
Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH
THE JUNE 2018 ANNUAL FINANCIAL REPORT AND
THE SEPTEMBER AND DECEMBER 2018 QUARTERLY ACTIVITY STATEMENTS**

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

**TROUSER LEGS MINING JOINT VENTURE <Hawthorn 70%; GEL Resources 30%>
Trouser Legs Gold Mine – open cut pit in progress 12 March 2019**



Pit looking south.



ROM Looking North.

Hawthorn Resources Limited

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Directors

Mark G Kerr (Chairman and Non-Executive Director)
Christopher D Corrigan (Non-Executive Director)
David S Tyrwhitt (Non-Executive Director)
Yongzhong Liao (Non-Executive Director)
Yijie Li (Non-Executive Director)
Zhensheng Liu (Non-Executive Director)

Company Secretary

Mourice Garbutt

Mines Operations Manager

William Lloyd

Exploration Manager

Ian Moody

Chief Financial Officer

Tony Amato

Registered Office and Domicile

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Legal Form

A public company - Liability Limited by Shares

Country of Incorporation

Australia

Share Registry

Link Market Services Ltd,
Tower Four, 727 Collins Street, Melbourne Victoria 3008, Australia
Telephone: +61 1300 554 474 (toll free within Australia)

Auditors

BDO East Coast Partnership
Collins Square, Tower Four, Level 18, 727 Collins Street
Melbourne VIC 3008, Australia

Australian Securities Exchange Listing Code

HAW Ordinary shares

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

The Directors of Hawthorn Resources Limited present their report for the half year ended 31 December 2018.

1	DIRECTORATE
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The Directors of the Company in office since 1 July 2018 and up to the date of this Report are:

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

Mr Kerr was appointed as a Director and as Chairman of the Board of Directors of Hawthorn Resources Limited in November 2007, which merged with Ellendale Resources N.L in June 2008. In June 2017 the Board of Directors resolved to appoint Mr Kerr to be Managing Director and Chief Executive Officer with immediate effect from 24 June 2017.

Mr Kerr is an experienced director and advisor to listed and private companies and is a director of Berkeley Consultants Pty Ltd which specialises in public relations and reputation management consultancy. In addition to his business activities Mr Kerr's community involvement currently extends to being a member of the Victorian Committee for Juvenile Diabetes Research Foundation; a committee member of the St Vincent's Institute Charity Golf Day Committee and a board member of International Specialised Skills Institute Inc.

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

Former directorships of listed entities during the past three year period being: non-executive chairman of Contango Microcap Limited (ASX: CTN) - resigned 13 October 2017.

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

Mr Christopher D Corrigan - BEc
Non-Executive Director
Appointed 5 October 2018; and elected by shareholders 29 November 2018

Mr C D Corrigan was appointed as a non-executive director of the Company with effect from 5 October 2018.

Mr Corrigan has had some earlier involvement in Hawthorn's Anglo Saxon project where Hawthorn, in August 2018, announced its decision to mine.

Mr Corrigan, indirectly, by his associate Belfort Investment Advisors Limited, is a substantial shareholder in Hawthorn Resources.

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

Prior to his appointment to the Board of Directors of Hawthorn Resources Limited Mr Corrigan has during the past three years held directorships in listed entities:

- Qube Holdings Group – Chairman from September 2011 to June 2018
- Webster Limited – Executive Chairman from February 2017 to December 2018. Mr Corrigan remains a non-executive Director of Webster Limited

Dr David S Tyrwhitt - PhD(Geology) BSc(Hons) FSEG(USA) FAusIMM CPGeo
Non-Executive Director
Appointed 14 November 1996; last re-elected 2017 AGM

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

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

Former directorships of listed entities during the past three year period being: non-executive director of Top End Minerals Limited (April 2015 to June 2018).

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

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

Mr Yongzhong Liao – 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 more than 20 years. Since joining it in 1993, he has held the following significant posts: Vice General Manager and Secretary of the Board of Directors from October 2003 to July 2007, Director and Vice General Manager from January 2007 to August 2008, Vice General Manager from August 2008 to May 2018.

He holds concurrent posts of investment adviser of Guangdong Liguang New Material Co., Ltd. and Fenghua Mining Investment Holding (HK) Limited.

Mr Yijie Li
Non-Executive Director
Appointed 30 October 2012; last re-elected 2018 AGM

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

Mr Zhensheng Liu
Non-Executive Director
Appointed 9 December 2015; elected as a Director 2017 AGM

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

He has held the following significant posts: Technician and Mining Technical Manager of 719 geological brigade of Guangdong Geological and Mineral Bureau from December 1983 to August 1989, participating in and presiding over a large gold prospecting and exploration operation respectively; Geological Section Vice Chief and Mine Assistant of Guangdong Gaoyao Hetai Gold Mine from August 1989 to October 1991, in charge of construction and management of mines; Director and Vice Manager of Mine of Guangdong Gaoyao Hetai Gold Mine from October 1991 to March 2010, in charge of construction, production technology and operation management of mines; Director, General Manager and Chief Engineer of Guangdong Jinding Gold Co., Ltd from March 2010 to December 2013; Director and Vice General Manager of Guangdong Rising Investment Ltd from December 2013 to July 2016; Director of Fenghua Mining Investment Holding (HK) Limited and Guangdong Rising Holding (HK) Limited from 2014 to 2015; Director and General Manager of Guangdong Rising Mining Investment Ltd from July 2016 to January 2018; Investment Director of Guangdong Hongda Blasting Co., Ltd at present.

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

Other Directorships

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

2 REVIEW AND RESULTS OF OPERATIONS

2.1 Objectives

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

2.2 Results

During the half year the Company recorded revenues from ore sales of \$21,806,491 (2017: \$nil) and generated a consolidated total comprehensive profit from contributing operations of \$263,753 for the half-year ended 31 December 2018 (2017: comprehensive loss \$2,297,533).

Statement of Profit or Loss and Other Comprehensive Income

The current half year included revenue from ore sales whereas the previous half year contained no sales revenue, only interest revenue. In the 2018 half-year revenue amounted to \$21,823,596 (2017: \$16,316).

Total consolidated expenses for the period amounted to \$21,559,843 (2017: \$2,313,849). The expenditure in the current year included Mining expenses of \$20,653,705, including amortization costs of \$1,981,165. The 2017 period included development impairment costs of \$762,414 and Decision to mine costs of \$733,950. The 2018 expenses also included exploration asset impairment costs of \$120,220 (2017: \$88,385) and exploration costs expensed of \$121,768 (2017: \$180,739)

As a result, the consolidated comprehensive profit for the period from continuing contributing activities after income tax expense was \$263,753 in the 2018 half-year compared to a comprehensive contributing loss of \$2,297,533 in 2017.

Statement of Financial Position

At 31 December 2018, the consolidated entity had working capital of \$3,717,507 (30 June 2018: \$1,550,511) made up of cash at bank of \$8,415,696 (30 June 2018: \$1,088,416), receivables of \$2,864,641 (30 June 2018: \$6,937,411), other current assets of \$35,558 (30 June 2018: \$nil) and current liabilities of \$7,598,388 (30 June 2018: \$6,475,316).

Non-current assets totaled \$9,818,827 (30 June 2018: \$11,722,070) primarily made up of carried forward exploration and development expenditure of \$5,974,161 (30 June 2018: \$5,892,921) and development and mining assets of \$3,830,689 (30 June 2018: \$5,811,854). The decrease in the development and mining assets is as a result of amortisation of the mine as the project progresses.

Net assets at 31 December 2018 amounted to \$13,536,334 (30 June 2018: \$13,272,581).

Cash Flow

During the half-year, the consolidated entity's cash and cash equivalents increased by \$7,327,280 (2017: increased \$2,938,947) with operations generating \$7,650,507 (2017: \$521,611 cash outflow). Payments for exploration and development expenditure amounted to \$323,227 (2017: \$2,060,137).

Cash and cash equivalents in hand at 31 December 2018 totaled \$8,415,696 (30 June 2018: \$1,088,416).

2.3 Corporate Activities

Funding

Issued Securities

2.3.1 ASX Quoted Ordinary fully paid shares:

As at 31 December 2018, and as at the date of this report, the number of ordinary shares on issue is represented by 326,615,613 ordinary fully paid shares (31 December 2017: 321,265,613). The increase in number of securities on issue arose from the exercise of 5,350,000 performance rights that vested during the period.

2.3.2

Non-Quoted Performance Rights

During the December 2018 half-year a total of 20,165,000 Performance Rights were issued to eligible persons under the terms of the Company's Employee Share Option Plan ('ESOP'). Of these Rights a total of 5,350,000 Rights vested and were exercised on the basis of one new ordinary shares for each Right exercised.

As at 31 December 2018 and as at the date of this report the number of Performance Rights subject to achievement of performance milestones is 14,815,000 (31 December 2017: Nil).

Net Asset Backing per Share

As at 31 December the Net Asset Backing per one ordinary fully paid share:

December 2018	\$0.0414
December 2017	\$0.0447

2.4 Dividends

No dividends were paid or declared during the period and no dividends are recommended in respect of the financial half-year ended 31 December 2018 (2017: \$nil).

2.5 Earnings per Share

	2018	2017
Basic loss per share	(\$0.00114)	(\$0.00791)
Diluted loss per share	(\$0.00114)	(\$0.00791)

2.6 Exploration and Development

The following covers activities undertaken in the half-year to 31 December 2018 and includes interpreted results and activities up to the date of this Report **and should be read in conjunction with the detailed September and December 2018 Quarterly Activities Reports as lodged with the ASX under the Company's ASX code of "HAW"**.

During the half-year to 31 December 2018 Hawthorn Resources Limited maintained focussed mining of the **Trouser Legs Gold Mine**, with programs underway designed to test the potential to extend the mine life through an expanded open pit or underground development. Several initial encouraging results have been returned.

Exploration and development activities to advance and expand the **Box Well Gold Resource (130,000 ounces Au)** and the **Deep South Resource (78,000 ounces Au)** towards mine development recommenced with significant geophysical and drilling programs completed since the end of the December 2018 half-year.

Hawthorn Resources gold projects have a combined Resource base of over **500,000 ounces of gold (396,000 ounces of gold)** attributable).

BACKGROUND:

Gold Exploration - Western Australia incorporating: **Yundamindera, Trouser Legs-Pinjin, and Belize-Deep South Projects** - Tenements held by Hawthorn 100%, Hawthorn 80%-Metals X Limited 20%, Hawthorn 70%-Gel Resources 30%

Gold Projects - Western Australia incorporating: **Trouser Legs-Pinjin, Yundamindera and Belize-Deep South Projects** - Tenements held by Hawthorn 100%, Hawthorn 80%-Westgold Resources Limited 20%, Hawthorn 70%-Gel Resources 30%

Hawthorn Resources' South Laverton Exploration Zone has been classified as a major area of interest and incorporates three major project areas which Hawthorn holds tenure in its own right, or equity from joint venture partners in granted exploration, mining, prospecting licenses and applications. Management believe the zone is within one geological area.

The tenements in these project areas cover portions of the Eastern Goldfields of Western Australia extending from the south shore of Lake Carey, 30 km to the south of Laverton, to the historic Pinjin Mining Centre - a strike extent of approximately 125 km.

Geologically the area is positioned on or adjacent to, major regional geological structures in a granite-greenstone corridor extending south from the town of Laverton. This geological zone has a known gold endowment of approximately 25 million ounces of gold and includes the major gold deposits of Sunrise Dam, Wallaby, Granny Smith, Carosue Dam, Red October, Mt Morgans and Jupiter-Heffernans.

Much of the geology of the tenement areas held by Hawthorn is covered by residual soils and colluvium of varying thickness, however the rock types and structures known throughout the project areas are considered prospective with some potential for development of existing resources and further resources to be estimated in the upcoming year.

Iron Ore / Base Metals Projects - Western Australia incorporating:

Mount Bevan Project – Western Australia
(Hawthorn Resources 40%- Legacy Iron Ore Limited 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.

HIGHLIGHTS FOR THE DECEMBER 2018 HALF-YEAR BEING:

Gold Projects:

MINING AND PRODUCTION

Mining and Production

Trouser Legs Gold Mine (Trouser Legs Mining JV) - Hawthorn Resources 70%, Gel Resources 30%

Mining and gold production continued during the December 2018 half-year at the **Trouser Legs Gold Mine**.

The Project area, 140 km north east of Kalgoorlie and 35 kilometres to the east of the Carosue Dam Mill of Saracen Mineral Holdings Limited, is a contributory Joint Venture with **Gel Resources Limited**.

Gold ore mined at the **Trouser Legs Mine** continues to be hauled to the Carosue Dam Mill (operated by Saracen Gold Mines Pty Ltd) for purchase by Saracen under the terms of an Ore Purchase Agreement signed in October 2017 and as varied per the Company ASX announcement of 12 June 2018.

Mining during the December half-year continued from within the Stage 1 and 2 open pits. Pre-stripping of the final Stage 3 pit continued.

During the period mining operations have continued despite delays due to weather, lower production rates in late December due to staff availability.

The Trouser Legs Mining Joint Venture (Hawthorn Resources Limited 70%: GEL Resources Pty Ltd), was pleased to report to shareholders that during the December 2018 quarter final grade assays for Parcels 7, 8, and 9 – each representing approximately one month of operation - had been received, following detailed recovery, batch assay and umpire assay works. Gold grades and recoveries continue to remain at or above schedule.

- **Ore Parcel #7 (32,994 tonnes) returned 2,666 ounces of gold at 2.63 g/t Au with 95.67% gold recovery. Parcel gold price - \$ 1,639 AUD / ounce**
- **Ore Parcel #8 (41,474 tonnes) returned 3,702 ounces of gold at 2.89 g/t Au with 95.92% gold recovery. Parcel gold price - \$ 1,664 AUD / ounce**
- **Ore Parcel #9 (30,998 tonnes) returned 2,412 ounces of gold at 2.54 g/t Au with 95.22% gold recovery. Parcel gold price - \$ 1,709 AUD / ounce**

**Note gold grades and recoveries reported above are actuals and follow grade top-cutting and recovery deductions as per the Ore Purchase Agreement with Saracen Gold Mines Pty Ltd.*

Final details for Parcels 10 and 11 which have been processed through the Mill are pending.

These parcels continued to be sourced from beneath, and to the south of, the old open cut pit, where ore block continuity, strike extent and assay reproducibility has significantly increased both along strike and at depth.

A further detailed Grade Control drilling program completed during November 2018 has indicated that ore grades continue to remain strong and increase with depth. Mining of this portion of the orebody is due to occur in the March quarter of 2019.

A planned cutback of waste and ore to the west of the Stage 1 and 2 pit is nearing completion and will, when complete, provide access to oreblocks from below the 325 m RL (+/- 50 metres below natural surface)

Mining continues to refine the structural and geological framework that controls mineralisation within the Trouser Legs Gold Mine.

Near Mine Exploration

Trouser Legs Gold Mine (Trouser Legs Mining JV) - Hawthorn Resources 70%, Gel Resources 30%

The Trouser Legs Joint Venture, commenced drill testing of deeper gold lodes at the **Trouser Legs Gold Mine** during October 2018.

A close spaced drilling program (Holes TL18001 – TL18008) was undertaken at moderate depths on two sections beneath the south end of the current final **Trouser Legs Mine** design in order to assess further mining potential of known high gold grade lodes. High gold grades returned encouraged the Joint Venture to continue examination of the potential economic development of the multiple high grade gold lodes identified during the program.

A follow-up program commenced in December 2018 (4 HQ drillholes - 662 metres / 27 RC holes and Precollars - 5295 metres to date). This program has continued to identify high grade gold lodes with results at hand reported in Table 1 below.

**Table 1. Trouser Legs South and Depth Extension RC Drill Assays (> 5.0 gram * metres)
All holes with assays returned to January 26, 2019 reported**

<u>Hole No.</u>	<u>Prospect</u>	<u>Type</u>	<u>From (m)</u>	<u>To (m)</u>	<u>Width (m)</u>	<u>Au g/t</u>
TL18001	Trouser Legs Extension	RC	122	125	3	6.08
			148	151	3	10.28
TL18002	Trouser Legs Extension	RC	85	87	2	9.31
			92	94	2	4.22
			121	125	4	3.71
incl			123	125	2	6.36
			140	150	10	1.83
incl			149	150	1	8.69
TL18003	Trouser Legs Extension	RC	84	88	4	1.56
			109	114	5	3.04
incl			109	111	2	6.07
			128	135	7	3.81
incl			134	135	1	14.75
			150	152	2	2.59
			155	157	2	38.33
			182	184	2	28.32
TL18004	Trouser Legs Extension	RC	84	86	2	2.81
			93	94	1	50.30
			127	128	1	7.58
			144	149	5	4.73
incl			144	146	2	8.01
TL18005	Trouser Legs Extension	RC	76	77	2	3.47
			90	103	13	3.07
incl			97	99	2	10.12
			121	122	1	9.24
			125	135	10	1.65
			151	152	1	5.98
TL18006	Trouser Legs Extension	RC	47	52	5	1.04
			58	59	1	6.61
			89	105	16	2.16
incl			89	90	1	14.98
			128	131	3	12.07
			157	160	3	7.44
TL18007	Trouser Legs Extension	RC	90	91	1	11.98
			98	99	1	10.02
			131	132	1	6.07
			155	156	1	28.55
TL18008	Trouser Legs Extension	RC	84	85	1	12.58
			91	94	3	3.03
			113	114	1	5.18
			139	140	1	5.91
			149	154	5	9.54
incl			152	153	1	40.70
			203	205	2	13.45
TL18018	Trouser Legs Extension	RC	128	132	4	1.42
			165	168	3	1.82
			224	225	1	15.04
TL18021	Trouser Legs Extension	RC	16	20	4	2.64^
			70	76	6	8.01
Incl.			70	72	2	20.29
			99	101	2	9.25
			114	116	2	4.08
			161	165	4	6.83
TL18022	Trouser Legs Extension	RC	223	226	3	2.60
TL18023	Trouser Legs Extension	RC	170	171	1	7.92
			175	177	2	5.38
TL18033	Trouser Legs Extension		86	90	4	3.38
			95	101	6	8.69
incl			98	99	1	34.70
			109	207	Not	Available

TL18035	Trouser Legs Extension	RC				NSA
TL18037	Trouser Legs Extension	RC	76	80	4	2.79^
			100	101	1	15.50
			107	111	4	11.06
incl			110	111	1	39.40
			133	136	3	17.48
incl			133	134	1	46.80
			141	142	1	15.80
			153	155	2	4.14
TL18038	Trouser Legs Extension	RC				NSA
TL18040	Trouser Legs Extension	RC	108	109	1	7.25
			131	136	5	8.79
incl			133	136	3	11.60
			141	145	4	1.53
			179	180	1	8.84
			211	212	1	10.46
			217	218	2	5.10
TL18045	Trouser Legs Extension	RC	99	101	2	4.57
			132	134	2	21.05
			177	179	2	14.44
			202	205	3	2.43

All RC samples collected as 1 metre splits through rotating splitter.

All RC Assays TL18001 – 18008 ALS, Kalgoorlie. 0.30 g/t Au lower cut - < consecutive 2.0m of internal waste for each intercept. No grade topcut. All RC and Precollar assays TL18009 – TL18045 – Bureau Veritas, Kalgoorlie

NSA = No significant Assays > 5 gram * metres

“^” = 4 metre composite sample

No assay results as yet available from Drillholes TL18009 – TL18017, TL18019 – TL18020, TL18024 – TL18032, TL18034, TL18036, TL18039, TL18041 – TK18044

Following the completion of the current drilling program a new resource model will be produced, potential underground mine designs will be revised, contractor rates will be confirmed, geotechnical studies undertaken, enabling the financial model to be updated to a PFS level.

Underground or expanded open cut pit development of the **Trouser Legs Mine** will not be without challenges, however the continuing high gold grades returned from the current drilling program, many at relatively shallow levels, is considered as a high priority for future development by the Joint Venture and Hawthorn.

Exploration

Yundamindera Gold Project

Hawthorn Resources 100% and Edjudina-Pinjin JV Tenements (Hawthorn Resources 80%, Westgold Resources 20%);

Deep South Gold Project

Hawthorn Resources 80%, Westgold Resources 20%;

Mt Bevan Iron & Base Metal Project

Hawthorn Resources 40%, Legacy Iron Ore 60%;

Yundamindera Project

(Hawthorn 100% and Hawthorn Resources 80%, Westgold Resources 20%).

In the **Yundamindera Project** area, located approximately 175 kilometres to the north east of Kalgoorlie, Western Australia, Hawthorn is exploring a contiguous tenement package covering over 145 km².

Exploration in the **Yundamindera Project** area has been focused towards the discovery of shear, Banded Iron Formation (“BIF”) and porphyry associated gold mineralisation – the host of major gold resources in the North East Goldfields of Western Australia at the **Sunrise Dam (>10 Moz Au)**, **Wallaby (>7 Moz Au)**, **Jupiter – Mt Morgan (2.8 Moz Au)** and **Butcher Well (0.3 Moz)** mining centres.

Significant gold mineralisation has been discovered within the project area both in outcrop and more importantly, beneath extensive and pervasive, transported cover sequences at shallow depths.

At the **Box Well Gold Resource (Hawthorn Resources 100%)** a strongly gold mineralised, silicified shear zone has been discovered within a broader, gold mineralised, altered stockwork quartz veined package of felsic volcanics and volcanoclastic sediments. An Indicated and Inferred Mineral Resource Estimate for **Box Well** of **130,000 ounces of gold** has been announced. Similar lithologies and alteration are also observed at the gold mineralised **Coffey Bore Prospect – 7.0 kilometres along strike to the south-east of Box Well.**

A new Sub Audio Magnetics (“SAM”) survey has been completed increasing the geophysical coverage between **Box Well** and **Coffey Bore** – a zone with no outcropping lithology or historic drill testing.

This new survey data has identified a number of coincident strongly resistive / conductive contacts – of a similar nature to those identified at the **Box Well Resource**, in the newly completed survey area.

Drill testing of these targets via an 8000 metre Aircore drill program commenced in December 2018 and will be complete in early February 2019.

Results from this program may lead to the discovery of additional resources, however Hawthorn is progressing a Mining Proposal that when approved will see mining and toll milling of the existing **Box Well Resource** carried out during the December half of 2019.

Deep South Project

(Hawthorn Resources 80%, Westgold Resources 20%).

The **Deep South Project** is approximately 180 kilometres north east of Kalgoorlie with the project area situated along strike of known economic gold mineralisation hosted in the **Deep South-Mexico** gold orebodies owned by Saracen Mineral Holdings Limited (“Saracen”). Saracen continues commercial production from the underground mine.

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

During 2017 an initial Indicated and Inferred Mineral Resource Estimate for the **Deep South** prospect of **76,800 ounces of gold** was announced.

Down Hole Electro - Magnetic testwork on the 2 deeper RC holes drilled in October 2018 will be carried out during the March 2019 quarter.

Joint Ventures

Mount Bevan Iron Ore / Base Metals Project

(Hawthorn 40%, Legacy 60% and managing)

The **Mount Bevan Project**, comprising Exploration Licence 29/510, is located approximately 100 km west of Leonora in the Central Yilgarn region of Western Australia.

Iron Ore

Several substantial BIF horizons have been identified within the tenement, the westernmost of these horizons hosts the **Mt Bevan Indicated Magnetite Resource** of **322Mt @ 34.7% Fe** within a larger **Inferred Magnetite Resource** of **1,117 Mt @ 34.9% Fe**. In addition the northern extension of the Jupiter Mines Limited (“Jupiter”) **Mt Mason Resource DSO Haematite Resource (9.4Mt @ 57.6% Fe)** extends into the Joint Venture tenement.

Base Metals

During the period results of an RC drilling program carried out over EM (“Electro-Magnetic”) anomalies on the Joint Venture tenement were received. The EM anomalies targeted appear similar to those identified by **St George Mining Limited (ASX: SGQ)** in the “Mt Alexander, Stricklands - Cathedrals Belts” that adjoins the Joint Venture tenement

This first-pass round of RC drilling (1032m / 13 drill holes) was completed on four of seven anomalies to test their potential to host nickel-copper mineralisation. While mafic rocks with trace sulphides interlayered with granite were identified in two holes, as in the Stricklands-Cathedrals Belt, no major intercepts of nickel or copper mineralisation were identified. No additional exploration was reported by the Joint Venture manager during the December 2018 quarter.

The information in this report that relates to the Mineral Reserve estimation is based on information compiled by Mr William Lloyd, a Competent Person who is a Member of Australasian Institute of Mining and Metallurgy. Mr Lloyd is employed by BM Geological Services. Mr Lloyd has been engaged as an external independent consultant by Hawthorn Resource Limited. Mr Lloyd 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’. Mr Lloyd consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

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

2.7 Subsequent Events

Mining Operations

As noted above and as reported in the Company's December 2018 Quarterly Activities Report together with the market update announcement to the ASX on 23 January 2019 the Trouser Legs Mining Joint Venture continued mining operations at the Trouser Legs Gold Project.

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

2.8 Material Business Risks

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

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

2.9 Legal

There are no legal matters or claims brought by or against the Company nor are the Company's directors and officers aware of the likelihood of any such matters.

There are however issues related to the Trouser Legs Gold Mine site being handled on an ongoing basis through the Mining Warden and The Supreme Court of Western Australia that have already been referred to, that have arisen during or since the end of the December 2018 financial half-year up to and including the date of this Report. The matter before The Supreme Court of Western Australia is a matter arising from the actions of Tisala Pty Ltd in applying for leave to overturn the Summary Judgement handed down by the Warden on 20 June 2018 in favour of the Trouser Legs Mining Joint Venture participants – the Company and GEL Resources Pty Ltd. wherein the Warden, in the Summary Judgement, held that the Crown Reserves on which the Trouser Legs Gold Mine is located do not form part of adjacent pastoral lease and that the pastoral leaseholders have been using the Crown Reserves without any lawful title.

In addition and as reported to members in the 2018 Annual Report following the Warden's Summary Judgement abusive, intimidating and racial signage appeared on the Crown Reserve at the mine site which was immediately notified to the West Australian Police Department whose officers have taken possession of the signage and are conducting an investigation into who are the perpetrators responsible for the signage. In part the signage and other matters raised in the Parliament of Western Australia led to the establishment of a Parliamentary Select Committee to enquire into "...Mining on Pinjin Station...". The Company on behalf of the Trouser Legs Mining Joint Venture sought to and was invited to appear at Hearings of the Committee. Subsequently the Committee visited the mine site in November 2018 and met with the Company on-site followed by on 31 January 2019 in Kalgoorlie, W A the Company appearing at and presenting to a private hearing of the Committee.

Again, to all members of Hawthorn Resources Limited it is stressed that the Company strenuously denies all allegations of abuse, racial discrimination and intimidation that have been raised by various parties and reiterate that these matters are currently under investigation by the WA Police Force following a request initiated by the TLMJV, and by a WA Parliament

Select Committee enquiry into "...Mining on Pinjin Station... , and the Company looks forward to the findings of the investigations and the Hearings.

2.10 Environmental Regulation

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

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

2.11 Health & Safety

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

3 AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Board of Directors at Melbourne this 15th day of March 2019.



M G Kerr
Chairman and Executive Director

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF HAWTHORN RESOURCES LIMITED

As lead auditor for the review of Hawthorn Resources Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 15 March 2019

Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH
THE 2018 ANNUAL FINANCIAL REPORT**

Hawthorn Resources Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2018

	<u>Note</u>	Consolidated	
		31 Dec 2018 \$	31 Dec 2017 \$
Revenue	2(a)	21,823,596	16,316
Expenses			
Mining costs	2(b)	(20,653,705)	(1,496,364)
Exploration expenditure impaired	2(b)	(120,220)	(88,385)
Exploration expenditure expensed	2(b)	(121,768)	(180,739)
Administration expense		(660,832)	(544,203)
Depreciation expense		(3,318)	(4,158)
Profit/(Loss) before income tax		263,753	(2,297,533)
Income tax expense		-	-
Profit/(Loss) for the period from continuing operations after income tax		263,753	(2,297,533)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		263,753	(2,297,533)
Total comprehensive profit/(loss) for the period is attributable to:			
Owners of Hawthorn Resources Limited		(370,201)	(2,059,977)
Non-controlling interest		633,954	(237,556)
		<u>263,753</u>	<u>(2,297,533)</u>
Earnings per share		Cents	Cents
Basic comprehensive loss per share for the period attributable to ordinary equity holders		(0.114)	(0.791)
Diluted comprehensive loss per share for the period attributable to ordinary equity holders		(0.114)	(0.791)

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 2018

	<u>Note</u>	Consolidated	
		31 Dec 2018	30 Jun 2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		8,415,696	1,088,416
Trade and other receivables		2,864,641	6,937,411
Other current assets		35,558	-
Total Current Assets		11,315,895	8,025,827
Non-Current Assets			
Other financial assets		2,231	2,231
Exploration expenditure	3	5,974,161	5,892,921
Development & mining costs	4	3,830,689	5,811,854
Plant and equipment		11,746	15,064
Total Non-Current Assets		9,818,827	11,722,070
TOTAL ASSETS		21,134,722	19,747,897
LIABILITIES			
Current Liabilities			
Trade and other payables		6,705,415	6,099,441
Provisions		782,464	348,334
Employee benefits		110,509	27,541
Total Current Liabilities		7,598,388	6,475,316
TOTAL LIABILITIES		7,598,388	6,475,316
NET ASSETS		13,536,334	13,272,581
EQUITY			
Contributed equity	6(a)	61,615,314	61,615,314
Accumulated losses		(49,821,275)	(49,451,074)
Equity attributable to owners of Hawthorn Resources Limited		11,794,039	12,164,240
Non-controlling interest		1,742,295	1,108,341
TOTAL EQUITY		13,536,334	13,272,581

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

Hawthorn Resources Limited
Statement of Cash Flows for the Half-Year Ended 31 December 2018

	Consolidated	
	31 Dec 2018 \$	31 Dec 2017 \$
Cash flows from operating activities		
Receipts from customers	28,059,165	-
Payments in the course of operations	(20,425,763)	(537,927)
Interest received	17,105	16,316
Net cash from / (used in) operating activities	7,650,507	(521,611)
Cash flows from investing activities		
Payments for exploration expenditure	(323,227)	(466,876)
Payments for development expenditure	-	(1,611,082)
Payments for JV partner on decision to mine	-	(733,950)
Receipts from JV partner	-	751,771
Net cash used in investing activities	(323,227)	(2,060,137)
Cash flows from financing activities		
Proceeds from share issues	-	6,000,079
Payment of share issue costs	-	(479,384)
Net cash provided by financing activities	-	5,520,695
Net increase in cash and cash equivalents	7,327,280	2,938,947
Cash and cash equivalents at beginning of period	1,088,416	1,298,430
Cash and cash equivalents at end of period	8,415,696	4,237,377

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 2018

	Contributed Equity	Accumulated Losses	Non- controlling interest	Total Equity
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2017	56,094,619	(45,187,354)	-	10,907,265
Loss for the year after income tax expense	-	(2,059,977)	(237,556)	(2,297,533)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(2,059,977)	(237,556)	(2,297,533)
Issued share capital	6,000,079	-	-	6,000,079
Share issue costs	(479,384)	-	-	(479,384)
Joint venturer	-	-	600,000	600,000
At 31 December 2017	61,615,314	(47,247,331)	362,444	14,730,427
At 1 July 2018	61,615,314	(49,451,074)	1,108,341	13,272,581
Loss for the year after income tax expense	-	(370,201)	633,954	263,753
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(370,201)	633,954	263,753
At 31 December 2018	61,615,314	(49,821,275)	1,742,295	13,536,334

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

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2018

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 2018 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 2018, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134 “Interim Financial Reporting”.

The half-year financial report does not include all the information required for a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the June financial report. It is recommended this half year financial report be read in conjunction with the annual Financial Report of Hawthorn Resources Limited as at, and for the year ended, 30 June 2018.

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 2018 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 15 March 2019.

(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 Hawthorn Resources Limited 2018 Annual Report, with the exception of the below.

(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.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. The Group’s only material financial assets are cash and cash equivalents and trade and other receivables. Its financial liabilities relate to trade and other payables. Adoption of the standard has not impacted the measurement or classification of any of these assets in the comparative or current year.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Groups’ revenue is derived from the sale of gold ore and adoption of the standard has not impacted the pattern of revenue recognition.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2018

The Group has amended the following Accounting policies as a result of the adoption of the above standards:

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2018

2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	31 Dec 2018 \$	31 Dec 2017 \$
(a) Included in revenue for the period is:		
Ore sales	21,806,491	-
Interest	17,105	16,316
	<u>21,823,596</u>	<u>16,316</u>
(b) Included in expenses for the period is:		
Impairment of exploration assets	120,220	88,385
Write-off of capitalised exploration	121,768	180,739
Processing costs	7,921,029	-
Mine management and contract services	8,672,298	-
Camp costs	688,325	-
Amortisation	1,981,165	-
Decision to mine payment	-	733,950
Impairment	-	762,414
Royalties and related costs	906,933	-
Other expenses	483,955	-
	<u>20,653,705</u>	<u>1,496,364</u>

3. EXPLORATION EXPENDITURE

	31 Dec 2018 \$	30 June 2018 \$
Areas in the exploration phase		
At cost	5,974,161	5,892,921
Movement in the carrying value of exploration expenditure during the year was;		
Opening balance	5,892,921	9,438,389
Costs incurred during the year	323,228	658,116
Exploration expenditure written-off during the year to profit or loss	(121,768)	(293,628)
Exploration expenditure impaired during the year to profit or loss	(120,220)	(183,163)
Transfer costs to mining development assets	-	(3,726,793)
Closing Balance	<u>5,974,161</u>	<u>5,892,921</u>

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2018

4. JOINT VENTURE DEVELOPMENT & MINING ASSETS	31 Dec 2018 \$	30 June 2018 \$
Areas in the development and mining phase At cost	3,830,689	5,811,854
Movement in the carrying value of development and mining expenditure during the year was;		
Brought forward balance as at 1 July	5,811,854	-
Transfer in from exploration assets	-	3,726,793
Costs incurred during the period	-	4,417,748
Amortisation during the period	(1,981,165)	(1,540,273)
Development expenditure impaired during the year to profit or loss	-	(792,414)
Closing balance	3,830,689	5,811,854

5. SEGMENT INFORMATION

Identification of reportable operating segments

Hawthorn Resources Limited operates in the mineral exploration and mining industry in Australia. The Group has adopted AASB8 Operating Segments whereby 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 with 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.

6. CONTRIBUTED EQUITY	31 Dec 2018 \$	30 Jun 2018 \$
(a) Ordinary shares	61,615,314	61,615,314
(b) Number of shares	Number	Number
Opening Balance	321,265,613	171,263,644
Issued September 2017 for cash pursuant to non-renounceable rights issue (at 4 cents per share)	-	150,001,969
Exercise of performance rights	5,350,000	-
Closing Balance	326,615,613	321,265,613

As at 31 December 2018 and as at the date of this Report there are no options. The Company has issued 14,815,000 performance rights that are not exercisable at the balance date as the vesting conditions attached to the rights have yet to be satisfied.

7. CONTINGENT LIABILITIES

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

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2018

8. NON-CONTROLLING INTEREST

Hawthorn Resources Limited has a 70% equity interest in the Trouser Legs Mining Joint Venture ["TLMJV"] Project, with Gel Resources Pty Ltd holding a 30% interest. As Hawthorn has deemed control it has accordingly consolidated in full TLMJV Project assets and liabilities, plus income and expenses, with the interest of Gel being represented in the financial accounts as a non-controlling interest.

9. EVENTS AFTER BALANCE DATE

There have not been any matters or circumstance that has arisen since the end of the financial half-year 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 years.

Hawthorn Resources Limited
Director's Declaration
For the Half-Year Ended 31 December 2018

**DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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 2018 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 2019.

Signed in accordance with a resolution of the directors:



M. G. Kerr
Chairman & Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hawthorn Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hawthorn Resources Limited (the Company) and its controlled entities (the Group), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

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

Wai Aw
Partner

Melbourne, 15 March 2019