Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT YEAR ENDED 30 JUNE 2016

Comprising:

The Company's 2016 Corporate Governance Statement is available at www.hawthornresources.com

Hawthorn Resources Limited
ABN 44 009 157 439

Directors' Report 2016

The Directors of Hawthorn Resources Limited, a Company listed on the Australian Stock Exchange, present their report for the year ended 30 June 2016

1 Directors

The Directors of the Company in office since 1 July 2015 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 and 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 and he is a committee member of the St Vincent's Institute Charity Golf Day Committee.

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

A former directorship (during the last 3 years) was as non-executive chairman of Process Wastewater Technologies Limited (2007 to 2013), now known as Process Wastewater Technologies Pty Ltd.

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

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

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

Dr Tyrwhitt holds current directorships of Top End Minerals Limited (April 2015 to current) Merlin Diamonds Limited (December 2011 to current) and Northern Capital Resources Incorporated (January 2008 to current).

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

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

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

Mr Liao, Yongzhong – MBA
Non-Executive Director
Appointed 30 October 2012; last re-elected 2015 AGM

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

He holds concurrent posts of Chairman of the Board of Guangzhou Fenghua Venture Investment Co., Ltd and Fenghua Mining Investment Holding (HK) Limited; Deputy Chairman of the Board of Changchun Up Optotech Co., Ltd, and Director of Netron Soft-Tech (Zhuhai) Co., Ltd

Mr Li, Yijie
Non-Executive Director
Appointed 30 October 2012; last re-elected 2015 AGM

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

Mr Liu, Zhensheng
Non-Executive Director
Appointed 9 December 2015

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

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

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

FORMER DIRECTORS

Mr Ye, Xiaohui
Non-Executive Director
Elected 30 January 2013; formally appointed 30 April 2013; last re-elected 2014 AGM and resigned 9 December 2015

Mr M E Elliott -LL.B BCom FFin
Executive Director and CEO
Appointed 22 November 2007 and resigned on 24 June 2016

DIRECTORSHIPS

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

2 Principal Activities and Review and Results of Operations

Hawthorn Resources Limited ("Hawthorn" or "the Company") is an Australian diversified base metals and gold explorer with strategic and significant tenement holdings throughout the Central Yilgarn Iron Province and the South Laverton Gold Zone of Western Australia.

The principal activity of the Company during the financial year was mineral exploration. There has been no significant change in the nature of that activity during the financial year.

Objective

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

As an exploration company, the Company does not have an ongoing source of revenue. On a consolidated group basis its revenue stream is normally from ad-hoc tenement disposals and interest received on cash in bank. In the current year, finance revenue was $161,679 (2015:$ 285,152). In both years the revenue has been interest received on surplus funding.

Costs and expenses totalled $1,922,435 in 2016 compared to $4,410,350 restated in 2015 after allowing for the impairment in carrying value of exploration tenements – refer to Note 10 to the financial statements. Exploration expenditure written off and impaired in 2016 was $632,527 (*) compared to $3,005,651 restated in 2015.

Administration expenses for 2016 were $1,273,484 (2015: $1,388,028).

(*) In line with the its accounting policy for exploration and evaluation expenditure the Company has undertaken a review of the capitalised exploration and development costs and has ranked its exploration / development tenements according to their priority for economic exploitation as to short term (FY 2016/2017) and longer term (beyond FY 2017/2018). For the longer term tenements the Company has impaired their carrying values – as and when the non-current tenements become ranked as current then the Company has the ability to reassess the previously impaired amounts. In addition, a number of granted exploration licences and tenements were forfeited and re-applied for as mining leases, the applications are pending and accordingly the exploration expenditure has been impaired.

Consolidated Statement of Financial Position

The Company had cash funds in hand at 30 June 2016 of $4,288,580 (2015: $7,075,014), receivables of $111,090 (2015:$115,414), available for sale securities, following impairment testing of carrying values, of $2,231 (2015:$2,231) and current liabilities totalled $292,171 (2015:$223,577).

At 30 June 2016, the Company had working capital of $4,107,499 (2015:$6,967,072) and net assets of $13,955,920 (2015 Restated:$15,716,676) after the abovementioned impairment in carrying values.

Cash Flow

During the year, the Company used $1,038,844 (2015:$1,203,927) in operating activities, paid $1,747,770 (2015:$1,281,802) for exploration activities and raised no new equity capital (2015: nil). As a result, the Company has cash in bank at 30 June 2016 of $4,288,580 (2015:$7,075,014).

3 Significant Change in State of Affairs

The Directors are of the opinion that, other than as disclosed in the Principal Activities section of the Directors' Report, there has not been any significant change in the state of affairs of the Company during the year under review.

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. Events After The End of the Financial Year

Exploration and Development

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

Gold Project - South Laverton Zone

Trouser Legs – Anglo Saxon Project

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

A re-optimization of the ***Anglo Saxon Gold Mining Project*** was commenced in order to reflect the current sustained stronger gold price and existing plant and equipment rates. A final Mining Schedule is under development following this re-optimization.

Hawthorn believes that these approvals represent a further milestone in the proposed development of a mine on this resource.

Yundamindera – Box Well West Prospect

Drilling continued during the year to June 2016 quarter at the ***Box Well West*** prospect within the ***Yundamindera Project*** area to further explore gold mineralisation identified during 2015.

The drilling programs carried out, on 40 or 60 metre spaced sections, have returned broad zones of near surface gold mineralisation in an area of pervasive, but thin, cover.

Further strong gold assay results have continued to be reported along 1,200 metres of strike including:

- *27 metres @ 1.37 g/t Au from 24 metres in YMC085*
  (incl. 10 metres @ 3.06 g/t Au from 24m),
- *38 metres @ 1.62 g/t Au from 12 metres in YMC092*
  (incl. 8 metres @ 3.37 g/t Au from 19m),
- *36 metres @ 1.96 g/t Au from 42 metres in YMC093*
  (incl. 21 metres @ 3.01 g/t Au from 57m),
- *19 metres @ 2.13 g/t Au from 101 metres in YMC095,*
- *12 metres @ 2.04 g/t Au from 37 metres in YMC096,*
- *15 metres @ 1.46 g/t Au from 46 metres in YMC099,*
- *10 metres @ 1.96 g/t Au from 19 metres in YMC120,*
- *7 metres @ 2.60 g/t Au from 121 metres in YMC121*
  (incl. 3 metres @ 5.04 g/t Au from 123m),
- *12 metres @ 2.50 g/t Au from 31 metres in YMC124, and*
- *7 metres @ 6.60 g/t Au from 22 metres in YMC127*
  (incl. 3 metres @ 11.99 g/t Au from 22m).

Hawthorn believes that the results from the drilling to June 2016 drilling continues to indicate the presence of a significant mineralised system at ***Box Well West,*** with strong implications for the prospective nature of the entire***Yundamindera Project*** area.

During August and September 2016 diamond cored holes and a RC drilling program have been drilled to obtain samples for physical and metallurgical testing and infill previous drilling at the ***Box Well West*** and ***Coffey Bore*** prospects in the ***Yundamindera Project*** area. Results from this drilling are pending.

Deep South – Central Zone

During September 2016 diamond cored holes were completed at the ***Central Zone*** of the ***Deep South*** project area. Samples for physical and metallurgical testing and assay are being collected with the results from this sampling pending.

Other than as noted above there are no items, transactions or events of a material and unusual nature which in the opinion of the Directors of the Company, have significantly affected or may significantly affect:

- the operations of the Company
- the results of those operations; and
- the state of affairs of the Company

in financial years subsequent to this financial year.

6. Future Developments and Results

As noted above the Company will be undertaking an aggressive exploration/development programme over its Gold Projects. Other than this there are no likely developments of which the Directors are aware of which could be expected to significantly affect the results of the Company's operations in subsequent financial years.

7 Issued Securities

(a) Ordinary Shares

At the date of this Report this Company has on issue a total of 171,263,644 shares (2015: 171,263,644 shares).

(b) Options

At the date of this Report the Company has no options on issue (2015: nil).

As such, during the 2015/2016 year and up to the date of this Report, the Company has not issued options over fully paid ordinary shares.

8 Directors Interest in Issued Securities

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

(A) Personal

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

*** Refer 8 (B).**

(B) Feng Hua Mining Investment Holding (HK) Limited

In August 2012 it was announced that Messrs. M Kerr and M Elliott would be entering into a Co-Operation Deed ("Agreement") with Feng Hua Mining Investment Holding (HK) Limited ("Feng Hua") in relation to their respective entitlements to shares in Hawthorn Resources Limited. As a result of the announced intention to enter in to the Agreement, each of the parties to the Agreement was deemed to have an interest in all of the ordinary Hawthorn Resources Limited shares in which each has a declared interest from time to time:

Following the receipt of all regulatory and shareholder approvals to issue shares to Feng Hua the deemed relevant interests in the issued share in Hawthorn Resources Limited are:

Mr M G Kerr	2,659,379
Mr M E Elliott	1,075,000
Feng Hua Mining Investment Holding (HK) Limited	64,391,383
Total	68,125,762

The Co-operation Period of the Agreement itself, as executed in April 2013, for a period which commenced on the date of the signed Agreement (30 April 2013) and ending on the first to occur of the following:

(i) a Takeover Event;
(ii) Mr Kerr or Mr Elliott breach their duties as director of Hawthorn Resources;
(iii) the earliest date that neither Mr Kerr or Mr Elliott is a director of Hawthorn Resources Limited; and
(iv) the third anniversary of the date of the Agreement.

The first of the above events to occur was the third anniversary of the date of the Agreement in April 2016. As such the Agreement ceased to apply and each of the parties automatically ceased to have an interest in the ordinary shares of Hawthorn Resources Limited held by the other parties to the Agreement in April 2016.

9 Meetings of Directors

The number of meetings of Directors held including meetings of Committees of the Board during the financial year including their attendance was as follows:

	BOARD *		AUDIT COMMITTEE **	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
M G Kerr	4	4	2	2
D S Tyrwhitt	4	3	2	2
M E Elliott	4	4	2	2
Liao, Yongzhong	4	4	-	-
Li, Yijie	4	4	-	-
Ye, Xiaohui	2	-	-	-
Liu, Zhensheng	2	2	-	-

Note:
***** In between Board Meetings, Directors passed a total of six circulating resolutions which were then noted and ratified at the next occurring Board meeting.
****** Audit, Compliance and Corporate Governance Committee considerations are, when required, held within Board Meetings and Chaired by Dr Tyrwhitt.

10 Company Secretary

Mr M Garbutt, appointed in May 2008, is the Company Secretary of the Company and its subsidiaries. Mr Garbutt is a Fellow of Governance Institute of Australia (FGIA) and Chartered Institute of Secretaries (FCIS) and until recently a Justice of the Peace in Victoria. He has over 30 years commercial experience and currently conducts a corporate compliance and company secretarial company providing such services to a number of public and listed companies in Australia including Hawthorn Resources Limited group.

11 Directors’ and Officers’ Indemnity and Auditor Indemnity

Directors:
The Company has entered into an Indemnity Deed with each of the Directors and with certain former Directors which will indemnify them against liability incurred to a third party (not being the Company or any related company) where the liability does not arise out of conduct including a breach of good faith. The Indemnity Deed will continue to apply for a period of 10 years after a Director ceases to hold office and a Director’s Access and Insurance Deed with each of the Directors pursuant to which a Director can request access to copies of documents provided to the Director whilst serving the Company for a period of 10 years after the Director ceases to hold office. There will be certain restrictions on the Directors’ entitlement to access under the deed.

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

Auditors:
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as an auditor.

12 Environment

The exploration activities of the Hawthorn group are conducted in accordance with and controlled principally by Australian state and territory government legislation. The group has extensive exploration land holdings in Australia. The Company employs a system for reporting environmental incidents, establishing and communicating accountability, and rating environmental performance. During the year, data on environmental performance was reported as part of the monthly exploration reporting regime. In addition, as required under state legislation, procedures are in place to ensure that the relevant authorities are notified prior to the commencement of ground disturbing exploration activities.

The Company is committed to minimising the impact of its activities on the surrounding environment at the same time aiming to maximise the social, environmental and economic returns for the local community. To this end the environment is a key consideration in our exploration activities and during the rehabilitation of disturbed areas. Generally rehabilitation occurs immediately following the completion of a particular phase of exploration. In addition, the Company continues to develop and maintain mutually beneficial relationships with the local communities affected by its activities.

13 Non-Audit Services

During the year, other than as noted below, BDO East Coast Partnership, the Company’s auditor, has not performed other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, BDO East Coast Partnership, and its related practices for audit and non-audit services provided during the year are set out below.

	2016 $	2015 $
Statutory audit		
Auditors of the Company - BDO		
- audit and review of financial reports	50,500	48,750
Other Services - BDO		
- other non-audit services	-	-
Total fees	50,500	48,750

14 Remuneration Report - Audited

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

The Report contains the following sections:

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

14 (i) Management Services – Berkeley Consultants Pty Ltd

The Company entered into a service arrangement with Berkeley Consultants Pty Ltd ("Berkeley Consultants") effective from 1 April 2008 to replace the AXIS Consultants Pty Ltd agreed services, on substantially the same terms and conditions.

Initially Berkeley Consultants, pursuant to the management agreement, provided to all group companies the services previously provided by AXIS Consultants Pty Ltd. Such services included providing the Company with its registered corporate head office facilities in Melbourne, as well as staff to carry out management and administrative charges. The Company paid Berkeley a fixed fee of $25,000 per month plus GST (revised to $26,250 per month) for executive serviced office facilities; and a 10 per cent management and administrative charge on expenditures managed on behalf of the Company – **this management and administrative charge ceased on 1 July 2009.**

Total fees paid or due during the 30 June 2016 financial year amounted to $315,000 plus GST (2015: $315,000) for the provision for serviced office facilities at 90 William Street, Melbourne.

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

Given the nature of the related party interest in this matter, the non-related non-executive directors, in March 2014 conducted a review of the provision of serviced office facilities and executive functions offered to the Hawthorn Resources group of companies by Berkeley Consultants Pty Ltd noting the terms and procedures set out in Section 195 of the Corporations Act and approved an extension to the term of the arrangement to 31 December 2016 and thereafter of a month to month basis.

Following the resignation of Mr Elliott as Managing Director/CEO in June 2016 and following a review the office accommodation it was agreed that with effect from 1 July 2016 that the annual serviced accommodation fees would be reduced by $75,000 to reflect a change in floor-space accommodation.

In considering the extension of the Agreement to 31 December 2016 and beyond and the services to be provided by Berkeley Consultants Pty Ltd to the Hawthorn Resources group of companies, the non-related Directors noted the following:

(i) the terms proposed are similar to the previous arrangements being on arms-length commercial terms; and

(ii) the proposal includes provision of serviced offices with reception, boardroom and other facilities as required, payable quarterly in advance.

14 (ii) Overview of Company Performance on Remuneration Structures

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

	2016 $ Consolidated	2015 Restated* $ Consolidated	2014 $ Consolidated	2013 $ Consolidated	2012 $ Consolidated
Revenue	161,679	285,152	499,578	170,354	54,857
Net loss	(1,760,756)	(4,125,198)	(1,604,405)	(1,886,339)	(1,752,131)
Basic earnings per share-cents	(1.028)	(2.409)	(0.937)	(1.499)	(1.832)
Diluted earnings per share-cents	(1.028)	(2.409)	(0.937)	(1.499)	(1.832)
Net assets	13,955,920	15,716,676	22,959,704	24,564,109	11,988,381

The Directors do not believe the financial or share price performance of the Company is an accurate measure when considering remuneration structures as the Company is in the mineral exploration industry. Companies in this industry do not have an ongoing source of revenue, as revenue is normally from ad-hoc transactions.

The more appropriate measure is the identification of exploration targets, identification and/or increase of mineral resources and reserves and the ultimate conversion of the Company from explorer status to mining status.

(iii) Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at a General Meeting of shareholders held in January 2008, is not to exceed $300,000 per annum. The current aggregate of Non-Executive Directors' base fees including the Chairmanship of the Board of Directors, on an **annualised basis** as of the date of this Report is $140,000 per annum (2015: $215,000). Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities and membership of board committees. Non-Executive Directors do not receive any benefits on retirement.

However, and as permitted under the Company's Constitution, Non-Executive Directors are entitled to receive payment for services provided which are over and above their normal directorial duties and which have been specifically requested by the Board of Directors.. For such additional services, consultancy fees are in addition to directors' fees and are outside of the shareholder approved aggregate for directors' fees.

(iv) Executive Directors Remuneration

The consolidated entity seeks to reward executives with a level of remuneration based upon their position and responsibilities.

The Company's Managing Director/CEO, Mr M E Elliott, who resigned on 24 June 2016, was remunerated under an Executive Service Agreement. The key elements of the Agreement were:

(i) Term: to 31 December 2015, 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;

* Refer to Note 25 of the Financial Report.

(iv) Termination: the Agreement may be terminated by:
   (a) mutual agreement between the Company and the Executive;
   (b) expiry of the Agreement at the agreed date as extended; and
   (c) by being summarily terminated by the Company without notice or compensation where certain events have occurred.The Agreement does not contain a period of notice; and

(v) Termination Benefits: subject to an entitlement to a bonus there are no other amounts payable on Termination.

No performance based remuneration was paid or is payable for the 30 June 2016 financial year (2015: nil).

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

(v) Details of Directors, Executives and Remuneration

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

(a) Directors

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

M E Elliott – Managing Director / CEO (appointed 22 November 2007; **Resigned** 24 June 2016)

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)

Ye, Xiaohui - Non Executive Director (appointed 30 April 2013; **Resigned** 9 December 2015)

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

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

(b) Executives
M Garbutt – Company Secretary (appointed 5 May 2008)

Details of the nature and amount of each major element of remuneration of each Director of the Company and of each Executive of the Company are:

		Primary		**Post-employment**	**Other Services**	Total $	s300A (1)(e)(i) Proportion of remuneration performance related %	s300A (1)(e)(ii) Value of options as proportion of remuneration %
		Salary & fees $	Non-monetary benefits $	Super-annuation $	See Notes below $			
Directors								
Executive								
M E Elliott (i)	2016	147,000	-	13,965	-	160,965	nil	n.a.
	2015	*147,000*	-	*13,965*	-	*160,965*	*nil*	*n.a.*
Non-Executive								
M G Kerr (i)	2016	75,000	-	7,125	-	82,125	nil	n.a.
	2015	*75,000*	-	*7,125*	-	*82,125*	*nil*	*n.a.*
D S Tyrwhitt (ii)	2016	50,000	-	4,750	23,250	78,000	nil	n.a.
	2015	*50,000*	-	*4,750*	*34,500*	*89,250*	*nil*	*n.a.*
Liao, Yongzhong	2016	30,000	-	-	-	30,000	nil	n.a.
	2015	*30,000*	-	-	-	*30,000*	*nil*	*n.a.*
Li, Yijie	2016	30,000	-	-	-	30,000	nil	n.a.
	2015	*30,000*	-	-	-	*30,000*	*nil*	*n.a.*
Ye, Xiaohui	2016	7,500	-	-	-	7,500	nil	n.a.
	2015	*30,000*	-	-	-	*30,000*	*nil*	*n.a.*
Liu, Zhensheng	2016	22,500	-	-	-	22,500	nil	n.a.
	2015	-	-	-	-	-	*nil*	*n.a.*
Total all Directors	2016	362,000	-	25,840	23,250	411,090	nil	n.a.
	2015	*362,000*	-	*25,840*	*34,500*	*422,340*	*nil*	*n.a.*
Executives								
M Garbutt (iii)	2016	-	-	-	-	-	nil	n.a.
	2015	-	-	-	-	-	*nil*	*n.a.*
Total all Directors	2016	362,000	-	25,840	34,500	411,090	nil	n.a.
& Executives	*2015*	*362,000*	-	*25,840*	*34,500*	*422,340*	*nil*	*n.a.*

(i) In addition to the above disclosed remuneration, $315,000 (2015: $315,000) was paid to Berkeley Consultants Pty Ltd during the year for serviced office facilities as noted in item 14(i) above. As noted, Berkeley Consultants Pty Ltd is an entity in which Messrs. M Kerr and M Elliott have a material personal interest in the transactions through their interests in Berkeley Consultants Pty Ltd.

(ii) In addition to directors duties, Dr Tyrwhitt undertook additional exploration 'field' duties at the request of the Board of Directors and received $23,250 (2015:$34,500) in consulting fees.

(iii) K R Corporate Compliance Pty Ltd., a company related to and controlled by Mr Garbutt, has provided corporate secretarial, compliance and support services to the Hawthorn Resources Limited group for which it was paid $92,928 (2015:$ 101,235).

There were no short term cash bonuses, post-employment prescribed benefits, termination benefits or insurance premiums paid during the 30 June 2016 financial year (2015: nil).

(vi) Details of Directors and Executives Interest in Securities

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

	01.07.2015	30.06.2016	Movements
Directors:			
M G Kerr	2,659,379	2,659,379	-
M E Elliott (*)	1,075,000	-	(1.075,000)
D S Tyrwhitt	-	-	-
Liao, Yongzhong	-	-	-
Li, Yijie	-	-	-
Ye, Xiaohui	-	-	-
Liu, Zhensheng	-	-	-
Total Directors	**3,734,379**	**2,659,379**	(1,075,000)
Executives:			
M Garbutt	-	-	-
Total Directors/Executives	**3,734,379**	**2,659,379**	(1,075,000)

* Mr Elliott resigned 24 June 2016.

This concludes the Remuneration Report, which has been audited.

Auditor's Independence Declaration:

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 15.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 29th day of September 2016.

Mark Kerr

Mark Kerr
Chairman

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

As lead auditor of Hawthorn Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 29 September 2016

Hawthorn Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 Restated * $
Revenue from continuing operations			
Finance income	3	161,679	285,152
		161,679	285,152
Expenses			
Exploration expenditure impaired	10	(472,922)	(2,661,382)
Exploration expenditure expensed		(159,605)	(344,269)
Administration expenses		(1,273,483)	(1,388,028)
Depreciation expense	.11	(16,425)	(16,671)
Loss before income tax expense from continuing operations		(1,760,756)	(4,125,198)
Income tax expense	4	-	-
Loss for the year after tax from continuing operations		(1,760,756)	(4,125,198)
Other comprehensive income		-	-
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(1,760,756)	(4,125,198)
Loss attributable to members		(1,760,756)	(4,125,198)
Earnings per share		Cents	Cents
Basic loss per share for the year attributable to ordinary equity holder	5	(1.028)	(2.409)
Diluted loss per share for the year attributable to ordinary equity holders	5	(1.028)	(2.409)

** Refer to Note 25*

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 2016

	Note	Consolidated 2016 $	Consolidated 2015 Restated * $
ASSETS			
Current Assets			
Cash and cash equivalents	6	4,288,580	7,075,014
Trade and other receivables	7	111,090	115,414
Other current assets	8	-	221
Total Current Assets		4,399,670	7,190,649
Non-Current Assets			
Other financial assets	9	2,231	2,231
Exploration expenditure	10	9,830,031	8,714,789
Plant and equipment	11	16,159	32,584
Total Non-Current Assets		9,848,421	8,749,604
TOTAL ASSETS		14,248,091	15,940,253
LIABILITIES			
Current Liabilities			
Trade and other payables	12	286,035	217,402
Employee benefits		6,136	6,175
Total Current Liabilities		292,171	223,577
TOTAL LIABILITIES		292,171	223,577
NET ASSETS		13,955,920	15,716,676
EQUITY			
Contributed equity	13	56,094,619	56,094,619
Reserves	14	-	-
Accumulated losses		(42,138,699)	(40,377,943)
TOTAL EQUITY		13,955,920	15,716,676

* Refer to Note 25

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 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Payments in the course of operations (inclusive of GST)		(1,200,343)	(1,489,079)
Interest received		161,679	285,152
Net cash used in operating activities	16 (a)	(1,038,664)	(1,203,927)
Cash flows from investing activities			
Payments for exploration expenditure		(1,747,770)	(1,281,802)
Payments for plant & equipment		-	-
Payments for share acquisition		-	-
Net cash used in investing activities		(1,747,770)	(1,281,802)
Net cash provided by financing activities		-	-
Net decrease in cash and cash equivalents		(2,786,434)	(2,485,729)
Cash and cash equivalents at beginning of year		7,075,014	9,560,743
Cash and cash equivalents at end of year	6	4,288,580	7,075,014

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 2016

	Contributed Equity $	Accumulated Losses Restated * $	Employee Equity Benefit Reserve $	Total Equity $
CONSOLIDATED				
Balance at 1 July 2014 as previously stated	56,094,619	(34,802,889)	1,667,974	22,959,704
Effect of accounting policy change	-	(3,117,830)	-	(3,117,830)
At 1 July 2014	56,094,619	(37,920,719)	1,667,974	19,841,874
Loss for the year after income tax expense	-	(4,125,198)	-	(4,125,198)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(4,125,198)	-	(4,125,198)
Transfer of expired benefits to accumulated losses	-	1,667,974	(1,667,974)	-
At 30 June 2015	56,094,619	(40,377,943)	-	15,716,676
Loss for the year after income tax expense	-	(1,760,756)	-	(1,760,756)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(1,760,756)	-	(1,760,756)
At 30 June 2016	56,094,619	(42,138,699)	-	13,955,920

* Refer to Note 25

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 mineral exploration. There has been no significant change in the nature of that activity during the financial year.

The consolidated financial report of the Company as at, and for the year ended, 30 June 2016, comprises the Company and its subsidiaries. The financial report was authorised for issue by the Directors on the date of this report.

The registered office and principal place of business of the entity is Level 2, 90 William Street, Melbourne, Victoria, 3000.

(b) Basis of Preparation

The financial report is presented in Australian dollars. The financial report has been prepared on a historical cost basis, except for the valuation of available-for-sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value in accordance with Australian Accounting Standards.

Separate financial statements for Hawthorn Resources Limited as an individual entity are no longer presented as a consequence of a change in the *Corporations Act 2001*, however limited information for Hawthorn Resources Limited as an individual entity is presented at Note 23.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make significant judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(d)(xvi).

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

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

The Group incurred a consolidated net loss for the year of $1,760,756 (2015 Restated: $4,125,198) and had a consolidated cash outflow from operations of $1,038,664 (2015: $1,203,927). At 30 June 2016, the Group has net current assets of $4,107,499 (2015: $6,967,072). The Group has cash of $4,288,580 at 30 June 2016, which is sufficient to meet its operating costs for at least the next 12 months.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to meet commitments over the next twelve months. For this reason the financial statements have been prepared on the basis that the Group is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

(c) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations) issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

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

(d) Summary of Significant Accounting Policies

(i) Foreign Currency Translation

The financial report is presented in Australian dollars, which is Hawthorn Resources Limited's functional and presentation currency.

(ii) Foreign Currency Transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest
Interest revenue is recognised as the interest accrues.

(iv) Leases

Operating lease payments are recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

(v) Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and short-term deposits whose maturity is within three months or less from the reporting date, net of bank overdrafts.

(vi) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vii) Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(viii) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted atthe reporting date.

Current tax is the expected tax payable on the taxable income for the period. The Company has not derived taxable income in either the current or previous period.

Deferred income tax is determined using the balance sheet method which calculates temporary differences on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Hawthorn Resources Limited (the ‘head entity’) and its wholly-owned Australian entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

(ix) Other Taxes

Revenues, expenses and assets are recognised net of the amount of associated GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(x) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses [see accounting policy (vii)].

Depreciation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the estimated useful life of the assets. The estimated useful life of motor vehicles and plant and equipment is between 3 and 5 years.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

(xi) Exploration

Exploration expenditure is capitalised for each separate area of interest where rights to tenure are current and:

(a) such costs are expected to be recovered through successful development and exploitation or by sale; or

(b) where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying values of expenditures carried forward are reviewed for impairment at each reporting date when the facts, events or changes in circumstances indicate that the carrying value may be impaired. Accumulated expenditures are written off to the Consolidated Statement of Profit or Loss and Other Comprehensive Income to the extent to which they are considered to be impaired.

The key points that are considered in this review include:

- planned drilling programs and data evaluation;
- environmental issues that may impact the underlying tenements; and
- the estimated market value of assets at the review date.

Information used in the review process is rigorously tested to externally available information as appropriate.

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

(xii) Joint Operations

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

(xiii) Trade and Other Payables

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

(xiv) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

(xv) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xvi) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Management discussed with the Board the development, selection and disclosure of the Company's critical accounting policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Key Estimates

(i) *Impairment*

The Company assesses impairment of non-current assets (other financial assets, exploration expenditure and plant and equipment) at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Where indicators of impairment exist, recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions or fair value less costs to sell.

Key Judgments

(ii) *Exploration and Evaluation Expenditure*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off to profit or loss in the period when the new information becomes available.

(xvii) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets, liabilities and results of the Company, and the entities it controlled at the end of, or during, the financial year. The company and its controlled entities together are referred to in this financial report as the Company or Group.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The balances and effects of transactions between entities in the Group have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The accounting policies adopted in preparing the financial statements have been consistently applied by all entities in the consolidated entity.

The acquisition of Ellendale Resources NL ("Ellendale") on 10 June 2008 was treated as a reverse acquisition in accordance with AASB 3 "Business Combinations" whereby Ellendale is considered the accounting acquirer on the basis that Ellendale is the controlling entity in the transaction. As a result, Ellendale is the continuing entity for consolidated accounting purposes and the legal parent, Hawthorn Resources Limited, is the accounting subsidiary.

Investments in subsidiaries are accounted for at cost or recoverable amounts in the individual financial statements of Hawthorn Resources Limited.

(e) Financial Risk Management

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

Although the Company does not have documented policies and procedures, Management manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate risk and by being aware of market forecasts for interest rate and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through general business budgets and forecasts.

Further detail on Financial Risk Management is set out in Note 20.

(f) Capital Management

The Company's policy in relation to capital management is for management to regularly and consistently monitor future cash flows against expected expenditures. The Board determines the Company's need for additional funding by way of either share placements or loan funds depending on market conditions at the time. Management defines working capital in such circumstances as its excess liquid funds over liabilities, and defines capital as being the ordinary share capital of the Company.

There were no changes in the Company's approach to capital management during the year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New, revised or amending Accounting Standards and Interpretations adopted

All new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Hawthorn Resources Limited and its subsidiary's operations and effective for annual reporting periods beginning on 1 July 2015 have been adopted by the Consolidated entity.

The standards that are relevant and applicable for the first time for the year ended 30 June 2016 are:

- AASB 2015-3 Amendments to AASB 1031 – Materiality
- The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated entity.

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 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes that may affect the Consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective. Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Consolidated entity's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 15: Revenue from Contracts with Customers and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018 as further amended by AASB 2015-8).

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

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

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Consolidated entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

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

The main changes introduced by the new standard include:

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

The transitional provisions of this standard allows a lessee to either retrospectively apply the standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Error; or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 may have an impact on the Consolidated entity's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable to annual reporting periods beginning on or after 1 January 2016)
This Standard clarifies that using revenue-based methods to calculate the depreciation of an asset is not appropriate and hence not allowable. AASB 2014-4 is required to be prospectively applied and not expected to impact the Consolidated entity's financial statements.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable to annual reporting periods beginning on or after 1 January 2016)

Amends a number of pronouncements as a result of the IASBs 2012-2014 annual improvements cycle. Key amendments include:
AASB 5 – Change in methods of disposal
AASB 7 – Servicing contracts and applicability of the amendments to AASB7 to condensed interim financial statements.
AASB 119 – Discount rate: regional market issue; and
AASB 134 – Disclosure of information ‘elsewhere in the interim financial report’
The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 makes amendments to AASB 101 Presentation of financial statements (applicable to annual reporting periods beginning on or after 1 January 2016)
The changes clarify that entities should not be disclosing immaterial information and that the presentation of information in notes can and should be tailored to provide investors and other users with the clearest story of an entity’s financial performance and financial position. The adoption of this standard will change financial statement disclosure of the Consolidated entity.

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

This standard makes amendments to AASB 112 Income Taxes to clarify that:
- Restrictions in tax laws that do not permit the offset of deductible temporary difference reversals against a particular source of taxable profit should be considered;
- An entity should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences; and
- The estimate of probable future taxable profit may include the recovery of some of an entity’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

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

AASB 2016-2: Amendments to Australian Accounting Standards- Recognition of Deferred tax Assets for Unrealised Losses (applicable to annual reporting periods beginning on or after 1 January 2017)

This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption of this standard is not expected to significantly impact the financial statements of the Consolidated entity.

The consolidated entity has not yet determined the eventual effect of the above standards, amendments to standards and interpretations, however at this stage it is not thought to be material.

2. OPERATING SEGMENTS

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

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

3. REVENUE AND EXPENSES

Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the Consolidated Entity:

	Consolidated	
	2016	**2015 Restated ***
	$	**$**
(i) Finance income		
Interest	161,679	285,152
Total finance income	161,679	285,152
(ii) Director expenses		
Salaries	362,000	362,000
Superannuation	25,840	25,840
Consulting fees	23,250	34,500
Total Director expenses	411,090	422,340
(iii) Unrealised gain/(loss) on foreign exchange	180	992
(iv) Fully serviced office rental expense	315,000	315,000
(v) Impairment of exploration expenditure	472,922	2,661,382
(vi) Write off of exploration expenditure	159,605	344,269

* Refer to Note 25

4. TAXATION

	Consolidated 2016 $	Consolidated 2015 Restated * $
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax benefit	(528,227)	(1,237,559)
Deferred tax expense relating to the origination and reversal of temporary differences	(367,315)	362,058
Tax losses not recognised	895,542	875,501
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:

	2016 $	2015 Restated * $
Loss from operations	(1,760,756)	(4,125,198)
Income tax expense at 30% (2015: 30%)	(528,227)	(1,237,559)
Non deductible expenditure	189,758	787,305
Capital expenditure deduction	(524,330)	(384,838)
Decline of value of depreciating assets	(4,928)	(5,001)
Allowable deductions	(27,815)	(35,408)
Tax losses not recognised	895,542	875,501
Income tax expense	-	-

* Refer to Note 25

4. TAXATION (continued)

	Consolidated	
	2016 $	2015 Restated * $
(b) Deferred tax assets and liabilities		
Deferred tax liability comprises:		
Exploration costs	(2,949,009)	(3,664,176)
Amounts not recognised due to offset of deferred tax assets (detailed below)	2,949,009	3,664,176
	-	-
Deferred tax asset comprises:		
Investments	579,690	579,690
Share issue costs	30,002	62,956
Accruals and payables	27,600	27,375
Employee entitlements	1,841	1,853
Tax Losses utilised to offset remaining DTL	2,309,876	2,992,302
	2,949,009	3,664,176
Tax Loss amounts where benefit not recognised (potential benefit of 30%) *	23,626,299	22,048,332

*At 10 June 2008, the consolidated entity formed a tax consolidated group. These losses relate predominately to transferred losses incurred pre-tax consolidation. These losses are subject to further review by the consolidated entity to determine if they satisfy the necessary legislative requirements under the income tax legislation for the carry forward and recoupment of tax losses. Additionally, a deferred tax asset has not been recognised in respect of these items because at this stage of the Company's development, it is not currently considered probable that future taxable profit will be available against which the Company can utilise the benefits.

5. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated as follows:

Loss for the year	(1,760,756)	(4,125,198)

	Consolidated	
	2016 Number of shares	2015 Number of shares
Weighted average number of ordinary shares at the end of the financial year	171,263,644	171,263,644
Basic/Diluted Loss Per Share (cents)	(1.028)	(2.409)

There were no outstanding options at the reporting date (30 June 2015: NIL).

* Refer to Note 25

6. CASH AND CASH EQUIVALENTS

	Consolidated 2016 $	Consolidated 2015 Restated * $
Cash at bank	238,160	497,126
Term deposits	4,050,420	6,577,888
Total Cash and Cash Equivalents	4,288,580	7,075,014

7. TRADE AND OTHER RECEIVABLES

	2016	2015
CURRENT		
Other receivables (i)	111,090	115,414

(i) Other predominantly relates to GST receivable. Trade and other receivables are current, not past due and not considered impaired.

8. OTHER CURRENT ASSETS

	2016	2015
CURRENT		
Prepayments	-	221

9. OTHER FINANCIAL ASSETS

	2016	2015
Available for sale investments at fair value	1,490	1,490
Investments at fair value through profit or loss	741	741
	2,231	2,231

10. EXPLORATION EXPENDITURE

	2016	2015
Areas in the exploration phase At cost	9,830,031	8,714,789

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

	2016	2015
Opening balance at 1 July	8,714,789	13,555,476
Effect of accounting policy change	-	(3,117,830)
Costs incurred during the year	1,747,769	1,282,794
Exploration expenditure written off during the year	(159,605)	(344,269)
Exploration expenditure impaired during the year *(i)*	(472,922)	(2,661,382)
Balance at 30 June	9,830,031	8,714,789

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

* Refer to Note 25

11. PLANT AND EQUIPMENT

	Consolidated 2016 $	2015 $
Plant, equipment and motor vehicles		
Cost balance at 1 July 2015	130,528	131,445
Acquisitions	-	-
Retirement of Asset	-	(917)
Balance at 30 June 2016	130,528	130,528
Accumulated depreciation		
Balance at 1 July 2015	97,944	82,190
Depreciation charge for the year	16,425	16,671
Retirement of Asset	-	(917)
Balance at 30 June 2016	114,369	97,944
Carrying amounts		
At 1 July 2015	32,584	49,255
At 30 June 2016	16,159	32,584

12. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Payables and accrued expenses	286,035	217,402

13. CONTRIBUTED EQUITY

	2016 $	2015 $
Ordinary shares	56,094,619	56,094,619

	2016 No. of Shares	2015 No. of Shares
Ordinary shares	171,263,644	171,263,644

Terms and Conditions of Issued Capital

Ordinary Shares (quoted): HAW

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

14. RESERVES

	Consolidated 2016 $	Consolidated 2015 $
Option premium reserve	-	-
Share based payment reserve	-	-
	-	-

Movement in reserves

	2016 $	2015 $
Option premium reserve: at 1 July 2015	-	1,459,349
Transfer of option premium reserve upon expiry of benefits	-	(1,459,349)
At 30 June 2016	-	-
Share based payment reserve: at 1 July 2015	-	208,625
Transfer of share based payment reserve upon expiry of benefits	-	(208,625)
At 30 June 2016	-	-

Option premium reserve

The option premium reserve represents the amounts contributed for the future right to acquire shares at a pre-determined price. There are no listed or outstanding class of options as at 30 June 2016 or at the date of this report (2015: NIL).

Share based payment reserve

The share based payment reserve represents the accumulated amortisation of the fair value of services provided with respect to employee share options issued. There are no options outstanding as at 30 June 2016 (2015: NIL).

15. INTEREST IN JOINT OPERATIONS

	2016	2015
The Company has an interest in the following joint operation:		
Edjudina – Pinjin (Metals X Limited)	80%	80%
Trouser Legs (Gel Resources Pty Limited)	70%	70%
Mt Bevan (Legacy Iron Ore Limited)	40%	40%

The principal activity of the joint ventures is mineral exploration, and all are located within Australia.

Metals X Limited has a non-contributory 20% interest that is free carried to decision to mine.

During the course of the 30 June 2011 financial year the company entered into a Joint Venture agreement with Legacy Iron Ore Limited ('Legacy") where Legacy can earn a 60% interest in the tenants known as the Mount Bevan Iron Ore project by expending a minimum of $3.5million to develop the project to a pre-feasability status on or before 4 October 2012. At 30 June 2012, Legacy had spent the minimum expenditure requirements.

The Company's interest in this project is included in exploration expenditure (Note 10).

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

	Consolidated	
	2016	**2015 Restated ***
	$	**$**
Assets		
Exploration expenditure	7,756,726	7,402,315
Total Assets	7,756,726	7,402,315
Liabilities		
Trade and other payables	59,000	59,000
Total Liabilities	59,000	59,000

Included in the Company commitments (note 17) are the following commitments in relation to the joint ventures:

Exploration		
Not later than 1 year	382,179	352,010
Later than one year but not later than five years	826,241	1,563,040
More than five years	1,371,440	2,467,360
Total	2,579,860	4,382,410

* Refer to Note 25

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

	Consolidated	
	2016 $	2015 Restated * $
(a) Reconciliation of loss after tax to net cash used in operating activities		
Loss for the year after tax	(1,760,756)	(4,125,198)
Adjustment for:		
Write off of exploration expenditure	159,605	344,269
Impairment of exploration expenditure	472,922	2,661,382
Unrealised (loss)/gain on foreign exchange	(180)	(992)
Impairment of available-for-sale investments	-	311
Depreciation	16,425	16,671
Net cash used in operating activities before change in assets and liabilities	(1,111,984)	(1,103,557)
Change in assets and liabilities:		
Decrease in receivables and other assets	4,725	73,441
Increase/(decrease) in trade and other payables	68,634	(170,500)
(Decrease) in provision for employee benefits	(39)	(3,311)
Net cash used in operating activities	(1,038,664)	(1,203,927)

(b) Reconciliation of cash

For the purpose of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks (refer to Note 6).

(c) Non-cash financing and investing activities

During the year, there was no non-cash financing or investing activities (2015: Nil).

* Refer to Note 25

17. COMMITMENTS

(a) Exploration

The Company has to perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Company's tenement portfolio management through expenditure exemption approvals and expenditure reductions through relinquishment of parts or the whole of tenements deemed non prospective.

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

	Consolidated	
	2016 $	**2015 $**
Not later than one year	1,140,686	1,070,850
Later than one year but not later than five years	1,709,397	4,842,400
More than five years	1,521,040	2,684,960
	4,371,123	8,598,210

The terms and conditions under which the Company has title to its various mining tenements oblige it to meet tenement rentals and minimum levels of exploration expenditure as gazetted by the Department of Industry and Resources of Western Australia, as well as Local Government rates and taxes.

The "More than five years" component represents commitments of up to sixteen years in respect of mining licences which are granted for a period of twenty one years, but in common with prospecting licences and exploration licences they may be relinquished or sold by the Company before the expiry of the full term of the licence.

(b) Operating Leases

The company extended the lease for its principal place of business to 31 December 2016 and thereafter on a month to month basis.

	2016	2015
Not later than one year	157,500	315,000
Later than one year but not later than five years	-	157,500
More than five years	-	-
	157,500	472,500

18. 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)
Mark E Elliott – Managing Director & Chief Executive Officer	(Resigned 24 June 2016)
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)
Ye, Xiaohui – Non Executive Director	(Resigned 9 December 2015)
Liu, Zhensheng – Non Executive Director	(Appointed 9 December 2015)

The key management personnel compensation are as follows:

	Consolidated	
	2016 **$**	**2015** **$**
Short-term employee benefits	385,250	396,500
Post-employment benefits	25,840	25,840
	411,090	422,340

During the year the Company paid consulting fees totalling $6,722 (2015: $5,558) to Public Relations Exchange, an entity controlled by a related party of Mark Kerr.

At year end,no balance was outstanding (2015: 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 2016, Hawthorn Resources Limited loan balances with its subsidiary companies were:

Payable to Ellendale Resources Pty Ltd	$517,812 (2015: $498,005)
Receivable from Northern Resources Australia Pty Ltd	$260,787 (2015: $260,233)

As at 30 June 2016, Ellendale Resources Pty Ltd loan balances with its subsidiary companies were:

Payable to Sunderland Pty Ltd	$478,457 (2015: $478,703)
Receivable from Northern Resources Australia Pty Ltd	$140,738 (2015: $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.

19. CONSOLIDATED ENTITIES

Name	**Country of Incorporation**	**Ordinary Share Consolidated Equity Interest**	
		2016 **%**	**2015** **%**
Parent entity			
Hawthorn Resources Limited	Australia		
Controlled entities			
Ellendale Resources Pty Limited	Australia	100%	100%
Sunderland Pty Ltd *	Australia	100%	100%
Northern Resources Australia Pty Ltd *	Australia	100%	100%

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

20. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to various financial risks including market, credit, liquidity and price risks. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

Financial risk management is carried out by the Board on a regular basis by reviewing current and potential sources of funding, cashflow and operating/capital expenditure forecasts, and the Company's investment profile, to manage market, credit, liquidity and price risk.

(a) Market Risk

Foreign Exchange Risk

Foreign currency risk is the risk of exposure to transactions that are denominated in a currency other than the Australian dollar.

The Group's operations are currently solely within Australia, and therefore are not exposed to any material foreign exchange risk.

Interest Rate Risk

Interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Fluctuations in interest rates will not have any material risk exposure to the cash held in bank deposits at variable rates.

The Company's exposure to market interest rates relates primarily to the Company's short term cash deposits held.

Sensitivity Analysis on Cash and Cash Equivalents

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the average monthly closing balances. A 100 basis point increase or decrease is used when reporting interest rate risk internally and represents Management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables held constant, the Company's net result and net assets would increase by $55,820 (2015: $82,169) and decrease by $55,820 (2015: $82,169). This is mainly attributable to the Company's exposure to interest rates on its cash and cash equivalents.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions. For banks and financial institutions, only major Australian banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets (refer Notes 6 to 9). The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company and cash assets are held with large Australian banks.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company does not have any committed credit lines. As at the reporting date, the Company has no significant liquidity risk, as available cash assets significantly exceed amounts payable.

(d) Price Risk

As the Company does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mining projects will be impacted by commodity price changes (predominantly iron ore, nickel and uranium) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

Fluctuation in prices will not have any material risk exposure to the company's other financial assets.

(e) Maturities of Financial Liabilities

The tables below analyse the consolidated entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – 30 June 2016

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(286,035)	-	-	-	(286,035)

Group 30 June 2015

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(217,402)	-	-	-	(217,402)

(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 2016 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.

21. 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

22. REMUNERATION OF AUDITORS

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

	Consolidated	
	2016	**2015**
	$	**$**
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	50,500	48,750

23. PARENT ENTITY INFORMATION

As at, and throughout the financial year ended 30 June 2016, the parent entity of the Group was Hawthorn Resources Limited.

	2016	**2015 Restated ***
	$	**$**
Current assets	4,401,901	7,172,645
Non current assets	10,103,215	9,005,380
Total assets	14,505,116	16,178,025
Current liabilities	292,171	223,577
Non current liabilities	257,025	237,772
Total liabilities	549,196	461,349
Net assets	13,955,920	15,716,676
Issued Capital	107,828,909	107,828,909
Accumulated Losses	(93,872,989)	(92,112,233)
Total equity	13,955,920	15,716,676
Loss of the parent entity	(1,760,756)	(4,125,198)
Comprehensive loss of the parent entity	(1,760,756)	(4,125,198)

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.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and contingent assets in existence at 30 June 2016.

* Refer to Note 25

25. CHANGE IN ACCOUNTING FOR EXPLORATION EXPENDITURES

The consolidated financial report has been prepared on the basis of a voluntary change in accounting policy relating to exploration and evaluation expenditure. The previous intangible expenditure accounting policy was to capitalise and carry forward mining, exploration and evaluation expenditure as an asset when rights to tenure of the area of interest are current and costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale, or had not yet reached a stage which permitted the reasonable assessment of the existence or otherwise of economically recoverable reserves.

The new accounting policy was adopted after the Company conducted an extensive review of its exploration areas of interest and indentified four project areas that were deemed to be significant and current in terms of validating further exploration activity within the next twelve months, over and above the expenditure requirements to maintain the tenements in good standing. In addition, the Company has other areas of interests, classified as a lower priority over the next twelve months. These lower priority areas of interests have been fully impaired in the current year. Within this extensive review, the Company resolved that costs incurred for maintaining tenements, such as shires rates and rentals, management costs and overhead costs should be expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income, thus leaving “firm” costs of exploration, e.g. drilling and assay, as the carried forward value of these priority areas of interests.

The new accounting policy was adopted effective from 1st July 2014 and has been applied retrospectively.

Management considers the change in accounting policy results in financial statements providing more reliable and relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance and cash flows. AASB 6 Exploration for and Evaluation of Mineral Resources allows both the previous and new accounting policies of the Group. The impact of the change in accounting policy on the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Financial Position is set out below:

Impact on the 30 June 2016 full-year Consolidated Statement of Financial Position

	Adjustment $
Exploration expenditure	3,499,130
Total assets	3,499,130
Accumulated losses	3,499,130
Total equity	3,499,130

Impact on the 30 June 2016 full-year Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Adjustment $
Expenses	472,922
Total expenses	472,922
Basic comprehensive loss per share for the period attributable to ordinary equity holders	(0.00276)
Diluted comprehensive loss per share for the period attributable to ordinary equity holders	(0.00276)

25. CHANGE IN ACCOUNTING FOR EXPLORATION EXPENDITURES (CONTINUED)

Impact on 30 June 2015 Consolidated Statement of Financial Position

	Adjustment $
Exploration expenditure	3,499,130
Total assets	3,499,130
Accumulated losses	3,499,130
Total equity	3,499,130

Impact on 30 June 2015 Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Adjustment $
Expenses	381,300
Total expenses	381,300
Basic comprehensive loss per share for the period attributable to ordinary equity holders	(0.00223)
Diluted comprehensive loss per share for the period attributable to ordinary equity holders	(0.00223)

In the directors' opinion:

(a) the financial statements and notes set out on pages 16 to 44 are in accordance with the *Corporations Act 2001*, including:

 (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*; and

 (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1 (c); and

(d) the audited Remuneration Report set out on pages 10 to 14 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 2016.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 29th day of September 2016.

Mark Kerr.

M G Kerr
Chairman &
Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT

To the members of Hawthorn Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Hawthorn Resources Limited, which comprises the Consolidated Statement of Financial Position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Hawthorn Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Hawthorn Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

James Mooney
Partner

Melbourne, 29 September 2016