>Loss for the period from continuing operations after income tax</b>		<b>(1,749,871)</b>	<b>(704,194)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive loss for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(1,749,871)</b>	<b>(704,194)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic comprehensive loss per share for the period attributable to ordinary equity holders		(1.022)	(0.411)
Diluted comprehensive loss per share for the period attributable to ordinary equity holders		(1.022)	(0.411)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Hawthorn Resources Limited  
Statement of Financial Position as at 31 December 2014

	<u>Note</u>	<b>Consolidated</b>	
		<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		8,184,098	9,560,743
Trade and other receivables		130,285	182,908
Other current assets		24,193	6,168
<b>Total Current Assets</b>		<b>8,338,576</b>	<b>9,749,819</b>
<b>Non-Current Assets</b>			
Other financial assets		2,542	2,542
Exploration expenditure		13,055,181	13,555,476
Plant and equipment		41,341	49,255
<b>Total Non-Current Assets</b>		<b>13,099,064</b>	<b>13,607,273</b>
<b>TOTAL ASSETS</b>		<b>21,437,640</b>	<b>23,357,092</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		211,615	387,902
Employee benefits		16,192	9,486
<b>Total Current Liabilities</b>		<b>227,807</b>	<b>397,388</b>
<b>TOTAL LIABILITIES</b>		<b>227,807</b>	<b>397,388</b>
<b>NET ASSETS</b>		<b>21,209,833</b>	<b>22,959,704</b>
<b>EQUITY</b>			
Contributed equity	3	56,094,619	56,094,619
Reserves		1,667,974	1,667,974
Accumulated losses		(36,552,760)	(34,802,889)
<b>TOTAL EQUITY</b>		<b>21,209,833</b>	<b>22,959,704</b>

The statement of financial position is to be read in conjunction with the accompanying notes to the condensed financial statements.

Hawthorn Resources Limited  
Statement of Cash Flows for the Half-Year Ended 31 December 2014

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments in the course of operations	(699,715)	(1,015,750)
Interest received	162,911	305,518
<b>Net cash used in operating activities</b>	<b>(536,804)</b>	<b>(710,232)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration expenditure	(839,841)	(1,818,227)
<b>Net cash used in investing activities</b>	<b>(839,841)</b>	<b>(1,818,227)</b>
<b>Cash flows from financing activities</b>		
Payment of share issue costs	-	(215,882)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(215,882)</b>
Net decrease in cash and cash equivalents	(1,376,645)	(2,744,341)
Cash and cash equivalents at beginning of period	9,560,743	14,366,582
<b>Cash and cash equivalents at end of period</b>	<b>8,184,098</b>	<b>11,622,241</b>

The statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Hawthorn Resources Limited  
Statement of Changes in Equity for the Half-Year Ended  
31 December 2014

	Contributed Equity	Accumulated Losses	Employee Equity Benefit Reserve	Total Equity
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<b>At 1 July 2013</b>	56,094,619	(33,198,484)	1,667,974	24,564,109
Loss for the period	-	(704,194)	-	(704,194)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the period net of tax</b>	-	(704,194)	-	(704,194)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	-	-	-	-
Transaction costs on issue of share capital	-	-	-	-
<b>At 31 December 2013</b>	56,094,619	(33,902,678)	1,667,974	23,859,915
<b>At 1 July 2014</b>				
56,094,619	(34,802,889)	1,667,974	22,959,704	
Loss for the period	-	(1,749,871)	-	(1,749,871)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the period net of tax</b>	-	(1,749,871)	-	(1,749,871)
<b>Transactions with owners in their capacity as owners:</b>				
<b>At 31 December 2014</b>	56,094,619	(36,552,760)	1,667,974	21,209,833

The statement of changes in equity is to be read in conjunction with the accompanying notes to the condensed financial statements.

Hawthorn Resources Limited  
Notes to the Financial Statements  
For the Half-Year Ended 31 December 2014

**1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

**(a) Reporting Entity**

Hawthorn Resources Limited (the "Company") is a company domiciled in Australia. This financial report as at and for the half-year ended 31 December 2014 is for the consolidated entity which consists of Hawthorn Resources Limited and its controlled entities.

**(b) Basis of preparation**

The half-year financial report is a general purpose financial report for the half-year ended 31 December 2014, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 "Interim Financial Reporting".

The half-year financial report does not include all the information required for a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the June financial report. It is recommended this half year financial report be read in conjunction with the annual Financial Report of Hawthorn Resources Limited as at and for the year ended 30 June 2014.

It is also recommended that the half-year financial report be considered together with any public announcements made by Hawthorn Resources Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The half-year financial report was approved by the Board of Directors on 13th March 2015.

**(c) Summary of significant accounting policies**

The accounting standards, estimation methods and measurement bases used in this report are the same as those used in the last Hawthorn Resources Limited Annual Report.

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

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

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



Hawthorn Resources Limited  
Notes to the Financial Statements  
For the Half-Year Ended 31 December 2014

**2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS**

	31 Dec 2014 \$	31 Dec 2013 \$
(a) Included in revenue for the period is:		
Interest revenue	162,911	305,518
	162,911	305,518
(b) Included in expenses for the period is:		
Impairment of exploration assets	1,182,291	240,487
Administrative expenses	722,577	762,685
Depreciation expense	7,914	7,290
Impairment of available-for-sale investments	-	(750)
	1,912,782	1,009,712

**3. CONTRIBUTED EQUITY**

**Shares**

	31 Dec 2014 \$	30 Jun 2014 \$
(a) Issued and paid up capital	56,094,619	56,094,619
(b) Movement in contributed equity during the six month period were as follows:	<b><u>Number</u></b>	<b><u>Number</u></b>
Opening balance at 1 July	171,263,644	171,263,644
Closing Balance	171,263,644	171,263,644

As at 31 December 2014 and as at the date of this Report there are no options.

**4. SEGMENT INFORMATION**

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

Hawthorn Resources Limited  
Notes to the Financial Statements  
For the Half-Year Ended 31 December 2014

**5. CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual report date.

**6. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

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

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

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

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

All financial instruments recognised at fair value at 31 December 2014 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.

**7. EVENTS AFTER BALANCE DATE**

There has not been any matter or circumstance that has arisen since the end of the financial half-year, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Hawthorn Resources Limited  
Notes to the Financial Statements  
For the Half-Year Ended 31 December 2014

**DIRECTOR'S DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

In the opinion of the directors' of Hawthorn Resources Limited:

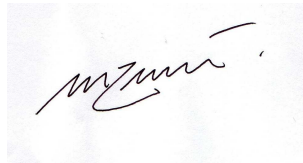
1. the financial statements and notes to the financial statements, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 13th day of March 2015.

Signed in accordance with a resolution of the directors:



M. G. Kerr  
Chairman and Non-Executive Director



M E Elliott  
Managing Director & CEO

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hawthorn Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hawthorn Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hawthorn Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hawthorn Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## BDO East Coast Partnership

A stylized, handwritten-style version of the BDO logo, with the letters 'BDO' in a dark, slightly irregular script.A handwritten signature in dark ink, appearing to read 'James Mooney'.

**James Mooney**  
Partner

Melbourne, 13 March 2015