
Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2020

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH
THE JUNE 2020 ANNUAL FINANCIAL REPORT AND
THE SEPTEMBER AND DECEMBER 2020 QUARTERLY ACTIVITY STATEMENTS**

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

Hawthorn Resources Limited

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Hawthorn Resources Limited

Corporate Directory

Directors

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

Company Secretary

Mourice Garbutt

Mines Operations Manager

William Lloyd

Chief Financial Officer

Tony Amato

Registered Office and Domicile

Level 2, 90 William Street, Melbourne, Victoria 3000 Australia
Telephone: +61 3 9605 5901
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,
Tower Four, 727 Collins Street, Melbourne Victoria 3008, Australia
Telephone: +61 1300 554 474 (toll free within Australia)

Auditors

BDO Audit Pty Ltd
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

1 DIRECTORATE

The Directors of the Company in office since 1 July 2020 and up to the date of this Report are:

Mr Yijie Li	Chairman and Non-Executive Director
Mr Mark G. Kerr	Managing Director and CEO
Mr Christopher D Corrigan	Non-Executive Director (resigned 8 February 2021)
Dr David S Tyrwhitt	Non-Executive Director
Mr Yongzhou Liao	Non-Executive Director
Mr Zhensheng Liu	Non-Executive Director

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 of \$79,786 (2019: \$37,505,442) and generated a consolidated total comprehensive loss from contributing operations of \$1,776,378 for the half-year ended 31 December 2020 (2019: \$14,740,582 profit).

Statement of Profit or Loss and Other Comprehensive Income

In the 2020 half-year revenue from the sale of ore amounted to \$Nil (2019: \$37,360,850).

Consolidated comprehensive loss for the half year amounted to \$1,776,378 (2019: \$14,740,582 profit). Mining costs for the half year amounted to \$Nil (2019: \$21,817,431), including amortisation of \$Nil (2019: \$2,392,867). Exploration and evaluation expenditure written off during the half year amounted to \$1,236,114 (2019: \$356,558)

Statement of Financial Position

At 31 December 2020, the consolidated entity had cash and cash equivalents on hand of \$12,890,522 (30 June 2020: \$28,987,487) and trade and other receivables of \$177,054 (30 June 2020: \$192,719), with net current assets of \$10,576,390 (30 June 2020: \$26,223,202). Total net assets amount to \$13,164,146 (30 June 2020 \$28,727,314), including exploration and evaluation assets of \$2,389,852 (30 June 2020: \$2,389,852).

Cash Flow

During the half-year, the consolidated entity's cash and cash equivalents decreased by \$16,096,965 (31 December 2019: increased \$14,610,697) with operations expending \$704,153 (2019: \$18,446,710 generated). Cash generated from sales amounted to \$Nil (2019: \$36,809,444). Payments for exploration and development expenditure amounted to \$1,629,825 (2019: \$414,415). The most significant cash flows for the period were the repayment of capital to shareholders of \$8,234,809 and a dividend paid out of \$5,265,190 (2019: \$Nil).

2.3 Corporate Activities

Funding

Issued Securities

2.3.1 ASX Quoted Ordinary fully paid shares:

As at 31 December 2020, and as at the date of this report, the number of ordinary shares on issue is represented by 333,515,613 ordinary fully paid shares (30 June 2020: 333,515,613).

2.3.2 Non-Quoted Performance Rights

As at 31 December 2020 and as at the date of this report the number of Performance Rights subject to achievement of performance milestones is NIL (30 June 2020: NIL).

Net Asset Backing per Share

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

December 2020	\$0.0395
June 2020	\$0.0861

2.4 Dividends and Return of Capital

During the period ended 31 December 2020 the Company declared and paid a **Special Dividend** of A\$0.01578699 a share (2019: \$nil) amounting, in aggregate, to approximately \$5.27 million.

In addition, with the approval of Shareholders at the 2020 Annual General Meeting, the Company paid a **Return of Capital** at the rate of A\$0.02469087 a share amounting, in aggregate, to approximately \$8.23 million.

In total, by way of the Return of Capital and the Special Dividend, on 20 November 2020 the Company distributed \$13.5 million to Shareholders per the Register of Members as at the Record Date of 5 November 2020.

2.5 Earnings per Share

	Dec 2020	Dec 2019
Basic (loss) / earnings per share	(\$0.00534)	\$0.02981
Diluted (loss) / earnings per share	(\$0.00534)	\$0.02913

2.6 Exploration and Mining Operations – Trouser Legs Mining Joint Venture

The following covers activities undertaken in the half-year to 31 December 2020 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 2020 Quarterly Activities Reports together with the 30 October 2020 update of the Trouser Legs Underground Mining Project as lodged with the ASX under the Company's ASX code of "HAW"**.

During the half-year the Company's principal exploration/ mining activities were:

- Care and Maintenance - following the conclusion of mining operations in December 2019 the Trouser Legs Mining Joint Venture between the Company (70%) and GEL Resources Pty Ltd (30%) ("TLMJV") the **gold mine open-pit operations situated** 140 kms north-east of Kalgoorlie in Western Australia continues to be on a care and maintenance basis pending rehabilitation as required by the Western Australian DMIRS;
- Underground Mining Proposal - the TLMJV continued the evaluation of the potential for an **underground mine** immediately to the south of the Trouser Legs open-pit gold mine.

As announced in the December 2019 Quarterly Activities Report and arising from the evaluation of the Stage 1 programme results the TLMJV undertook a Stage 2 programme of works which lead to the announcement to the ASX in April 2020 of a maiden underground JORC Mineral Resource Estimate (MRE) of 154,000oz. cut.

In June 2020 the TLMJV announced the commencement of a Stage 3 drilling programme and in an update to the ASX on 10 July 2020 advised that the programme's results confirmed the extension of the mineral system and the presence of high-grade vein intercepts at shallow depths with best results including TLDD-017:0.4m at 25.4g/t Au from 118.7 metres, 0.55m at 46.9g/t Au from 131.45 metres and 0.35m at 51.3g/t Au from 146.3 metres. As a result of the successful Stage 3 step out the TLJV undertook the drilling of Stage 4 with an initial two-hole programme targeting the magnetic trend a further 200m south.

On 30 October 2020 the TLMJV announced to the ASX that the Stage 3 and 4 together with Stage 3 infill drilling had confirmed an underground JORC Mineral Resource Estimate (MRE) of 157,000oz. up from the April 2020 announcement of an MRE of 154,000 oz noting that the orebody is open down dip and down plunge and that initial discussions on mining contracts and toll milling were progressing.

In the December 2020 Quarterly Activities Report it was reported that '...for the TLMJV the quarter representative sample of diamond drill core were selected and submitted for a comprehensive metallurgical test work program...' And that '...Exceptionally high gravity and flotation recoveries were returned with an overall recovery of 97.5% achieved via conventional CIL or 95.2% via a lower cost gravity and float plant...'

The Report further noted that '...Scoping level costings indicate that on-site milling of the underground ore is economic however the quantity of ore available requires further investigation, with a detailed structural study of the resource commencing in December with completion expected in February 2021...' and '...The outputs of this study are aimed at identifying the structural controls of the mineralisation with the aim of growing the resource via a more targeted deeper drilling program below the existing resource and at shallower depths along the 1000m of strike directly to the south of the known orebody...'

As at the date of this Report the investigation and evaluation by the TLMJV of the quality of the ore and the detailed structural study of the resource relative to the exploitation of the ore body by way of on-site milling or toll mining are continuing.

- Exploration - Edjudina M31 /481 -Gold Project Update (Hawthorn Resources Limited: 100%)

A program of Air Core drilling has been designed to investigate extensions into Mining Lease M31/481of the Neta lode discovered by recent shallow drilling north along strike by Gibb River Diamonds [ASX GIB]. The lode, which appears to strike into the Hawthorn Mining Lease, is proposed to be tested with an Air Core drilling program for which POW clearance from the WA Mines Department has been obtained and is subject to Board approval. Currently deferred pending the development proposals for the TLMJV underground gold mine project.

2.7 COVID-19 Pandemic

On 30 January 2020 the World Health Organisation (“WHO”) declared a Public Health Emergency of International Concern in relation to the coronavirus (COVID-19) pandemic, subsequently characterising COVID-19 as a pandemic affecting worldwide. The Australian Federal and State governments introduced legislation to help control the spread of the COVID-19 virus, impacting how work places operated. The Western Australia state government introduced a State of Emergency in March 2020, limiting movement within the state, and also between WA and other states. The Victorian state government introduced a State of Disaster placing further restrictions upon workplaces in Victoria.

Judgement has been exercised in considering the impacts that the measures undertaken to limit the impacts of the COVID-19 pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the Company’s operations, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes in this report, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

2.8 Subsequent Events

There have not been any matters or circumstances, other than those referred to in the financial statements 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.* 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.

2.10 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 16th day of March 2021.



M G Kerr
Managing Director and CEO

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 2020, 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
Director

BDO Audit Pty Ltd

Melbourne, 16 March 2021

Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

THIS REPORT SHOULD BE READ IN CONJUNCTION WITH
THE 2020 ANNUAL FINANCIAL REPORT

Hawthorn Resources Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2020

	<u>Note</u>	Consolidated	
		31 Dec 2020 \$	31 Dec 2019 \$
Revenue	3(a)	79,786	37,505,442
Mining costs	3(b)	-	(21,817,431)
Exploration expenditure impaired	3(b)	(1,151,183)	(2,328)
Exploration expenditure expensed	3(b)	(84,931)	(354,230)
Administration expense		(618,880)	(586,776)
Depreciation expense		(1,170)	(4,095)
(Loss) / Profit before income tax		(1,776,378)	14,740,582
Income tax expense		-	-
(Loss) / Profit for the period from continuing operations after income tax		(1,776,378)	14,740,582
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss) / income for the period		(1,776,378)	14,740,582
Total comprehensive (loss) / income for the period is attributable to:			
Owners of Hawthorn Resources Limited		(1,780,221)	9,736,675
Non-controlling interest	8	3,843	5,003,907
		(1,776,378)	14,740,582
Earnings per share		Cents	Cents
Basic (loss) / earnings per share for the period attributable to ordinary equity holders	7	(0.534)	2.981
Diluted (loss) / earnings per share for the period attributable to ordinary equity holders	7	(0.534)	2.913

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 2020

	<u>Note</u>	Consolidated	
		31 Dec 2020	30 Jun 2020
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		12,890,522	28,987,487
Trade and other receivables		177,054	192,719
Prepayments		24,000	-
Total Current Assets		13,091,576	29,180,206
Non-Current Assets			
Other financial assets		197,907	113,090
Exploration expenditure	4	2,389,852	2,389,852
Plant and equipment		-	1,170
Total Non-Current Assets		2,587,759	2,504,112
TOTAL ASSETS		15,679,335	31,684,318
LIABILITIES			
Current Liabilities			
Trade and other payables		775,945	1,111,987
Provisions		1,739,244	1,845,017
Total Current Liabilities		2,515,189	2,957,004
TOTAL LIABILITIES		2,515,189	2,957,004
NET ASSETS		13,164,146	28,727,314
EQUITY			
Contributed equity	5	54,084,505	62,319,314
Accumulated losses		(40,920,359)	(33,874,948)
Equity attributable to owners of Hawthorn Resources Limited		13,164,146	28,444,366
Non-controlling interest	8	-	282,948
TOTAL EQUITY		13,164,146	28,727,314

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 2020

		Consolidated	
		31 Dec 2020	31 Dec 2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		-	36,809,444
Government grant income		37,100	-
Payments in the course of operations		(861,129)	(18,507,326)
Interest received		119,876	144,592
Net cash (used in) / from operating activities		(704,153)	18,446,710
Cash flows from investing activities			
Payments for exploration expenditure		(1,629,825)	(414,415)
Payments for investments		(84,818)	(113,090)
Proceeds from disposal of investments		-	1,549
Net cash used in investing activities		(1,714,643)	(525,956)
Cash flows from financing activities			
Return of capital to shareholders	5	(8,234,809)	-
Dividend paid	6	(5,265,190)	-
Profit distribution	8	(178,170)	(3,310,057)
Net cash used in financing activities		(13,678,169)	(3,310,057)
Net (decrease) / increase in cash and cash equivalents		(16,096,965)	14,610,697
Cash and cash equivalents at beginning of period		28,987,487	15,969,638
Cash and cash equivalents at end of period		12,890,522	30,580,335

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 2020

	Contributed Equity	Reserves	Accumulated Losses	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$
CONSOLIDATED					
At 1 July 2019	62,043,314	276,000	(42,786,946)	1,414,635	20,947,003
Profit for the period after income tax expense - restated	-	-	9,736,675	5,003,907	14,740,582
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	9,736,675	5,003,907	14,740,582
Transactions with owners in their capacity as owners					
Return of cash calls	-	-	-	(3,310,057)	(3,310,057)
At 31 December 2019	62,043,314	276,000	(33,050,271)	3,108,485	32,377,528
At 1 July 2020	62,319,314	-	(33,874,948)	282,948	28,727,314
Loss for the period after income tax expense	-	-	(1,780,221)	3,843	(1,776,378)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,780,221)	3,843	(1,776,378)
Transactions with owners in their capacity as owners					
Repayment of capital	(8,234,809)	-	-	-	(8,234,809)
Dividend paid	-	-	(5,265,190)	-	(5,265,190)
Allocation of exploration expenditure	-	-	-	(108,621)	(108,621)
Joint venture profit distribution	-	-	-	(178,170)	(178,170)
At 31 December 2020	54,084,505	-	(40,920,359)	-	13,161,146

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 2020

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 2020 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 2020, 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 2020.

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 2020 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 16 March 2021.

(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 2020 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.

2. SEGMENT INFORMATION

Identification of reportable operating segments

Hawthorn Resources Limited operates in the mineral exploration and mining industry in Australia. The Group has adopted *AASB 8 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.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

3. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	31 Dec 2020 \$	31 Dec 2019 \$
(a) Included in revenue for the period is:		
Ore sales	-	37,360,850
Interest	79,786	144,592
	<u>79,786</u>	<u>37,505,442</u>
(b) Included in expenses for the period is:		
Impairment of exploration assets	1,151,183	2,328
Write-off of capitalised exploration	84,931	354,230
Processing costs	-	9,104,344
Mine management and contract services	-	5,200,333
Camp costs	-	957,118
Amortisation	-	2,392,867
Royalties and related costs	-	1,312,362
Other expenses	-	1,490,344
	-	<u>20,457,368</u>
Opening work in progress	-	1,360,063
	-	<u>21,817,431</u>

4. EXPLORATION EXPENDITURE

Opening balance at 30 June 2020	2,389,852
Costs incurred during the year	1,344,735
Joint venturer contribution	(108,621)
Exploration expenditure written off during the year	(84,931)
Exploration expenditure impaired during the year (i)	(1,151,183)
Balance at 31 December 2020	<u>2,389,852</u>

During the period exploration expenditure was focussed on the Trouser Legs Joint Venture project. The program yielded modest increases in the already defined resource estimate, refer 14th April 2020 and 30th October 2020 ASX Announcements. As a result all expenditure incurred during the half year has been impaired and/or written off to profit or loss. The Group will continue to extend its exploration into deeper resource levels in each of the Group's projects.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

5. CONTRIBUTED EQUITY

	Consolidated			
	31 December 2020		30 June 2020	
	No. of shares	\$	No. of shares	\$
Ordinary shares	333,515,613	54,084,505	333,515,613	62,319,314

The reconciliation of opening and closing equity is as follows:

	Consolidated	
	No. of shares	\$
At 1 July 2020	333,515,613	62,319,314
Return of capital	-	(8,234,809)
At 31 December 2020	333,515,613	54,084,505

During the half year the Company issued a return of capital of \$0.0246 per share. The amount was recorded on 10 November 2020 and paid on 20 November 2020.

6. DIVIDENDS

During the half year the Company issued a special dividend of \$0.0158 per share, as follows:

	Consolidated	
	\$ per share	\$
Special dividend paid 20 November 2020	0.0158	5,265,190

7. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted (loss) / earnings per share is calculated as follows
(Loss) / Profit for the half year attributable to members

	Consolidated	
	2020 \$	2019 \$
(Loss) / Profit for the half year attributable to members	(1,780,221)	9,736,675

	Consolidated	
	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares at the end of the financial period	333,515,613	326,615,613
Basic (Loss) / Profit Per Share (cents)	(0.534)	2.981
Weighted average number of ordinary shares at the end of the financial period	333,515,613	334,265,613
Diluted (Loss) / Profit Per Share (cents)	(0.534)	2.913

Options

There were no outstanding options at 31 December 2020 or 31 December 2019.

Performance rights

There are no outstanding performance rights at 31 December 2020.

At 31 December 2019 there were 7,650,000 performance rights relating to the completed Trouser Leg Mining Joint Venture open pit gold mine that remained on issue; these were considered dilutive as they were expected to vest. Subsequently in May 2020 6,900,000 vested Rights were exercised and

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

6,900,000 new ordinary fully paid shares issued. In July 2020 the residual 750,000 Rights were cancelled – ASX announcement 13 July 2020.

A further 7,165,000 performance rights were on issue in relation to the Yundamindera Deep South/Box Well project. This project was disposed of in June 2019 making the performance rights incapable of vesting. Accordingly, these performance rights were not considered dilutive and, subsequently, were formally cancelled in May 2020.

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.

The movement in Gel’s non-controlling interest during the 6 months ended 31 December 2020 is shown below and is represented by contributed equity, and adjusted for its share of administrative expenses during the period. The majority of costs incurred by the Joint Venture were capitalised into development and mining costs in the statement of financial position.

	31 Dec 2020	30 June 2020
	\$	\$
Opening Balance	282,948	1,414,635
Profit distribution	(178,170)	(4,531,830)
Return of cash calls	-	(1,085,795)
Allocation of exploration expenditure	(108,621)	-
Contributions called to exploration expenditure	-	(523,197)
Share of profit for the period	3,843	5,009,135
	<u>-</u>	<u>282,948</u>

9. CONTINGENT LIABILITIES

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

10. EVENTS AFTER BALANCE DATE

There has not been any matters or circumstances that have 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 2020

**DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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 2020 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 16th day of March 2021.

Signed in accordance with a resolution of the directors:



M. G. Kerr
Managing Director and CEO

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 subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2020, 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 ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

BDO Audit Pty Ltd

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**Wai Aw
Director**

Melbourne, 16 March 2021