

27 October 2016

**Market Announcements Office  
ASX Limited**

***COMPANY ANNOUNCEMENT***

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***Hawthorn Resources Limited***

**2016 Annual Report  
2016 Annual General Meeting (AGM)  
Appendix 4G/Corporate Governance Statement**

Attached for release to the market and following confirmation of dispatch is a copy of the Company's 2016 Annual Report together with the 2016 AGM documentation as dispatched to members as requested, either by post or electronically, and comprising:

- 2016 Annual Report, and
- 2016 Notice of Meeting/Explanatory Statement and sample Proxy Form

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

**Annual General Meeting**

The 2016 AGM is to be held:

Day/Date: Friday 25 November 2016  
Time: 3.00 p.m. (registration from 2.30 p.m.)  
Place: Level 23, Rialto, 525 Collins Street, Melbourne, Victoria

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

***END***

Enquiries:  
Mourice Garbutt  
Company Secretary  
Tel: + 61 (0) 3 9605 5917



# Hawthorn RESOURCES

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ANNUAL REPORT 2016  
HAWTHORN RESOURCES LIMITED



DIAMOND DRILLING AT BOX WELL (HOLE YMD001) WITH RC RIG IN BACKGROUND





**YMD001 – MINERALISED BRECCIA – BOX WELL PROSPECT**



**YMD002 CORE – GOLD MINERALISED BRECCIA AT BOX WELL PROSPECT**



**Hawthorn Resources Limited**

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**Corporate Directory**

**Directors**

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

**Company Secretary**

Mourice Garbutt

**Exploration Manager**

Ian Moody

**Project Manager**

Paul Chare

**Financial Officer**

Tony Amato

**Registered Office and Domicile**

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E-mail: [info@hawthornresources.com](mailto:info@hawthornresources.com)

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

**Legal Form**

A public company - Liability Limited by shares

**Country of Incorporation**

Australia

**Australian Securities Exchange Listing Code**

HAW - Ordinary shares

**Share Registry**

Link Market Services Ltd

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

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

**Auditors**

BDO East Coast Partnership

Level 14, 140 William Street, Melbourne Victoria 3000, Australia

**Bankers**

National Australia Bank Limited

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

**Solicitors**

Minter Ellison Lawyers

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

**Hawthorn Resources Limited**  
**Chairman and Chief Executive Officer's Report**



During the 2015-2016 Financial Year, Hawthorn Resources Limited ("Hawthorn") has continued to concentrate on development and exploration of its portfolio of advanced gold projects within its West Australian gold tenements with the goal to identify prospects with near term potential to develop mining operations.

**Exploration and Development**

- **Gold**

Apart from the ongoing development of the Anglo Saxon Mine within the Trouser Legs Joint Venture with Gel Resources Pty Ltd the Company, in conjunction with its joint venture partners, focussed its exploration effort during the year over its other prioritised gold project areas namely:

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

Most importantly during the year the **Anglo Saxon Gold Mining Project – Project Management Plan** was approved by the West Australian Department of Mines and Petroleum together with the further granting of an **Approval to Commence Mining Operations** on the basis of the approved Project Management Plan.

A re-optimization of the **Anglo Saxon Gold Mining Project** has commenced in order to reflect the current sustained stronger gold price and existing plant and equipment rates obtained earlier in the year, with a Mining Schedule to be developed from this re-optimization.

Discussions are ongoing with Technical Mine Services groups and other entities necessary for the development of the Mining Project.

Since the end of the financial year and as referred to in the June 2016 Quarterly Activities Report to the ASX, the Company has undertaken follow-up RC and Diamond drilling programmes in the **Yundamindera and Deep South Project areas** with the objective of being in a position to apply for Mining Licences during the December 2016 half-year period.

- **Iron Ore/Base Metals**

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

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

**Base Metals**

During the June 2016 quarter the Joint Venture partners noted the continued encouraging **nickel–copper sulphide results** reported 700 metres immediately north of Joint Venture tenement areas by St George Mining Limited (ASX: SGQ) and commenced exploration to determine whether repetitions of these encouraging results occur within the Joint Venture tenement. Follow-up geophysical surveys and drilling are planned for the December 2016 half year period.

***For a detailed report on the Company's exploration and development activities shareholders are referred to the immediately following Report from the Company's Exploration Manager and to the Quarterly Activities Reports either on the Company's website or on the Company's ASX webpage.***

**Hawthorn Resources Limited**  
**Chairman and Chief Executive Officer's Report**



**Corporate Activities**

- **Funding**

Hawthorn has been prudent and ensured that expenditures were contained within the annual activities budgets.

As at 30 June 2016 the Company had funds in hand of A\$4.3 million (2015: A\$7.1 million) being the equivalent of cash backing a share of 2.5 cents a share (2015: 4.1 cents a share).

- **Issued Securities**

The number of securities on issue both as at 30 June 2016 and as at the date of this Report is unchanged at 171,263,644 ordinary fully paid shares which are quoted on the ASX under security code: "HAW".

**Board of Directors**

Throughout the year ended 30 June 2016 the Company had seven directors two of which resigned during the year as noted below. As at the date of this Report the Board of Directors is has five members:

Mr Mark Kerr  
Mr Liao, Yongzhong  
Mr Li, Yijie  
Mr Liu, Zhensheng (appointed December 2015)  
Dr David Tyrwhitt

Former Directors:

During the year under review the following Directors resigned:

Mr Ye, Xiaohui in December 2015; and

Mr Mark Elliott resigned in June 2016.

A full and detailed description of each Director is set out in the Annual Report in the Directors' Report.

**Website**

The Company continues to update its website to shareholders and potential investors with reports and announcements. See the website at [www.hawthornresources.com](http://www.hawthornresources.com)

This Annual Report details all of Hawthorn's activities over the past financial year 2015/16 and we encourage its readership.

**Mark Kerr**  
**Chairman, Board of Directors, and**  
**Managing Director/CEO (\*)**

**Melbourne, 20 October 2016**

(\*) with effect from 24 June 2016

## Exploration Report

### INTRODUCTION

The Hawthorn Resources Limited group of companies (the “Company”, “Hawthorn” or “Hawthorn Resources”) is an Australian diversified gold, iron ore and base metals explorer with tenement holdings and joint ventures focussed in the Eastern Goldfields of Western Australia.

During the 2015-2016 year, Hawthorn Resources has continued exploration and development activities within its portfolio of advanced gold and base metal projects.

In the **Trouser Legs Project** area the Mining Proposal covering the **Anglo Saxon** gold resource was approved with an Approval to Commence Mining Operations also received

In the **Yundamindera Project** area, following the discovery of a significant new gold mineralised zone at **Box Well West** in the previous year, follow up exploration has successfully been undertaken to explore potential strike and depth extensions of this mineralisation. In addition targets of a similar nature to **Box Well West** have been identified within a 7.5 km long strike corridor southwards to the **Coffey Bore** prospect. Testing of these targets has commenced.

At the **Deep South** project area a substantial conductivity anomaly with significant depth extent has been identified immediately to the east and in the footwall of the previously announced **Central Zone** of gold mineralisation. This target remains to be tested. A Diamond core drilling program of the known gold mineralisation in the **Central Zone**, to obtain core for metallurgical testwork, geological control and resources estimation is being completed with results pending.

At **Mt Bevan Iron Ore/Base Metal** project – continued encouraging nickel and copper results have been reported 700 metres north of the joint venture tenements by St George Mining Limited (ASX: SGQ). Assessment of potential repetitions of host units on the joint venture tenement has commenced with a detailed ground magnetic survey completed. Follow-up geophysical surveys and drilling planned in the upcoming year.

### MAJOR PROJECT OUTLINES

#### Gold Exploration/Development – Western Australia incorporating:

<b>Trouser Legs Project</b>	<i>Hawthorn Resources 70%, Gel Resources 30%</i>
<b>Yundamindera Project</b>	<i>Hawthorn Resources 100% and Edjudina-Pinjin JV Tenements (Hawthorn Resources 80%, MetalsX Limited 20%)</i>
<b>Deep South Project</b>	<i>Hawthorn Resources 80%, MetalsX Limited 20%</i>

Hawthorn Resources’ Western Australian gold exploration programs during the year have primarily focussed in three major project areas where Hawthorn Resources holds in its own right, has earned or is earning equity from joint venture partners in granted exploration, mining, prospecting licences and applications. The Company believes that each of the major project areas, in close proximity to milling and transport infrastructure, hold both exploration upside and near term potential for development.

These major projects cover a significant portion of the Laverton terrain of the Eastern Goldfields of Western Australia extending from the south shore of Lake Carey to the historic Pinjin Mining Centre – a strike extent of approximately 125 kilometres. Hawthorn’s tenement package is surrounded by major gold mines, deposits and advanced resources including Sunrise Dam, Wallaby, Red October, Mt Morgans, Jupiter-Heffernan, Carosue Dam, Safari Bore, Deep South, Porphyry and Butchers Well Mines. The gold endowment of these mines and resources currently exceeds 22 Million ounces.



## Exploration Report

Maps and diagrams relating to Hawthorn's tenement holdings, project areas and exploration results can be viewed in the Company's Quarterly Activities and Cashflow statements to the Australian Securities Exchange and on the Hawthorn Resources Limited website [www.hawthornresources.com](http://www.hawthornresources.com).

### Trouser Legs Project

The **Trouser Legs Project** is located 140 km east-north-east of Kalgoorlie and is centred on the historic **Anglo Saxon Mine**. The Trouser Legs - Anglo Saxon project area is additionally situated 35 kilometres to the east of the Carosue Dam Mill of Saracen Mineral Holdings. The tenements in the primary project area are granted Mining Leases and Infrastructure Licences in a contributory JV with Gel Resources Pty Ltd. In addition Hawthorn hold a 100% stake in several further Exploration Licences surrounding the Eastern, Northern and Western margins of the Trouser Legs JV tenements.

### Anglo Saxon Resource

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

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

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

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

The **Anglo Saxon Gold Mining Project – Mining Proposal, Environment Management, Mine Closure, and Project Management Plans** were approved by the West Australian Department of Mines and Petroleum and 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 (required to clear vegetation for mine development and haul road construction) was approved by the West Australian Department of Environment.

A re-optimization of the **Anglo Saxon Gold Mining Project** has commenced in order to reflect the current sustained stronger gold price and existing plant and equipment rates obtained during the previous quarter, with a Mining Schedule to be developed from this re-optimization.

Discussions have been held with Technical Mine Services groups and other companies expected to be required to develop the Mining Project. Scope of Works documents are being completed by Hawthorn personnel and consultants prior to the preparation of contracts to carry out the mining, haulage and technical services at Anglo Saxon.

### Yundamindera Project

In the **Yundamindera Project** area, located approximately 175 kilometres to the north east of Kalgoorlie, Western Australia exploration has focused on the discovery of gold associated with mineralised syenite porphyries, BIF's and shear zones.

## Exploration Report

Exploration programs continued during the 2015-2016 year with further encouraging results returned from the newly discovered and substantial gold mineralised prospects at **Box Well West**.

At **Box Well West** a strongly gold mineralised, silicified shear zone has been discovered within a broader, altered, gold mineralised, stockwork altered quartz veined package of felsic volcanics and volcanoclastic sediments. Despite an extensive history of modern exploration in the prospect area these newly identified mineralised units had not previously been identified or drilled, prior to Hawthorn's current exploration program.

Drilling to date has intercepted a primary 5-12 metre wide north-northwest striking and east dipping (60-65°), gold bearing quartz-pyrite+haematite altered shear zone along the 1200 metre of strike tested to date. The shear zone has been identified in each section drilled to date, including sections where only lower grade gold results have been returned, indicating the robust nature of this structural feature. A secondary, flat lying 30-40° east dipping shear set tends to expand the mineralised widths at intersections with the primary shear zone.

Significant intercepts reported during the year included:

- **13 metres @ 2.40 g/t Au from 20 metres in YMC068**
- **35 metres @ 1.47 g/t Au from 6 metres in YMC070**
- **26 metres @ 2.07 g/t Au from 19 metres in YMC075**
- **15 metres @ 2.58 g/t Au from 112 metres in YMC076**
- **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)**

Diamond Drilling commenced in August 2016 to obtain core for metallurgical and geological control that should enable an initial resource estimates at **Box Well West** and **Coffey Bore** to be reported to shareholders later in 2016.

A RC drilling program has commenced designed to test newly identified targets, strike and depth extension of known gold mineralisation, and to infill near surface mineralisation at both the **Box Well West** and **Coffey Bore** prospects.

These exploration programs will be a primary focus for Hawthorn in the 2016-2017 year.

## Exploration Report

**Deep South Project**

At the **Deep South-Belize Project** Area substantial RC drilling programs have been completed during previous periods. The project area lies directly along strike to the south of Deep South Mine (owner Saracen Mineral Holdings Limited, or “Saracen”) approximately 170 km to the north east of Kalgoorlie in Western Australia. Following a successful campaign of open-cut mining of the resource, Saracen completed a Feasibility Study on the underground Probable Reserve at the deposit of 125,000 ounces of gold in a Mining Inventory of 174,000 ounces of gold.

Saracen has commenced underground gold production from this deposit.

Hawthorn holds tenements in this project area in Joint Venture with Metals X Limited.

Hawthorn has identified a gold mineralised horizon analogous to the adjacent Saracen - **Deep South** gold orebodies within its tenement package.

During the year Hawthorn completed evaluation of ground gravity and SAM (Sub-Audio Magnetic) surveys conducted over the key tenements in the project area. The SAM geophysical technique, utilising off time EM data identifies conductive horizons within rock packages that may indicate significant sulphide, and potentially associated gold mineralisation, development.

A substantial conductivity anomaly with significant depth extent has been identified immediately to the east and in the footwall of the previously announced **Central Zone** of gold mineralisation where gold intercepts reported have included:

- **5.0 metres @ 7.05 g/t Au – DSC049**
- **6.0 metres @ 6.06 g/t Au – DSC 060**
- **3.0 metres @ 8.13 g/t Au – DSC072**
- **17.0 metres @ 2.35 g/t Au – DSC073**
- **14.0 metres @ 3.50 g/t Au – DSC123**

These intercepts are developed in a quartz-pyrite-pyrrhotite vein system believed to be analogous to the hangingwall Butler Lode currently mined in the Saracen deposit. By contrast the higher gold grade, footwall Scarlett Lode (a carbonate+/- variable pyrite-pyrrhotite-quartz-magnetite vein) has not been observed in Hawthorn’s drilling to date.

It is believed that Scarlet Lode type mineralisation would generate a substantial EM anomaly. The, position, amplitude and depth extent of the conductor on Hawthorn’s ground clearly requires drill testing.

RC drill testing of the substantial EM anomaly, with significant depth extent immediately to the east and in the footwall of the **Central Zone** gold mineralisation is to commence later in 2016. A Diamond core drilling program of the known gold mineralisation in the **Central Zone** to obtain core for metallurgical testwork, geological control and resources estimation has been completed following the year end with results pending.

**Iron Ore/ Base Metals Exploration – Western Australia****Mount Bevan Iron Ore/Base Metal Project**

(Hawthorn Resources 40%, Legacy Iron Ore 60%)

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

## Exploration Report

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

Geology mapping and sampling, following a tenement wide aeromagnetic survey, confirmed the presence of three substantial BIF horizons within the tenement extending in a north-northwest direction for a strike distance of more than 25 km. High grade intercepts of haematite mineralisation were intercepted in the southernmost drilling within the Project area. Follow up drilling by Hawthorn confirmed these to be the strike extension of the Mt Mason Iron Ore Inferred Resource of non-listed company Jupiter Mines Limited (“Jupiter”).

A Joint Venture covering the Mt Bevan Project Area is in place with ASX listed company Legacy Iron Ore Limited (“Legacy”) whereby Legacy has earned 60% ownership of the Mt Bevan Project area.

Three substantial BIF horizons have been identified within the tenement that extend in a north-northwest orientation throughout the entire length of the tenement; a strike distance of more than 25 kilometres. The westernmost of these horizons hosts the substantial **Mt Bevan Indicated Magnetite Resource of 322Mt @ 34.7% Fe** within a larger **Inferred Magnetite Resource of 1,117 Mt @ 34.9% Fe**.

(The Mineral Resource estimate as published by Legacy, is reported as being JORC 2012 compliant and details regarding the estimation are provided in the JORC Code Table 1 in an SKR document attached to the announcement by Legacy (**LCY: ASX Announcement - 17/12/13 - Mt Bevan - Significant Resource Upgrade**)).

The mass recovery of the Indicated Resource is at 44% - indicative of the relative high Fe content of the magnetite in the host BIF. With the sustained reduced iron ore price the Joint Venture has decided to limit exploration expenditure on the project.

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

A detailed ground magnetic survey, with interpretation by specialist geophysical company Southern Geoscience, has been completed. Several strong magnetic anomalies have been detected of a similar amplitude and attitude to those on the adjoining St George Mining Limited tenements.

Follow-up EM geophysical surveys are planned in the upcoming year to further identify, enhance and refine targets for drill testing.

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

*The information in this report that relates to the Mineral Resource estimation at Anglo Saxon is based on information compiled by Ms T Burrows, a Competent Person who is a Member and Registered Professional Geologist of The Australasian Institute of Geoscientists. Ms Burrows is employed by AMC Consultants Pty Ltd. Ms Burrows has been engaged as an external independent consultant by Hawthorn Resource Limited. Ms Burrows has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Ms T Burrows consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.*

## Hawthorn Resources Limited

### Register of Tenement Interests in Western Australia

Project/Tenement and Location	Movements during FY 2016	Joint Venture Partner/ Farm-In Partner/Farm-Out Partner	Interest at 30 06 2015	Interest at 30 06 2016
<b>Totals</b>	<b>18</b>	<b>32</b>	<b>71</b>	<b>55</b>
<b>Melita</b>				
P 40/1218	<i>Expired</i>		100%	
P 40/1219	<i>Expired</i>		100%	
P 40/1220	<i>Expired</i>		100%	
P 40/1221	<i>Expired</i>		100%	
P 40/1222	<i>Expired</i>		100%	
P 40/1223	<i>Expired</i>		100%	
P 40/1224	<i>Expired</i>		100%	
<b>Pinjin East</b>				
E 31/760			100%	100%
E 31/781			100%	100%
E 31/782			100%	100%
E 31/783			100%	100%
E 31/882			100%	100%
E 31/1049			100%	100%
E 31/1050			100%	100%
<b>Triumph</b>				
M 31/481			100%	100%
<b>Whiteheads</b>				
E 27/175			100%	100%
P 27/1769	<i>Surrendered</i>		100%	
P 27/1770	<i>Surrendered</i>		100%	
P 27/1771	<i>Surrendered</i>		100%	
P 27/1772	<i>Surrendered</i>		100%	
P 27/1773	<i>Surrendered</i>		100%	
P 27/1784	<i>Surrendered</i>		100%	
P 27/1785	<i>Surrendered</i>		100%	
P 27/1786	<i>Surrendered</i>		100%	
<b>Yundamindera</b>				
E 39/1292			100%	100%
E 39/1297			100%	100%
E 39/1351			100%	100%
E 39/1673			100%	100%
E 39/1674			100%	100%
E 39/1791			100%	100%
E 39/1804			100%	100%
E 39/1810			100%	100%
E 39/1881	<i>Granted</i>			100%
P 39/4697			100%	100%
P 39/4700 (*)			100%	100%
P 39/4701			100%	100%
P 39/4713			100%	100%
P 39/4714			100%	100%
P 39/4875			100%	100%
P 39/4876			100%	100%
<b>Mt Bevan Iron Ore Joint Venture</b>		Legacy Iron Ore Limited		
E 29/510 -I			40%	40%



<b>Deep South Edjudina - Pinjin Joint Venture</b>				
E 39/1298		Avoca Resources Ltd / Metals X Ltd	80%	80%
E 39/1299		Avoca Resources Ltd / Metals X Ltd	80%	80%
E 39/1300 (*)		Avoca Resources Ltd / Metals X Ltd	80%	80%
E 39/1301		Avoca Resources Ltd / Metals X Ltd	80%	80%
E 39/1302 (*)		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4703		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4704		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4705	<b>Surrendered</b>	Avoca Resources Ltd / Metals X Ltd	80%	
P 39/4706 (*)		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4707 (*)		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4709 (*)		Avoca Resources Ltd / Metals X Ltd	80%	80%

<b>Pinjin – Trouser Legs Joint Venture</b>				
G 31/4		GEL Resources	70%	70%
L 31/32		GEL Resources	70%	70%
L 31/65		GEL Resources	70%	70%
L 31/66		GEL Resources	70%	70%
L 31/68		GEL Resources	70%	70%
M 31/78		GEL Resources	70%	70%
M 31/79		GEL Resources	70%	70%
M 31/88		GEL Resources	70%	70%
M 31/113		GEL Resources	70%	70%
M 31/284		GEL Resources	70%	70%

<b>Edjudina - Pinjin Joint Venture</b>				
E 31/789		Avoca Resources Ltd / Metals X Ltd	80%	80%

<b>Yundamindera Edjudina - Pinjin Joint Venture</b>				
E 39/1294		Avoca Resources Ltd / Metals X Ltd	80%	80%
E 39/1295		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4695		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4698		Avoca Resources Ltd / Metals X Ltd	80%	80%
P 39/4699		Avoca Resources Ltd / Metals X Ltd	80%	80%

<b>Yindana - Erayinia Joint Venture</b>				
E 28/1228		Black Raven Mining	30%	30%
E 28/1612	<b>Surrendered</b>	Black Raven Mining	30%	

<b>Teutonic Bore Royalty of up to a maximum of \$1m subject to conditions</b>				
E 37/902		Jabiru Metals	0%	0%
P 37/7351		Jabiru Metals	0%	0%

<b>Reconciliation</b>		No. Tenements
<b>Number of Tenements: 2015 07 01</b>		71
Add new Grants		1
Sub-Total		72
Less Expired or Surrendered		17
<b>Number of Tenements: 2016 06 30</b>		55
Less Expired or Surrendered since 30 June 2016 and upto the 30 September 2016 *		6
<b>Number of Tenements: 2016 09 30</b>		49
* Tenements E39/1300; E39/1302; P39/4700;P39/4706; P39/4707 & P39/4709		

## Additional Shareholder Information

<b>HAWTHORN RESOURCES LIMITED</b>	<b>Additional Shareholder Information - ASX Listing Rule 4.10</b>
	<b>as at 30 September 2016</b>

**SHARES : QUOTED - CODE : HAW**

<b>Twenty Largest Holdings : Ordinary Fully Paid Shares ASX Code : HAW</b>		<b>Number Shares Held</b>	<b>% Issued Shares</b>	<b>Ranking</b>
FENG HUA MINING INVESTMENT HOLDING (HK) LIMITED		64,391,383	37.60	1
LEGACY IRON ORE LIMITED		12,575,000	7.34	2
EQUITAS NOMINEES PTY LIMITED	<PB-601018 A/C>	6,000,000	3.50	3
MR MARK KERR & ASSOCIATES		2,659,379	1.55	4
DR MARK THEO BLOCH		2,575,000	1.50	5
YELRIF INVESTMENTS PTY LIMITED	<PENSION FUND A/C>	2,500,000	1.46	6
MR LUKE MARGOCZY		2,194,458	1.28	7
MR NICHOLAS ANDREOU		1,676,256	0.98	8
LEEJAMES NOMINEES PTY LTD	<THE HEPBURN SUPER FUND A/C>	1,500,000	0.88	9
MR VICTOR LORUSSO		1,370,000	0.80	10
KARARI AUSTRALIA PTY LTD		1,300,000	0.76	11
MR JIANGANG XU		1,221,108	0.71	12
MR YULI HUO		1,120,891	0.65	13
DECOLAND HOLDINGS PTY LIMITED	<MEE SUPER FUND A/C>	1,075,000	0.63	14
YELRIF INVESTMENTS PTY LIMITED		1,000,000	0.58	15
MR PETER JOSEPH LEY		1,000,000	0.58	16
MR WEI PEI		950,000	0.55	17
MRS MARIE DAVIES & MR DAVID KENNETH DAVIES	<DK & M DAVIES SUPERFUND A/C>	950,000	0.55	18
WESTERN GEAR MANAGEMENT LIMITED		830,000	0.48	19
DWYPER CONSULTING PTY LTD		808,626	0.47	20
<b>Total Holding - 20 Largest Shareholders</b>		<b>107,697,101</b>	<b>62.88</b>	
<b>Total Holding - Other Shareholders</b>		<b>63,566,543</b>	<b>37.12</b>	
<b>TOTAL HOLDING- ALL SHAREHOLDERS</b>		<b>171,263,644</b>	<b>100.00</b>	

**VOTING RIGHTS**

Shares : One vote per share

<b>RANGE OF SHAREHOLDERS - CODE : HAW</b>		<b>Holdings</b>		<b>Shares Held</b>	
<b>Range</b>		<b>Holders</b>	<b>%</b>	<b>Holders</b>	<b>%</b>
1 to 1,000		1,883	47.43	413,349	0.24
1,001 to 5,000		895	22.54	2,550,406	1.49
5,001 to 10,000		310	7.81	2,387,236	1.39
10,001 to 100,000		732	18.44	26,048,468	15.21
100,001 and Over		150	3.78	139,864,165	81.67
		<b>3,970</b>	<b>100.00</b>	<b>171,263,624</b>	<b>100.00</b>

**MARKETABLE PARCELS - SHARES**

Holdings that are less than a marketable parcel of the Company's ordinary fully paid shares as at 30 September 2016 at a closing price of 4.6 cents/share consisted of a total of 5,612,046 shares held by 3,113 holders each holding a parcel of 10,870 or less shares

**BUY-BACK**

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

**SUBSTANTIAL SHAREHOLDINGS**

As at 30 September 2016 the following substantial shareholdings have been declared to the Company

<b>Declared entitled party:</b>	<b>No. shares</b>	<b>Dated</b>
Feng Hua Mining Investment Holding (HK) Limited	64,391,383	26 05 2016
Legacy Iron Ore Limited	12,575,000	02 05 2013



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# Hawthorn Resources Limited

ABN 44 009 157 439

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## FINANCIAL REPORT YEAR ENDED 30 JUNE 2016

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The Company's 2016 Corporate Governance Statement is available at  
[www.hawthornresources.com](http://www.hawthornresources.com)

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# Hawthorn Resources Limited

ABN 44 009 157 439

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## **Directors' Report 2016**

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## Hawthorn Resources Limited Directors' Report

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.



# Hawthorn Resources Limited

## Directors' Report



### **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.

# Hawthorn Resources Limited

## Directors' Report

### 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.

# Hawthorn Resources Limited

## Directors' Report

### **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:

# Hawthorn Resources Limited Directors' Report



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	<u>64,391,383</u>
Total	<u>68,125,762</u>

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.



# Hawthorn Resources Limited Directors' Report

## 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 \$
<b>Statutory audit</b>		
Auditors of the Company - BDO		
- audit and review of financial reports	50,500	48,750
Other Services - BDO		
- other non-audit services	-	-
<b>Total fees</b>	<b>50,500</b>	<b>48,750</b>

## 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 of the services agreement it was agreed that with effect from 1 July 2016 that the annual services fees would be reduced by \$75,000 and, from 1 January 2017, a further annual reduction of \$50,000 to apply thereby reducing the annual services agreement fees to \$190,000.

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.

## Hawthorn Resources Limited Directors' Report

### 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:

	<b>2016</b> <b>\$</b>	<b>2015</b> <b>Restated*</b> <b>\$</b>	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>
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.

## Hawthorn Resources Limited Directors' 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.

# Hawthorn Resources Limited Directors' Report

## (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 \$			
<b>Directors</b>								
<i>Executive</i>								
M E Elliott (i)	2016	147,000	-	13,965	-	160,965	nil	n.a.
	2015	147,000	-	13,965	-	160,965	nil	n.a.
<i>Non-Executive</i>								
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.
<b>Executives</b>								
M Garbutt (iii)	2016	-	-	-	-	-	nil	n.a.
	2015	-	-	-	-	-	nil	n.a.
Total all Directors & Executives	2016	362,000	-	25,840	34,500	411,090	nil	n.a.
	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).

# Hawthorn Resources Limited Directors' Report



## (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
<b>Directors:</b>			
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	-	-	-
<b>Total Directors</b>	<b>3,734,379</b>	<b>2,659,379</b>	<b>(1,075,000)</b>
<b>Executives:</b>			
M Garbutt	-	-	-
<b>Total Directors/Executives</b>	<b>3,734,379</b>	<b>2,659,379</b>	<b>(1,075,000)</b>

\* Mr Ye resigned on 9 December 2015 and 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.

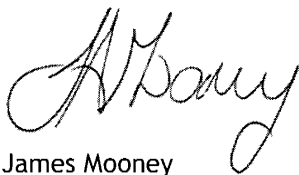
Mark Kerr  
Chairman

**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

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>Restated *</b>
			<b>\$</b>
<b>Revenue from continuing operations</b>			
Finance income	3	161,679	285,152
		161,679	285,152
<b>Expenses</b>			
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)
		(1,760,756)	(4,125,198)
<b>Loss before income tax expense from continuing operations</b>		(1,760,756)	(4,125,198)
Income tax expense	4	-	-
<b>Loss for the year after tax from continuing operations</b>		(1,760,756)	(4,125,198)
<b>Other comprehensive income</b>		-	-
<b>Total other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive loss for the year</b>		(1,760,756)	(4,125,198)
<b>Loss attributable to members</b>		(1,760,756)	(4,125,198)
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
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

		<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>Restated *</b>
	<b>Note</b>		<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
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
<b>Total Current Assets</b>		<b>4,399,670</b>	<b>7,190,649</b>
<b>Non-Current Assets</b>			
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
<b>Total Non-Current Assets</b>		<b>9,848,421</b>	<b>8,749,604</b>
<b>TOTAL ASSETS</b>		<b>14,248,091</b>	<b>15,940,253</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	286,035	217,402
Employee benefits		6,136	6,175
<b>Total Current Liabilities</b>		<b>292,171</b>	<b>223,577</b>
<b>TOTAL LIABILITIES</b>		<b>292,171</b>	<b>223,577</b>
<b>NET ASSETS</b>		<b>13,955,920</b>	<b>15,716,676</b>
<b>EQUITY</b>			
Contributed equity	13	56,094,619	56,094,619
Reserves	14		-
Accumulated losses		(42,138,699)	(40,377,943)
<b>TOTAL EQUITY</b>		<b>13,955,920</b>	<b>15,716,676</b>

\* 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



		<b>Consolidated</b>	
	<u>Note</u>	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Payments in the course of operations (inclusive of GST)		(1,200,343)	(1,489,079)
Interest received		161,679	285,152
<b>Net cash used in operating activities</b>	16 (a)	(1,038,664)	(1,203,927)
<b>Cash flows from investing activities</b>			
Payments for exploration expenditure		(1,747,770)	(1,281,802)
Payments for plant & equipment		-	-
Payments for share acquisition		-	-
<b>Net cash used in investing activities</b>		(1,747,770)	(1,281,802)
<b>Net cash provided by financing activities</b>		-	-
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
<b>Cash and cash equivalents at end of year</b>	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	Employee Equity Benefit Reserve	Total Equity
	\$	Restated * \$	\$	\$
<b>CONSOLIDATED</b>				
<b>Balance at 1 July 2014 as previously stated</b>	56,094,619	(34,802,889)	1,667,974	22,959,704
Effect of accounting policy change	-	(3,117,830)	-	(3,117,830)
<b>At 1 July 2014</b>	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	-	-	-	-
<b>Total comprehensive income for the year</b>	-	(4,125,198)	-	(4,125,198)
Transfer of expired benefits to accumulated losses	-	1,667,974	(1,667,974)	-
<b>At 30 June 2015</b>	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	-	-	-	-
<b>Total comprehensive income for the year</b>	-	(1,760,756)	-	(1,760,756)
<b>At 30 June 2016</b>	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 at the reporting date.

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

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

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

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

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

**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 and leases relating to low value assets);
- Depreciation 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.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

**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

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

**4. TAXATION**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Restated *</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Income tax recognised in profit or loss</b>		
<b>Tax expense comprises:</b>		
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:**

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)**

<b>Consolidated</b>	
<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>Restated * \$</b>
<b>(b) Deferred tax assets and liabilities</b>	
<b>Deferred tax liability comprises:</b>	
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
	-
<b>Deferred tax asset comprises:</b>	
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)
<b>Consolidated</b>		
	<b>2016</b>	<b>2015</b>
	Number of shares	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

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

**6. CASH AND CASH EQUIVALENTS**

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

**7. TRADE AND OTHER RECEIVABLES**

**CURRENT**

Other receivables (i)	111,090	115,414
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(i) Other predominantly relates to GST receivable. Trade and other receivables are current, not past due and not considered impaired.

**8. OTHER CURRENT ASSETS**

**CURRENT**

Prepayments		221
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**9. OTHER FINANCIAL ASSETS**

Available for sale investments at fair value	1,490	1,490
Investments at fair value through profit or loss	741	741
	<b>2,231</b>	<b>2,231</b>

**10. EXPLORATION EXPENDITURE**

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:

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)
<b>Balance at 30 June</b>	<b>9,830,031</b>	<b>8,714,789</b>

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

\* Refer to Note 25

## 11. PLANT AND EQUIPMENT

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
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

Payables and accrued expenses	286,035	217,402
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## 13. CONTRIBUTED EQUITY

Ordinary shares	56,094,619	56,094,619
	<b>2016</b>	<b>2015</b>
	<b>No. of Shares</b>	<b>No. of Shares</b>
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.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

**14. RESERVES**

Option premium reserve

Share based payment reserve

Consolidated	
2016	2015
\$	\$
	-
	-
	-

**Movement in reserves**

Option premium reserve:  
at 1 July 2015

Transfer of option premium reserve upon expiry of  
benefits

At 30 June 2016

	1,459,349
	(1,459,349)
	-

Share based payment reserve:  
at 1 July 2015

Transfer of share based payment reserve upon expiry  
of benefits

At 30 June 2016

	208,625
	(208,625)
	-

**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

	<u>2016</u>	<u>2015</u>
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-feasibility 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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Restated *</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Exploration expenditure	7,756,726	7,402,315
Total Assets	7,756,726	7,402,315
<b>Liabilities</b>		
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

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Restated * \$</b>
<i>(a) Reconciliation of loss after tax to net cash used in operating activities</i>		
Loss for the year after tax	(1,760,756)	(4,125,198)
<i>Adjustment for:</i>		
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.

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	-	-
	<b>157,500</b>	<b>472,500</b>

## 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)

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

The key management personnel compensation are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	385,250	396,500
Post-employment benefits	25,840	25,840
	<b>411,090</b>	<b>422,340</b>

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
		%	%
<b>Parent entity</b>			
Hawthorn Resources Limited	Australia		
<b>Controlled entities</b>			
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.

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

**(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**

	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>5 + Years</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Non-Interest Bearing	(286,035)	-	-	-	(286,035)

**Group 30 June 2015**

	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>5 + Years</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Non-Interest Bearing	(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.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by BDO for:		
An audit and review of the financial report of the Company and any other companies in the consolidated group	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.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Restated *</b>
	<b>\$</b>	<b>\$</b>
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 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. 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

	<b>Adjustment</b>
	<b>\$</b>
Exploration expenditure	3,499,130
<b>Total assets</b>	<b>3,499,130</b>
Accumulated losses	3,499,130
<b>Total equity</b>	<b>3,499,130</b>

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

	<b>Adjustment</b>
	<b>\$</b>
Expenses	472,922
<b>Total expenses</b>	<b>472,922</b>
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**

	<b>Adjustment \$</b>
Exploration expenditure	3,499,130
<b>Total assets</b>	<b>3,499,130</b>
Accumulated losses	3,499,130
<b>Total equity</b>	<b>3,499,130</b>

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

	<b>Adjustment \$</b>
Expenses	381,300
<b>Total expenses</b>	<b>381,300</b>
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)

Hawthorn Resources Limited  
Notes to the Consolidated Financial Statements for the year ended 30 June 2016

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 29<sup>th</sup> day of September 2016.



M G Kerr  
Chairman &  
Chief Executive Officer



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Level 14, 140 William St  
Melbourne VIC 3000  
GPO Box 5099 Melbourne VIC 3001  
Australia

## 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 Statements*, 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**

A handwritten signature in black ink, appearing to read 'James Mooney', written over a faint BDO logo.

**James Mooney**  
**Partner**

Melbourne, 29 September 2016





PEGGING AT DEEP SOUTH PROSPECT





ABN 44 009 157 439

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[WWW.HAWTHORNRESOURCES.COM](http://WWW.HAWTHORNRESOURCES.COM)



## **Hawthorn Resources Limited**

ABN 44 009 157 439

### **Notice of 2016 Annual General Meeting and Explanatory Memorandum**

**The Annual General Meeting is to be held on  
Friday 25 November 2016 at 3.00 p.m.  
at Minter Ellison Lawyers Offices, Level 23 Rialto, 525 Collins Street, Melbourne, Victoria,  
Australia**

#### **Important Notice**

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

**OR**

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

#### **THIS IS AN IMPORTANT DOCUMENT**

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

## **IMPORTANT NOTICE**

### **(a) General**

You should read this Notice of Annual General Meeting and accompanying Explanatory Statement in its entirety before making a decision on how to vote on the Resolutions set out in the Notice. The Notice is contained on page 4 and the Explanatory Statement on page 9 and the proxy form for this AGM accompanies this Booklet.

### **(b) Defined Terms**

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

### **(c) Purposes of the Explanatory Statement**

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

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

### **(d) Investment Decisions**

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

### **(e) Forward Looking Statements**

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

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

**10% Placement Facility** has the meaning given in Section 5

**10% Placement Period** has the meaning given in Section 5

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

**ASIC** means the Australian Securities and Investments Commission

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

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

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

**Board** means the board of Directors of the Company.

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

**Company** or **Hawthorn** means Hawthorn Resources Limited ACN 009 157 439

**Constitution** means the constitution of the Company

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

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

**Director** means a director of the Company.

**EPS** means earnings per share.

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

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

**Independent Director** means Dr D S Tyrwhitt

**Listing Rules** means the Listing Rules of ASX

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

**Notice** means the notice of AGM contained in this Booklet

**NPAT** means net profit after tax

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

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

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

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

**Register of Members** means the register of members of the Company

**Resolutions** means the resolutions set out in the Notice

**Voting Entitlement Time** means 7.00 p.m. Melbourne time on Wednesday, 23 November 2016

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

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

# Hawthorn Resources Limited

ABN 44 009 157 439

## Notice of Annual General Meeting

Notice is given that the 2016 Annual General Meeting of Hawthorn Resources Limited (**Company**) will be held on:

Date: Friday 25 November 2016

Time: 3.00 p.m.

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

### ORDINARY BUSINESS

#### 1 Financial Statements and Reports

To receive and consider the Consolidated Financial Report and the Reports of the Directors and of the Auditor for the financial year ended 30 June 2016 which are contained in the 2016 Annual Report.

#### 2 Election of Directors

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

##### Resolution no. 1

##### David S Tyrwhitt

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

##### Resolution no. 2

##### Liu, Zhensheng

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

#### 3 Adoption of Remuneration Report

##### Resolution no. 3

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

*"That the Remuneration Report for the year ended 30 June 2016 as disclosed in the Directors' Report be adopted".*

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

## **SPECIAL BUSINESS**

### **4 Approval of 10% Placement Facility**

#### **Resolution no. 4**

To consider and, if thought fit, to pass, with or without amendment, the following resolution which will be proposed as a **special resolution**:

*“That approval is given for the Company to have the additional capacity (i.e., 10% Placement Capacity) to issue Equity Securities under Listing Rule 7.1A, for the period specified in Listing Rule 7.1A.1 and in accordance with the formula prescribed in Listing Rule 7.1A.2.”*

Dated: 20 October 2016

#### **BY ORDER OF THE BOARD**

Mourice Reginald Garbutt, FGIA, FCIS  
Company Secretary

## NOTES:

### 1 Proxies

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

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

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

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

sent by facsimile to (02) 9287 0309, to arrive (in either case) no later than 3.00 p.m. (Melbourne time) on Wednesday, 23 November 2016.

### 2 Corporate Shareholders and Proxies

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

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

### 3 Explanatory Statement

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

### 4 Voting Entitlements

The Board of Directors of the Company, pursuant to Section 1074E (2)(g) of the *Corporations Act 2001*, Regulation 7.11.37 of the *Corporations Regulations 2001* and ASX Settlement Operating Rule 5.6.1, and as the convenor of the meeting, has determined that the shareholding of each member for the purpose of ascertaining voting entitlements for the Annual General Meeting will be as it appears on the Register of Members at 7.00 p.m. Melbourne time on Wednesday 23 November 2016.

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

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

### 5 Remuneration Report

At the 2015 AGM of the Company shareholders resolved to adopt the Remuneration Report. Of the votes cast at the 2015 AGM on the resolution less than 25% of the votes cast were against adoption of the report. As such, a "first strike" was not recorded.

### 6 Voting Exclusion and Restriction Statements

There are no voting exclusions in relation to Resolutions no. 1 and 2 – Election of Directors.

Voting exclusions apply in relation to voting on the Remuneration Report and the 10% Placement facility (resolutions no. 3 and 4).

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

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

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



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

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

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

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

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

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

## **8 Voting Exclusions in relation to Voting on the Approval of 10% Placement Facility (Resolution 4)**

The Company will disregard any votes cast on Resolution 4 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 4 is passed. However, the Company will not disregard a vote cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides

## **9 Undirected Proxies**

The chairman of the Company will chair the meeting.

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

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

## **10 Voting – General Comment**

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

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

## **11 Questions and Comments by Members and Proxyholders at the Meeting**

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

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

- (a) the conduct of the audit;
- (b) the preparation and content of the Auditors' Report;

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

Shareholders may also submit a written question to BDO via the Company, no later than 5 business days before the meeting, if the question is relevant to the content of BDO Audit Report or the conduct of its audit of the Company's Financial Report for the year ended 30 June 2016.

Relevant written questions for BDO must be received no later than 5.00 p.m. (Melbourne time) on Friday, 18 November 2016. A list of those relevant written questions will be made available to shareholders attending the meeting. BDO will either answer the questions at the meeting or table written answers to them at the AGM. If written answers are tabled at the meeting, they will be made available to shareholders as soon as practicable after the meeting.

Please send any written questions for BDO to the Company at the address on the proxy form or by facsimile (+613) 9605 5928 or to

Hawthorn Resources Limited  
Level 2, 90 William Street, Melbourne Vic Australia 3000

or by email to [mgarbutt@krcc.com.au](mailto:mgarbutt@krcc.com.au).

by no later than 5.00 p.m. (Melbourne time) on **Wednesday 23 November 2016**

# Hawthorn Resources Limited

ABN 44 009 157 439

## Explanatory Statement

*This Explanatory Statement accompanies and forms part of the  
Notice of Annual General Meeting dated 20 October 2016*

### ORDINARY BUSINESS

#### Item 1 - Receive and Consider the Financial and Other Reports

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

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

Details of the Directors seeking election and all other Directors are contained in the 2016 Annual Report.

#### Election of Dr David S Tyrwhitt as a Director

##### *Information about Dr Tyrwhitt*

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

**Non-Executive 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 of 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.

## **Item 2 - Election of Directors (Resolution 2)**

### **Election of Mr Liu, Zhensheng as a Director**

#### ***Information about Mr Liu***

**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.

#### **Directors' Recommendations**

The Board of Directors (with the exception of the relevant director) unanimously recommends that members vote in favour of the re-election of Dr David S Tyrwhitt and Mr Liu, Zhensheng.

## **Item 3 - Adoption of the Remuneration Report (Resolution 3)**

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

The Directors' Report must include a Remuneration Report containing prescribed information about the Board's policy for determining the nature and amount of the remuneration of Directors and other key management personnel. The Remuneration Report must also explain the relationship between the remuneration policy of the Board and the Company's performance. The Remuneration Report of the Company for the year ended 30 June 2016 is set out in pages 10 to 14 of the Directors' Report as incorporated in to the Company's 2016 Annual Report.

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

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

If at the Spill Meeting, the resolutions are all passed against re-electing the relevant directors, the legislation includes a mechanism to ensure the Board continues with the statutory required minimum of 3 directors. After the managing director, the remaining two positions will be filled by the directors whose re-election resolutions at the Spill Meeting received the highest percentage of votes in favour of re-election. If the number of votes is the same for two directors, the Managing Director and any other director whose re-election has been confirmed at this Spill Meeting, can choose who is to become the third director, with such appointment to be confirmed by shareholders at the 2018 AGM.

At the 2015 AGM of the Company shareholders resolved to adopt the Remuneration Report for the year ended 30 June 2015. Of the votes cast at the 2015 AGM on the resolution less than 25% of the votes cast were against adoption of the Report. As such, a “first strike” was not recorded at the 2015 AGM.

The resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting. As noted above the Remuneration Report is set out in the Company's 2016 Annual Report at pages 10 to 14.

The report:

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

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

## Directors' Recommendation

### Remuneration Report

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

#### Item 4 - Approval of 10% Placement Facility (Resolution 4)

##### General

Under Listing Rule 7.1, subject to certain exceptions, a listed entity must not, without the approval of holders of ordinary securities, issue or agree to issue more Equity Securities than the number calculated according to the formula set out in that rule. The formula generally has the effect that, in addition to the exceptions provided, every listed entity has the ability (**15% Placement Capacity**) over any 12 month period to issue Equity Securities equal to 15% of its issued capital at the commencement of the 12 month period.

Under Listing Rule 7.1A, an "Eligible Entity" may also seek the approval of the holders of its ordinary securities by special resolution passed at an AGM to have the additional capacity (**10% Placement Capacity**) to issue Equity Securities under rule 7.1A. The exact formula for the 10% Placement Capacity is set out in Listing Rule 7.1A.2 and the approval period (**10% Placement Period**) to which it relates (generally 12 months) is set out in Listing Rule 7.1A.1 (refer below). The ability to issue securities under Listing Rule 7.1A is in addition and separate to each listed entity's ability to issue securities under Listing Rule 7.1.

An "Eligible Entity" for the purposes of Listing Rule 7.1A is an entity which, as at the date of the relevant special resolution passed for the purposes of rule 7.1A, (excluding restricted securities and securities quoted on a deferred settlement basis) is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an Eligible Entity.

There are a number of other rules and conditions applicable to the approval and issue of equity securities under Listing Rule 7.1A, including:

- (a) that any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company;
- (b) a limitation on the discount to prevailing market price at which they may be issued; and
- (c) additional disclosure requirements.

As at the date of the Notice, the Company has on issue two classes of Equity Securities, being listed Shares, and one class of unlisted Options.

The Company is now seeking Shareholder approval to have the 10% Placement Capacity.

At the date of this Notice, the Company has on issue 171,263,644 fully paid ordinary Shares. Assuming the Company's Shares on issue do not change, the Company will have the capacity over the course of the next 12 months to issue:

- (i) 25,689,546 Equity Securities under its 15% Placement Capacity; and

- (ii) 17,126,364 Equity Securities under its 10% Placement Capacity,

without requiring further shareholder approval.

The Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution. In particular, the ability of the Company to issue Shares under the 10% Placement Capacity will enable the Company to issue Shares at a discount to the then market price in circumstances where it might otherwise be subjected to the cost, delay and uncertainty of having to go back to Shareholders for approval. The additional flexibility and speed to conduct capital raising will better position the Company to pursue its interests in the prevailing difficult market conditions.

#### **Formula for calculating the 10% Placement Capacity under Listing Rule 7.1A.2**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 10% Placement Period, a number of Equity Securities calculated in accordance with the following formula:

**(A x D) – E**

**A** is the number of fully paid shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4 (which does not include the 10% Placement Capacity);
- (iv) less the number of fully paid shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% Placement Capacity.*

**D** is 10%;

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

#### **10% Placement Period under Listing Rule 7.1A.1**

Listing Rule 7.1A.1 provides that an approval under Listing Rule 7.1A must be for a period commencing on the date of the AGM at which the approval is obtained and expiring on the first to occur of the following:

- (a) the date that is 12 months after the date of that AGM; and
- (b) the date of the approval by holders of the Eligible Entity's ordinary securities of a transaction under Listing Rule 11.1.2 (proposed significant change to the nature or scale of its activities where ASX has required the entity to seek such approval) or Listing Rule 11.2 (disposal of main undertaking).

## Special Resolution

Resolution 4 will only be effective if it is passed as a special resolution which requires (amongst other matters) that it be passed by least 75% of votes cast by members entitled to vote on the resolution.

### Specific Information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Capacity as follows:

- (a) If the 10% Placement Capacity is used, Equity Securities may only be issued in reliance on the 10% Placement Capacity at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power and economic interests in the Company could potentially be diluted as shown in the below table. There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, or the Equity Securities may be issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities. The table below shows:

- (iii) the potential dilution of existing Shareholders assuming a share issue at the current market price of Shares and assuming the current number of ordinary securities for variable "A" (as described in section 7.2 and Listing Rule 7.1A.2) (further assumptions are set out in the notes immediately below the table).
- (iv) two further examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities included in variable "A" may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (v) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.



Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.02 50% decrease in Issue Price	\$0.04 Assumed Issue Price	\$0.06 50% increase in Issue Price
Current Variable A 171,263,644	10% dilution Voting	17,126,364		
	Funds raised	\$342,527	\$685,054	\$1,027,582
50% increase in current Variable A 256,895,466	10% dilution Voting	25,689,546		
	Funds raised	\$513,791	\$1,027,582	\$1,541,372
100% increase in current Variable A 342,527,288	10% dilution Voting	34,252,728		
	Funds raised	\$685,054	\$1,370,109	\$2,055,164

*The table has been prepared on the following assumptions:*

- (i) *The Company issues the maximum number of Equity Securities available under the 10% Placement Facility*
  - (ii) *No Options are exercised into Shares before the date of the issue of the Equity Securities*
  - (iii) *The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%*
  - (iv) *The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on the Shareholder's holding at the date of the Meeting*
  - (v) *The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1*
  - (vi) *The use of Equity Securities under the 10% Placement Facility consists only of Shares*
  - (vii) *The assumed issue price for the purpose of the above table to demonstrate the dilutive effect of this additional placement facility is \$0.04, being the closing price of the Shares on ASX on 17 October 2016. [N.B. subject to any variation to this price the above table will vary as to \$ raised and shares issued]*
- (c) The Company will only issue the Equity Securities under the 10% Placement Facility approved (if approved) at the 2016 AGM during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities under the 10% Placement Facility for the following purposes:
- (i) cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing the Company's exploration projects, and acquisitions of new assets or investments as well as for general working capital; or

- (ii) non-cash consideration for the acquisition of new resources, assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon the issue of any Equity Securities under the 10% Placement Facility.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or Associates of a related party of the Company. Further, if the Company is successful in acquiring new assets it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets.

- (e) The Company has never previously obtained Shareholder approval under Listing Rule 7.1A, and as such no previous shares have been issued under the 10% Placement Capacity.

#### **Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 4. A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities utilising this 10% Placement Facility following the 2016 Annual General Meeting. No existing Shareholder's votes will therefore be excluded under the voting at the Meeting.

**The Chairman intends to vote all available proxies in favour of Resolution 4.**

#### **Voting Generally**

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

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


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


## LODGE YOUR VOTE

 **ONLINE**  
www.linkmarketservices.com.au

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

 **BY FAX**  
+61 2 9287 0309

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

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



**X99999999999**

## PROXY FORM

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

### APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **3:00pm on Friday, 25 November 2016 at Minter Ellison Lawyers Offices, Level 23 Rialto, 525 Collins Street, Melbourne, Victoria, Australia** (the **Meeting**) and at any postponement or adjournment of the Meeting.

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

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

### VOTING DIRECTIONS

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.**

#### Resolutions

	For	Against	Abstain*
1 Re-election of Dr David Tyrwhitt as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Mr Liu, Zhensheng as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



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

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

**HAW PRX1601C**

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

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

### APPOINTMENT OF PROXY

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

### DEFAULT TO CHAIRMAN OF THE MEETING

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

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

### APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

### SIGNING INSTRUCTIONS

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

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

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

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

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

### CORPORATE REPRESENTATIVES

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

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm on Wednesday, 23 November 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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



#### BY MAIL

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



#### BY FAX

+61 2 9287 0309



#### BY HAND

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

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

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

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

HAWTHORN RESOURCES LIMITED

ABN / ARBN:

44 009 157 439

Financial year ended:

30 June 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

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

The Corporate Governance Statement is accurate and up to date as at 20 October 2016 and has been approved by the board.

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

Date: 27 October 2016

Name of Secretary authorising lodgement: Mourice Garbutt

Signature



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

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

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

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

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

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

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

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

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

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



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

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

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

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

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

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

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

**Hawthorn Resources Limited**  
**2016 Corporate Governance Statement**

**Corporate Governance Practices and Conduct**

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

The information in this statement is current as at 20 October 2016 and has been approved by the Board. The statement includes cross references to the Company's charters, codes and policies; a copy or summary of which can be viewed on the Company's website in its Corporate Governance section.

This statement should be read in conjunction with the Directors' Report, the Remuneration Report and the Financial Report for the financial year ended 30 June 2016 as contained in the 2016 Annual Report:

- (a) Directors' Report at page 2
- (b) Remuneration Report at page 10
- (c) Financial Statements and Notes at pages 16 to 44

Hawthorn Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2016.

<b>Principle 1</b> <b>LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT</b>
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**Board Role and Functions**

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

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

The directors in office at the date of this statement, their skills, experience, expertise and period of directorship are detailed in the Directors' Report which can be found as noted above at page 2 of the 2016 Annual Report. In respect of the attendance at Board and Committee Meetings, shareholders are referred to the table of Meeting Attendance contained on page 8.

**Structure of the Board**

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



**Hawthorn Resources Limited**  
**2016 Corporate Governance Statement**

**Corporate Governance Practices and Conduct**

In the context of director independence, “materiality” is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

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

<b>Name</b>	<b>Position and status</b>	<b>Term in Office</b>
<b>Non-Executive Directors</b>		
David S Tyrwhitt	Non-Executive Director Chairman – Audit, Compliance & Corporate Governance Committee	19.6 years
Liao, Yongzhong	Non-Executive Director	3.6 years
Li, Yijie	Non-Executive Director	3.6 years
Liu, Zhensheng (*)	Non-Executive Director	0.6 years
<b>Executive Directors</b>		
Mark G Kerr (*)	Chairman & Managing Director/ CEO	8.6 years

During the year (\*):

- (i) Mr Ye resigned as a Director on 9 December 2015 having been a member of the Board of Director since April 2014;
- (ii) Mr Liu was appointed to the Board of Directors on 9 December 2015 upon the resignation of Mr Ye;
- (iii) Mr Elliott resigned as Managing Director/ CEO on 24 June 2016 having been a member of the Board of Directors since November 2007;
- (iv) Mr Kerr was appointed as Managing Director on 24 June 2016 following the resignation of Mr Elliott

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

**Composition of the Board**

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

The Chairman of the Board of Directors, Mr Kerr, following his additional appointment as Managing Director in June 2016 is no longer considered to be a Non-Executive Director. The Chairman of the Company's Audit, Compliance and Corporate Governance Committee, Dr Tyrwhitt, continues to be considered to be an Independent Director.

In June 2016 following the resignation of Mr Elliott, the Board of Directors undertook a review of the status of each remaining Director and reached the opinion that each Director, apart from the Managing Director/CEO - Mr Kerr, could be continue to be classified as a Non-Executive director. In addition, this assessment has affirmed that Dr Tyrwhitt qualified as an Independent Director. In addition, Mr Kerr, prior to his appointment in June 2016 as Managing Director/ CEO whilst considered to be a Non-Executive Director, was not regarded as an Independent Director due to the level of entitlement to the Company's ordinary shares and the ongoing contractual serviced office arrangements with Berkeley Consultants Pty Ltd – a company in which Mr Kerr has a prescribed interest. Messrs Liao, Yongzhong, Li, Yijie and Liu, Zhensheng are Directors nominated by Feng Hua Mining Investment Holding (HK) Limited pursuant to its rights under the August 2012 Share Subscription Agreement. As such, whilst they are Non-Executive directors they are not regarded as Independent Directors.

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

**Board Responsibilities**

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

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

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

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

**BOARD COMMITTEES**

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

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

**ROLE OF MANAGEMENT**

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

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

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

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

**DIRECTOR SELECTION AND APPOINTMENT**

When considering a candidate for appointment as a director of the Company or recommends the appointment to shareholders the Company undertakes information checks which include the person's character, business, professional and educational qualifications, the existence of any criminal proceedings and probity. Such information, where considered material, is incorporated into shareholder meeting documentation for their consideration when voting on the election of directors. Save for the Executive Service Agreement with the former Managing Director/CEO, Mr Elliott, there are no formal letters of appointment for the remaining Directors.

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

**COMPANY SECRETARY**

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

**DIVERSITY**

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

The Company's Diversity Statement can be viewed on the website at [www.hawthornresources.com/governance.aspx](http://www.hawthornresources.com/governance.aspx)

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

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

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

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

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

The table below outlines the diversity within Hawthorn Resources Limited:

Level	Male		Female		Total
	Number	%	Number	%	
Board	5	100%	0	0%	5
Key Management personnel	0	0%	0	0%	0
Other staff	0	0%	1	100%	1
Total	5	100%	1	100%	6

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

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

#### **BOARD PERFORMANCE**

A performance evaluation process has been finalised through the Chairman together with informal performance monitoring sessions undertaken during the 2016 financial year at the in-person Board meetings.

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

#### **SENIOR EXECUTIVE PERFORMANCE**

The process of assessing the performance of the Managing Director/Chief Executive Officer and the outsourced service providers within their delegated duties/services is reviewed by the Board of Directors when considering the Company's each half-year and annual budget forecasts; as was the case in the 2015 financial year.

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<b>Principle 2</b> <b>STRUCTURE THE BOARD TO ADD VALUE</b>
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**NOMINATION AND REMUNERATION COMMITTEE**

**Director Nomination and Membership**

**Nomination Committee**

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

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

**Remuneration Committee**

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

**BOARD SKILL MATRIX**

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

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

**INDEPENDENT DIRECTORS**

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

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

**CHAIR**

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

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

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

**TERM OF OFFICE**

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

The term of office of each director is as incorporated into Principle 1 above and as noted on page 12 of the 2016 Annual Report.

**BOARD INDUCTION AND PROFESSIONAL DEVELOPMENT**

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

**INDEPENDENT PROFESSIONAL ADVICE**

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

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

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

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

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

The Company has a Code of Conduct.

<b>Principle 4</b> <b>SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>
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**AUDIT AND RISK COMMITTEE (“Audit Committee”)**

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

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

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

Chairman	Dr D S Tyrwhitt (Independent Director)
Member	Mr M G Kerr (Board Chairman and Managing Director/CEO)

Each of the Committee members is financially literate and having served in senior positions within mining industry entities – their personal qualifications are set out in detail in the Directors' Report contained in the 2016 Annual Report at pages 3 and 4 together with the details of Committee meetings attended during the 2016 financial year are shown on page 8.

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

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

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

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

**CEO AND CFO DECLARATION**

As required, the Managing Director/CEO and Chief Financial Officer provided assurance to the Board prior to the release of the 31 December 2015 and the 30 June 2016 financial statements that, in their opinion:

- (a) the financial records of the company/disclosing entity have been properly maintained in accordance with section 286 of the Corporations Act 2001
- (b) the financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company and the consolidated entity.
- (c) any other matters prescribed by the Regulations for the purposes of section 295A have been satisfied in relation to the financial statements and notes for the financial year, and
- (d) the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

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

**EXTERNAL AUDITOR**

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

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

In line with legislation the BDO- East Coast Partnership rotate the audit engagement partner on listed entities at least every five years. The current audit engagement partner was appointed on and as from the financial year ended 30 June 2013.



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The amount of the fees paid to the External Auditor is reported in the Annual Report on page 42; there were no fees paid for non-audit services. As required and as included in the Annual Report, the Auditor provides an annual declaration of independence – see page 15 of the Annual Report.

The External Auditor attends the Company's Annual General Meetings and is available to answer shareholders questions relative to the conduct of the audit and the preparation and content of the Auditor's Independent Report – see pages 46 and 47 of the 2016 Annual Report.

<b>Principle 5 MAKE TIMELY AND BALANCED DISCLOSURES</b>
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**CONTINUOUS DISCLOSURE**

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

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

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

<b>Principle 6 RESPECT THE RIGHTS OF SECURITY HOLDERS</b>
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**COMPANY WEBSITE**

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

Shareholders may also communicate with the Company through its e-mail address [info@hawthornresources.com](mailto:info@hawthornresources.com)

**INVESTOR RELATIONS**

**Shareholder Communication Policy/Shareholder Meetings/Electronic Communications**

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

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

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

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

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

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

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

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

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

<b>Principle 7 RECOGNIZE AND MANAGE RISK</b>
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**AUDIT AND RISK (mandated to the Audit, Compliance and Corporate Governance Committee)**

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

**Risk**

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

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

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

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

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

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***Business Risk***

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

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

**INTERNAL AUDIT FUNCTION**

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

**ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY**

The Company through management and the Board monitors its risks be they economic, environmental or social; refer to pages 40 and 41 of the 2016 Annual Report.

<b>Principle 8 REMUNERATE FAIRLY AND RESPONSIBLY</b>
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**NOMINATION AND REMUNERATION COMMITTEE**

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

**NON-EXECUTIVE DIRECTOR REMUNERATION POLICY**

Refer to pages 11 to 13 in the 2016 Annual Report

**EXECUTIVE DIRECTOR REMUNERATION POLICY**

Refer to pages 11 to 13 in the 2016 Annual Report

**SHARE TRADING POLICY**

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

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

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

**OCCUPATIONAL HEALTH AND SAFETY**

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

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