
Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH
THE JUNE 2012 ANNUAL FINANCIAL REPORT AND THE
SEPTEMBER AND DECEMBER 2012 QUARTERLY ACTIVITY STATEMENTS**

These reports can viewed on the Company's website at:
www.hawthornresources.com

Hawthorn Resources Limited

Table of Contents

1	Corporate Directory	3
2	Chairman's Report	4
3	Directors' Report	6
4	Auditor's Independence Declaration	8
5	Statement of Profit or Loss and Other Comprehensive Income	10
6	Statement of Financial Position	11
7	Statement of Cash Flows	12
8	Statement of Changes in Equity	13
9	Notes to the Financial Statements	14
10	Directors' Declaration	17
11	Independent Auditor's Review Report	18

Hawthorn Resources Limited

Corporate Directory

Directors

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

Company Secretary

Mourice Garbutt

Exploration Manager

Ian Moody

Financial Officer

Tony Amato

Registered Office and Domicile

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

Legal Form

A public company. Liability Limited by Shares

Country of Incorporation

Australia

Share Registry

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

Auditors

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

Australian Securities Exchange Listing Code

HAW Ordinary shares

Bankers

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

Solicitors

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

CHAIRMAN'S REPORT

Dear Shareholder

In this period Hawthorn Resources has, with your support and approvals, secured fund raising of \$14.9 million and commenced its aggressive gold exploration programme with drilling programmes at Trouser Legs, Deep South and Coles in December 2012, and completed a detailed aeromagnetic survey at Yundamindera

The results from this drilling have been released to the market and are most encouraging. We have confirmed and extended the limits of the known gold mineralisation at each of the target areas drilled and look forward to the next round of drilling and the subsequent results. The aeromagnetic survey at Yundamindera has identified several prime drill targets with similar signatures to that seen at Coffey Bore.

Exploration and Development

Significant progress has been made on our major gold projects in Western Australia's Eastern Goldfields, as we continue to work towards becoming a gold producer in the near future. In addition, the reported progress on our developing iron ore joint venture asset has similarly been pleasing. Whilst we are still yet to have the results from the Phase 3 drilling programme the information released by Legacy Iron Ore Limited, in its capacity as the joint venture manager, would suggest that the programme's objective to raise the status of the *Inferred* resource to that of an *Indicated* status may be achieved.

Gold Projects

The implications flowing from the declaration of our initial Indicated Resource of 25,000 oz at Anglo-Saxon is a major step in terms of our transition to becoming a gold producer. This conservative estimate, of the oxide only portion, of the larger resource is robust, and has the potential to be significantly enhanced especially following the strong initial results from pit definition drilling that commenced in the December quarter. Drilling of satellite gold resources in close proximity to Anglo Saxon, such as at Coles and in the near future Exile and Exile North, should also enhance our resource base at the project.

At Edjudina historic drive sampling and drill intercepts of two of the parallel reef horizons indicated the presence of high grades of gold beneath and within the historic mine workings. Previous drilling by Hawthorn intersected this high grade gold mineralisation near surface, and our most recent drilling program further extended the strong results with some very high grades at relatively modest depths.

At both Deep South and Yundamindera programmes to elevate the known gold mineralisation to resource categories will continue in 2013. While at Whiteheads we are encouraged by the initial drilling results at Lindsay South and keenly anticipate RC drill testing of the relatively shallow gold bearing zones identified to date.

IronOre

During this reporting period the Phase 3 drilling programme was completed at the Mt Bevan Iron Ore project by our joint venture partner. As noted above we are waiting on the final results from this programme.

As has been reported this phase of drilling was completed in July, and was designed to convert a 2.0 kilometre segment of the Inferred Resource into an Indicated Resource. The joint venture has reported that similar widths of magnetite to those identified in the previous drilling phases were intercepted during the program.

Your directors are excited by the long term potential of this project.

Corporate Activities

Funding

On 31 August 2012 your Directors announced the signing of a Share Subscription Agreement with Feng Hua Mining Investment Holding (HK) Limited (Feng Hua) representing a Consortium of Chinese investors whereby the Consortium would, subject to regulatory approvals, subscribe new equity capital into the Company of approximately A\$15.0 million.

The investment to be by way of two Tranches:

Tranche 1	320,616,224	shares at A\$0.013 a share	A\$4,168,010.91
		and, subject to shareholder approval:	
Tranche 2	967,211,427	shares at A\$0.0116 a share	10,794,079.53
Total	1,287,827,651	shares	\$14,962,090.44

The Tranche 1 issue of shares was completed on 30 October 2012 and two Directors as nominated by Feng Hua appointed; the two new Directors being Messrs Liao and Li.

The Tranche 2 issue of shares was approved at the meeting of shareholders held on 30 January 2013 and the Company is now waiting on the finalisation to issue the new shares. Once this issue of shares has been finalised we will move to the Consolidation of shares. The Consolidation, as approved by shareholders, will be on the basis of one new share for each 20 shares held as at Record Date.

Your Directors believe that this substantial investment is a precursor to an exciting period for Hawthorn and for its shareholders. The investment ensures that the planned exploration and development pathway on our major gold projects can be accelerated.

Mt Bevan Iron Ore Project (Hawthorn 40 per cent)

There has been much speculation over the ownership of the Project with the Company's Joint Venture partner, Legacy Iron Ore Limited ("Legacy") having publically re-iterated its intention to acquire your Company's 40 per cent interest in the Project.

Whilst your directors have indicated a willingness to consider a meaningful proposal and that discussions have taken place over time with Legacy and its advisers I re-iterate the comments of the Managing Director to shareholders at the recent shareholders meeting that the Company has not at this time received a formal proposal.

Summary

Please read this Report in conjunction with the details of Hawthorn's activities as set out in the quarterly reports and announcements to the market. These reports and announcements can be viewed on the Company's website or the ASX web page at "HAW". Please note that an upgrade of the Company's website is currently being undertaken.



Mark Kerr
Chairman, Board of Directors
Melbourne, 15 March 2013

The technical information in this report has been reviewed and approved by Mr I Moody who is Member of the Australasian Institute of Mining & Metallurgy and who has over 20 years experience in the exploration field.

Hawthorn Resources Limited
Directors' Report

DIRECTORS' REPORT

The Directors of Hawthorn Resources Limited present their report for the half year ended 31 December 2012.

1 DIRECTORS

The Directors of the Company in office since 1 July 2012 and up to the date of this Report are:

Mr Mark G Kerr - LL.B

Chairman and Non-Executive Director – Appointed 22 November 2007

Mr Mark Kerr specialises in public relations and reputation management consultancy. Mr Kerr is also a director of the ASX listed entity – Contango Microcap Limited

Mr M E Elliott - LL.B

Executive Director and CEO – Appointed 22 November 2007

Mr Mark Elliott is a non-executive director of Spotless Group Limited. Mr Elliott is a former partner of the international law firm Minter Ellison specialising in corporate and securities law and a former director of E*trade Limited, Oakton Limited and Mineral Deposits Limited and a former director of legal counsel of Computershare Limited. With the increased exploration and corporate activities the Board of Directors appointed Mr Elliott as the Company's Managing Director and CEO effective 29 May 2009.

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

Non-Executive Director – Appointed 14 November 1996

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

Mr Liao, Yongzhong – MBA

Non-Executive Director – Appointed 30 October 2012

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

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

Mr Li, Yijie

Non-Executive Director – Appointed 30 October 2012

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

Hawthorn Resources Limited
Directors' Report

Directorships

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

2 REVIEW AND RESULTS OF OPERATIONS

After allowing for the write-off of prior years exploration expenditures of \$193,866 (2011: \$288,177) the Company recorded a consolidated net loss of \$822,067 for the half-year ended 31 December 2012 (2011: loss \$794,125).

Objectives

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.

Statement of Profit or Loss and Other Comprehensive Income

As an exploration company, the Company does not have an ongoing source of revenue. Its revenue stream is normally from ad-hoc tenement/plant and equipment disposals and interest received. In the 2012 half-year revenue amounted to \$79,952 (2011: \$23,186).

Total consolidated expenses for the period amounted to \$902,019 (2011: \$817,311) inclusive of exploration expenditure written-off of \$193,866 in 2012 (2011: \$288,177) and administration expenses of \$708,153 (2011: \$529,134).

As a result, the consolidated loss for the period from continuing activities after income tax expense was \$822,067 in the 2012 half-year compared to a loss of \$794,125 in 2011.

Statement of Financial Position

At 31 December 2012, the consolidated entity had working capital of \$4,636,124 (30 June 2012: \$2,747,176) made up of cash at bank of \$5,259,951 (30 June 2012: \$2,889,819), receivables of \$223,846 (30 June 2012: \$62,630), other current assets of \$31,052 (30 June 2012: \$6,704) and payables of \$878,725 (30 June 2012: \$211,977).

Non-current assets totalled \$10,430,432 (30 June 2012: \$9,241,205) primarily made up of carried forward exploration expenditure of \$10,420,442 (30 June 2012: \$9,230,653).

Net assets at 31 December 2012 amounted to \$15,066,556 (30 June 2012: \$11,988,381).

Cash Flow

During the half-year, the consolidated entity's cash and cash equivalents increased by \$2,370,132 (2011: decreased \$935,190) having paid \$813,916 (2011: \$570,346) in the normal course of operations and \$796,146 (2011: \$388,030) for exploration expenditure. Capital raising activities in the half-year consisted of the raising of \$4,168,011 (320,616,224 shares) in new equity capital (2011: nil) being the First Tranche of equity raising through a Share Subscription Agreement with Feng Hua Mining Investment Holding (HK) Limited for the raising, subject to shareholder approval of \$14,962,090 at the AGM held on 30 January 2013 shareholders approved the issue to Feng Hua of the additional 967,211,427 new shares to raise \$10,794,079.

Cash and cash equivalents in hand at the 31 December 2012 totalled \$5,259,951 (2011: \$357,094).

3 AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Board of Directors at Melbourne this 15th day of March 2013.



M G Kerr
Chairman and Director

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF HAWTHORN RESOURCES LIMITED

As lead auditor of Hawthorn Resources Limited for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



David Garvey
Partner

BDO East Coast Partnership
Melbourne, 15 March 2013

Hawthorn Resources Limited

ABN 44 009 157 439

REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

THIS REPORT SHOULD BE READ IN CONJUNCTION WITH THE 2012
ANNUAL FINANCIAL REPORT

Hawthorn Resources Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2012

	<u>Note</u>	Consolidated	
		2012	2011
		\$	\$
Revenue	2	79,952	23,186
Expenses	2	(902,019)	(817,311)
Loss before income tax		(822,067)	(794,125)
Income tax expense		-	-
Loss for the period from continuing operations after income tax		(822,067)	(794,125)
Other comprehensive income			
Movements in available-for-sale financial assets		-	745
Other comprehensive loss for the period, net of tax		-	745
Total comprehensive loss for the period		(822,067)	(793,380)
Earnings per share		Cents	Cents
Basic comprehensive loss per share for the period attributable to ordinary equity holders		(0.037)	(0.045)
Diluted comprehensive loss per share for the period attributable to ordinary equity holders		(0.037)	(0.045)

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

Hawthorn Resources Limited
Statement of Financial Position as at 31 December 2012

	<u>Note</u>	Consolidated	
		31 Dec 2012 \$	30 Jun 2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents		5,259,951	2,889,819
Trade and other receivables		223,846	62,630
Other current assets		31,052	6,704
Total Current Assets		5,514,849	2,959,153
Non-Current Assets			
Other financial assets		3,878	3,567
Exploration expenditure		10,420,442	9,230,653
Plant and equipment		6,112	6,985
Total Non-Current Assets		10,430,432	9,241,205
TOTAL ASSETS		15,945,281	12,200,358
LIABILITIES			
Current Liabilities			
Trade and other payables		864,188	208,330
Employee benefits		14,537	3,647
Total Current Liabilities		878,725	211,977
TOTAL LIABILITIES		878,725	211,977
NET ASSETS		15,066,556	11,988,381
EQUITY			
Contributed Equity	3	45,532,794	41,632,552
Reserves		1,667,974	1,667,974
Accumulated losses		(32,134,212)	(31,312,145)
TOTAL EQUITY		15,066,556	11,988,381

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

Hawthorn Resources Limited
Statement of Cash Flows for the Half-Year Ended 31 December 2012

	Consolidated	
	2012 \$	2011 \$
Cash flows from operating activities		
Payments in the course of operations	(813,916)	(570,346)
Interest received	79,952	19,016
Net cash used in operating activities	(733,964)	(551,330)
Cash flows from investing activities		
Payments for exploration expenditure	(796,146)	(388,030)
Proceeds from disposal of exploration data	-	4,170
Net cash used in investing activities	(796,146)	(383,860)
Cash flows from financing activities		
Proceeds from issue of shares	4,168,011	-
Payment of share issue costs	(267,769)	-
Net cash provided by financing activities	3,900,242	-
Net increase/(decrease) in cash and cash equivalents	2,370,132	(935,190)
Cash and cash equivalents at beginning of period	2,889,819	1,292,284
Cash and cash equivalents at end of period	5,259,951	357,094

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

Hawthorn Resources Limited
Statement of Changes in Equity for the Half-Year Ended
31 December 2012

	Contributed Equity	Accumulated Losses	Asset Revaluation Reserve	Employee Equity Benefit Reserve	Total Equity
	\$	\$	\$	\$	\$
CONSOLIDATED					
At 1 July 2011	38,063,340	(29,560,014)	-	1,667,974	10,171,300
Loss for the period	-	(794,125)	-	-	(794,125)
Other comprehensive income	-	-	745	-	745
Total comprehensive income/(loss) for the period net of tax	-	(794,125)	745	-	(793,380)
Transactions with owners in their capacity as owners:					
At 31 December 2011	38,063,340	(30,354,139)	745	1,667,974	9,377,920
At 1 July 2012	41,632,552	(31,312,145)	-	1,667,974	11,988,381
Loss for the period	-	(822,067)	-	-	(822,067)
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period net of tax	-	(822,067)	-	-	(822,067)
Transactions with owners in their capacity as owners:					
Issue of share capital	4,168,011	-	-	-	4,168,011
Transaction costs on issue of share capital	(267,769)	-	-	-	(267,769)
At 31 December 2012	45,532,794	(32,134,212)	-	1,667,974	15,066,556

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

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2012

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Reporting Entity

Hawthorn Resources Limited (the "Company") is a company domiciled in Australia. This financial report as at and for the half-year ended 31 December 2012 is for the consolidated entity which consists of Hawthorn Resources Limited and its controlled entities.

(b) Basis of preparation

The half-year financial report is a general purpose financial report for the half-year ended 31 December 2012, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australia Accounting Standard AASB 134 "Interim Financial Reporting".

The half-year financial report does not include all the information required for a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the June financial report. It is recommended this half year financial report be read in conjunction with the annual Financial Report of Hawthorn Resources Limited as at and for the year ended 30 June 2012.

It is also recommended that the half-year financial report be considered together with any public announcements made by Hawthorn Resources Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The half-year financial report was approved by the Board of Directors on 12th March 2013.

(c) Summary of significant accounting policies

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

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

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

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

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2012

2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	2012 \$	2011 \$
(a) Included in revenue for the period is:		
Interest revenue	79,952	19,016
Other income	-	4,170
	79,952	23,186
(b) Included in expenses for the period is:		
Impairment of exploration assets	193,866	288,177
Administrative expenses	707,591	519,012
Depreciation expense	873	5,041
Impairment of available-for-sale investments	(311)	5,081
	902,019	817,311

3. CONTRIBUTED EQUITY

	31 Dec 2012 \$	30 Jun 2012 \$
Shares		
(a) Issued and paid up capital	45,532,794	41,632,552
(b) Movement in contributed equity during the six month period were as follows:	<u>Number</u>	<u>Number</u>
Opening balance at 1 July	2,137,441,493	1,775,595,897
Placement – Share Purchase Plan (14/02/12)	-	361,845,596
Placement – Feng Hua Mining Investment Limited (01/11/12)	320,616,224	-
Closing Balance at 31 December	2,458,057,717	2,137,441,493

Non-Quoted Options

In December 2012 by agreement the 12,500,000 non-quoted options expiring in 2018 with an exercise price of \$0.10 an option were cancelled.

Mr M G Kerr	5,000,000
Mr M E Elliott	5,000,000
First Principle Mining Exploration Pty Ltd	2,500,000

With the cancellation of these 2018 options the only other options on issue are the quoted HAWOB options which have an expiry date of 28 February 2013; refer to “Events After Balance Date”.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2012

4. SEGMENT INFORMATION

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

Business and Geographical Segments

Segment information is presented using a “management approach”, i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors. At regular intervals, the board is provided management information at a group level for the group’s cash position, the carrying values of exploration permits and a group cash forecast for the next twelve months of operation.

On this basis, no segment information is included in these financial statements.

5. CONTINGENT LIABILITIES

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

6. EVENTS AFTER BALANCE DATE

Since 31 December 2012 the following have occurred:

- (a) released the results of the gold exploration drilling programme undertaken at Trouser Legs; Deep South and Coles
- (b) completed the aeromagnetic survey at Yundamindera – Coffey Bore
- (c) the 165,084,231 quoted HAWOB options with an exercise price of \$0.10 an option lapsed on 28 February 2013 and leaving as the Company's sole issued securities 2,458,057,717 ordinary shares as quoted on the ASX – code “HAW”
- (d) the shareholders at the Annual General Meeting held on 30 January 2013 approved:
 - the issue of new shares to Feng Hua Mining Investment Holdings (HK) Limited (“Feng Hua”) totalling 967,211,427 at \$0.01116 a share to raise \$10,794,079.
 - Co-Operation Deed between Feng Hua and directors Messrs M G Kerr and M E Elliott
 - the appointment of Mr Ye, Xiaohui, as a director of the Company subject to the execution of the Co-Operation Deed and the issue of the Tranche 2 shares to Feng Hua
 - the Consolidation of ordinary shares on the basis of 1:20.

At the time of this Report the Company is waiting on the execution of the Co-operation Deed ahead of Tranche 2 shares to Feng Hua which will then be followed by the consolidation of the Company’s ordinary shares.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2012

**DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

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

1. the financial statements and notes to the financial statements, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2012 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 15th day of March 2013.

Signed in accordance with a resolution of the directors:



M. G. Kerr
Chairman and Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hawthorn Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hawthorn Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hawthorn Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'David Garvey'. Above the signature, the letters 'BDO' are written in a stylized, cursive blue font.

David Garvey

Partner

Melbourne, 15 March 2013