Interim Financial Report

For the Half-Year Ended 31 December 2021

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ASX: HIO

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Directors' report

Your Directors present their report on Hawsons Iron Limited for the half-year ended 31 December 2021.

Directors

The names and details of the Directors of Hawsons Iron Limited (Hawsons) in office at the date of this report or at any time during the financial period are:

Name	Position	Period of directorship
Bryan Granzien	Executive Chairman	Appointed 29 December 2020
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Jon Parker	Non-executive Director	Appointed 11 February 2021

Operating results

Commentary and comparison with prior year

For the half-year ended 31 December 2021, the loss for the Consolidated Entity after providing for income tax was $1,468,856 (December 2020: $238,694), as a result of increased operational expenses necessary to work towards a completed Bankable Feasibility Study (BFS) by the end of the year. The difference of $1,230,162 is primarily attributed to:

- Increase in Employment Expenses ($371,083);
- Increase in Finance Expenses ($80,879);
- Increase in Consultant Expenses ($221,392);
- Increase in Operating Expenses ($513,711) and;
- Increase in Other Expenses ($43,097).

Cash Position

A total of $33,756,950 (after costs) was raised through share issues in the first quarter of the financial year. The Consolidated Entity's cash position as at the end of the reporting period was $31,389,029.

Review of operations

Carpentaria Resources Limited (ASX: CAP) changed its name to Hawsons Iron Limited (ASX: HIO), which took effect 23 August 2021.

The Company raised $35,596,890 (before costs) through a fully underwritten private placement and an entitlements issue to shareholders. In addition $110,000 of shares were issued on the exercise of share options.

As announced on 19 October 2021, a report commissioned from geological experts H&S Consultants, using revised commercial cut-off grades, triggered a material Mineral Resource Upgrade, including a 9% increase in Indicated Resources to 132 Mt and an 18% increase in Inferred Resources to 268 Mt. *The Mineral Resources have been reported in accordance with the 2012 JORC Code and Guidelines.*

A pit optimisation study by KPS Innovation also confirmed the total resource boundary had not been fully identified, recommended and validated a reduction of the commercial cut-off grade from 9.5% recovered magnetic fraction (DTR) to 6%, significantly improving mining options.

The report also determined the economic pit shell is significantly larger than the one that was used in the Prefeasibility Study (2017) and is being confirmed through the current Bankable Feasibility Study program (BFS).

The Company signed a A$200 million equity financing Put Option Agreement with United States investment group LDA Capital Limited to access additional funding to develop its high-grade iron ore project.

The Company issued 71.5 million unlisted Options to LDA Capital pursuant to the terms of the A$200 million equity funding agreement announced on 22 December 2021 with potential to deliver up to a further $50.05 million if exercised.

The Company's interest in the Hawsons Iron Project Joint Venture will increase beyond the 93.963% currently held after JV partner Starlight Investment Company Pty Ltd failed to meet its cash call for December 31, 2021. HIO will fund Starlight's share, so the BFS program remains unaffected and on track for completion by the end of 2022.

Despite heavy rains which hampered site works in November/December and COVID-19 travel and site restrictions, the confirmatory drilling program remains on schedule and budget to further define the resource, provide samples for metallurgical test work, groundwater and geotechnical data.

Company	Volume	Market
Formosa Plastics	2.6 Mtpa	Concentrate/pellet feed
Bahrain Steel	3.0 Mtpa	Direct reduction (DR) pellet feed
Shagang	2.5 Mtpa	Pellet feed
Mitsubishi Corporation RtM	1.0 Mtpa	Pellet feed
Gunvor	1.0 Mtpa	Concentrate
Kuwait Steel	1.0 Mtpa	DR pellet feed
Emirates Steel	0.9 Mtpa	DR pellets
Total	12.0 Mtpa	

The world's largest steelmaking countries, China, Japan, Korea and Germany have all stated that they target net zero carbon emissions by 2050 or 2060. To meet these targets, material improvement in carbon dioxide reduction from steelmaking is required. Steelmaking contributes 7% of global emissions and the use of highest iron content iron ore such as the 70% Hawsons Supergrade® product will reduce emissions and increase efficiency.

The use of direct reduction iron (DRI) in steelmaking reduces carbon dioxide emissions by half compared to the use of blast furnaces and does so in part by relying on high grade ores. DRI is also the leading technology for the use of hydrogen in steelmaking.

Competent Person Statement: The information in this report that relates to Exploration Results is based on information reviewed by Mr Justin Haines, who is a member of the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy. Mr Haines is a full-time employee of Hawsons Iron Ltd and has sufficient expertise which is relevant to the style of mineralisation and 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Haines consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Events after reporting date

There have been no other events since 31 December 2021 that impact upon the financial report.

Auditor’s independence declaration

The Auditor’s Independence Declaration under s307c of the Corporations Act 2001 is set out on page and forms part of the Directors' report.

Signed in accordance with a resolution of the Board of Directors.

Bryan Granzien
Executive Chairman
Dated 16 March 2022

Auditor's Independence Declaration

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF HAWSONS IRON LIMITED

As lead auditor for the review of Hawsons Iron Limited for the half-year ended 31 December 2021, 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 Hawson Iron Limited and the entities it controlled during the period.

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 16 March 2022

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2021

	Note	December 2021 $	December 2020 $
Interest income		1,281	168
Accrued back pay (expense)/adjustment		-	386,170
Day one loss on initial recognition of put option contract released to profit or loss	11	(31,838)	-
Employment benefit expenses	4	(580,180)	(209,097)
Depreciation and amortisation expense		(4,454)	(1,108)
Consultants expense (change in fair value and share based payment)	11	(246,383)	(24,992)
Project generation and business development expenses		-	(30,612)
Costs related to the Pure Metals transaction		-	(162,992)
Corporate compliance		(239,726)	(79,635)
Corporate advisory		(118,194)	(61,421)
Computer, IT and telecommunications		(51,680)	(13,936)
Insurance		(20,712)	(11,524)
Marketing		(21,742)	-
Other		(50,944)	(7,846)
Rent		(23,405)	(21,869)
Finance costs		(80,879)	-
Loss before income tax		(1,468,856)	(238,694)
Income tax expense/(benefit)		-	-
Loss after income tax expense		(1,468,856)	(238,694)
Other comprehensive income		-	-
Total comprehensive income		**(1,468,856)**	**(238,694)**
		Cents	**Cents**
Loss per share			
Basic and diluted loss per share		(0.22)	(0.08)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Balance Sheet
As at 31 December 2021

	Note	December 2021 $	June 2021 $
CURRENT ASSETS			
Cash and cash equivalents	5	31,389,029	2,349,451
Trade and other receivables	6	774,194	32,928
Other current assets		92,101	14,951
TOTAL CURRENT ASSETS		32,255,324	2,397,330
NON-CURRENT ASSETS			
Trade and other receivables		47,433	48,409
Plant and equipment	7	408,435	3,240
Financial asset	11	9,273,462	-
Exploration and evaluation assets	8	18,523,467	15,895,346
TOTAL NON-CURRENT ASSETS		28,252,797	15,946,995
TOTAL ASSETS		**60,508,121**	**18,344,325**
CURRENT LIABILITIES			
Trade payables	9	4,901,332	62,814
Financial liability	11	-	1,875,535
Lease liabilities	10	113,359	-
Provisions		43,409	5,620
TOTAL CURRENT LIABILITIES		5,058,100	1,943,969
NON-CURRENT LIABILITIES			
Lease liabilities	10	259,236	-
Financial liability	11	6,180,589	-
TOTAL NON-CURRENT LIABILITIES		6,439,825	-
TOTAL LIABILITIES		11,497,925	1,943,969
NET ASSETS		**49,010,196**	**16,400,356**
EQUITY			
Share capital	2	76,635,583	42,878,633
Share based payment reserve		2,901,988	2,580,242
Accumulated losses		(30,527,375)	(29,058,519)
TOTAL EQUITY		**49,010,196**	**16,400,356**

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2021

Consolidated Entity	Share Capital	Share based payment reserve	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2020	28,166,109	2,389,011	(26,520,679)	4,034,441
Transactions with owners in their capacity as owners				
Issue of share capital	1,190,000	-	-	1,190,000
Transfer of expired employee share options	(140,632)	-	-	(140,632)
Employee share options – value of employee services	-	21,763	-	21,763
Total	**1,049,368**	**21,763**	**-**	**1,071,131**
Comprehensive income				
Loss after income tax	-	-	(238,694)	(238,694)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(238,694)**	**(238,694)**
Balance at 31 December 2020	**29,215,477**	**2,410,774**	**(26,759,373)**	**4,866,878**
Balance at 1 July 2021	42,878,633	2,580,242	(29,058,519)	16,400,356
Transactions with owners in their capacity as owners				
Issue of share capital	35,706,890	-	-	35,706,890
Costs of raising capital	(1,949,940)	-	-	(1,949,940)
Consultants share-based payments		152,129		152,129
Employee share options – value of employee services	-	169,617	-	169,617
Total	**33,756,950**	**321,746**	**-**	**34,078,696**
Comprehensive income				
Loss after income tax	-	-	(1,468,856)	(1,468,856)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(1,468,856)**	**(1,468,856)**
Balance at 31 December 2021	**76,635,583**	**2,901,988**	**(30,527,375)**	**49,010,196**

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Cash Flow Statement
For the half-year ended 31 December 2021

	Note	December 2021 $	December 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,972,600)	(744,490)
COVID-19 wages subsidies received		-	50,000
Finance costs		(80,879)	-
Interest received		1,281	168
Net cash used in operating activities		(2,052,198)	(694,322)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(37,053)	-
Payments for exploration and evaluation assets		(2,628,121)	(83,717)
Net cash used in investing activities		(2,665,174)	(83,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	2	35,706,890	1,190,000
Payment lease liability*		-	-
Costs associated with the issue of shares	2	(1,949,940)	(115,824)
Net cash provided by financing activities		33,756,950	1,074,176
Net increase/(decrease) in cash and cash equivalents		29,039,578	296,137
Cash and cash equivalents at the beginning of the financial year		2,349,451	716,317
Cash and cash equivalents at the end of the financial period		**31,389,029**	**1,012,454**

*No lease liability payments during the period - Rent free period

The Consolidated Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

Hawsons Iron Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2021 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

b) Statement of Compliance

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the interim financial report.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2021.

This consolidated interim financial report was approved by the Board of Directors on 16 March 2022.

New and revised standards

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption these standards did not have any significant impact on the group's accounting policies and did not require retrospective adjustments.

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2021, except for the adoption of new accounting policies as set out below.

(i) Plant and equipment

Each class of plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation and impairment costs. Costs include expenditure that is directly attributable to the asset.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Computer equipment	3 years	straight line
Office equipment	3 years	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(ii) Right-of-use assets and lease liabilities

An assessment is made, at inception or when contract terms are changed, to determine whether the contract is, or contains, a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Consolidated Entity recognises all right-of-use assets, except for leases that are short-term (12 months or less) and low value leases, at the commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Consolidated Entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The present value of future lease payments is determined by discounting future leases payments using the interest rate implicit in the lease or, if that rate cannot be determined, then the Group's incremental borrowing rate, which is generally the case.

The present value of the lease liability is increased by the interest cost and decreased by the lease payment each period over the life of the lease.

(iii) Financial derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The gain or loss relating to change in fair value is recognised in profit or loss. Derivatives are classified as current or non-current depending on the expected period of realisation.

(iv) Significant accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Key judgments and estimates – Accounting for LDA equity financing arrangement

On 21 December 2021, the Company entered into a Put Option Agreement (POA) with LDA Capital to provide the Company with up to $200 million in committed equity capital over 4 years. This financing arrangement gave rise to a derivative liability and derivative asset held at fair value through profit or loss being recognised. Refer note 11 for further details of the transaction and key judgments and estimates.

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Monte Carlo Simulation Methodology (MCSM). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

	December 2021 $	June 2021 $
NOTE 2 SHARE CAPITAL		
Fully paid ordinary shares	76,635,583	42,878,633

Ordinary Shares

	December 2021 $	June 2021 $	December 2021 #	June 2021 #
At the beginning of the year	42,878,633	28,166,109	470,240,645	269,632,537
Shares issued during the period:				
- 8 Oct 2020 – $0.035 each	-	1,190,000	-	33,999,996
- 27 April 2021 - $0.033 each	-	2,501,668	-	75,808,112
- 18 May 2021 - $0.15 each[1]	-	6,750,000	-	45,000,000
- 24 May 2021 - $0.10 each[1]	-	4,580,000	-	45,800,000
- 12 July - 16 Aug 2021 - $0.15 each[2]	35,596,890	-	237,312,305	-
- 20 Oct 2021 – $0.055 each[3]	110,000	-	2,000,000	-
Share issue costs	(1,949,940)	(309,144)	-	-
At reporting date	76,635,583	42,878,633	709,552,950	470,240,645
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	5,500,000	5,500,000
NRE shares issued	-	-	-	-
Transfer to treasury shares	-	-	-	-
At reporting date	-	-	5,500,000	5,500,000
Total Ordinary and NRE Shares	**76,635,583**	**42,878,633**	**715,052,950**	**475,740,645**

[1] Shares were issued as consideration for additional 24.149% interest in Hawsons Iron Project joint operation.
[2] Share placement and entitlement offer.
[3] Exercise of options by Brian Granzien, Executive Chairman.

Options issued as share based payments

During the 2021 and 2022 financial years, the Company issued options to employees and Directors in recognition for services provided.

Tranche	Grant Date	Expiry Date	Exercise Price	30-Jun-21	Granted in year	Exercised in year	Lapsed Cancelled[1]	Modified	31-Dec-21	Options Issued Post Yr End
2	24-Nov-16	24-Nov-21	$0.20	1,625,000	-	-	1,625,000	-	-	-
7	2-Jan-18	1-Jan-23	$0.15	500,000	-	-	500,000	-	-	-
8	2-Jan-18	1-Jan-23	$0.25	625,000	-	-	625,000	-	-	-
9	2-Jan-18	1-Jan-23	$0.40	150,000	-	-	150,000	-	-	-
10	2-Jan-18	1-Jan-23	$0.50	200,000	-	-	200,000	-	-	-
11	15-Oct-18	14-Oct-23	$0.15	2,200,000	-	-	700,000	-	1,500,000	-
12	15-Oct-18	14-Oct-23	$0.25	2,500,000	-	-	700,000	-	1,800,000	-
13	15-Oct-18	14-Oct-23	$0.40	1,400,000	-	-	600,000	-	800,000	-
14	15-Oct-18	14-Oct-23	$0.50	3,400,000	-	-	2,000,000	-	1,400,000	-
15	17-Mar-21	17-Mar-24	$0.15	200,000	-	-	200,000	-	-	-
16	17-Mar-21	17-Mar-24	$0.25	260,000	-	-	260,000	-	-	-
17	17-Mar-21	17-Mar-24	$0.40	365,000	-	-	365,000	-	-	-
18	17-Mar-21	17-Mar-24	$0.50	650,000	-	-	650,000	-	-	-
19	12-Apr-21	12-Apr-26	$0.05	1,000,000	-	1,000,000	-	-	-	-
20	12-Apr-21	12-Apr-26	$0.06	1,000,000	-	1,000,000	-	-	-	-
21	14-Jun-21	12-Apr-26	$0.20	1,000,000	-	-	1,000,000	-	-	-
22	16-Aug-21	16-Aug-26	$0.25	-	250,000	-	-	-	250,000	-
23	16-Aug-21	16-Aug-26	$0.35	-	250,000	-	-	-	250,000	-
24	16-Aug-21	16-Aug-26	$0.50	-	500,000	-	-	-	500,000	-
25	20-Aug-21	20-Aug-26	$0.15	-	4,200,000	-	-	200,000	4,000,000	-
26	20-Aug-21	20-Aug-26	$0.25	-	6,260,000	-	-	260,000	6,000,000	-
27	20-Aug-21	20-Aug-26	$0.35	-	6,365,000	-	-	365,000	6,000,000	-
28	20-Aug-21	20-Aug-26	$0.50	-	9,150,000	-	-	650,000	8,500,000	-
29	6-Sep-21	6-Sep-26	$0.25	-	250,000	-	-	-	250,000	-
30	6-Sep-21	6-Sep-26	$0.35	-	250,000	-	-	-	250,000	-
31	6-Sep-21	6-Sep-26	$0.50	-	500,000	-	-	-	500,000	-
32	25-Oct-21	25-Oct-26	$0.25	-	250,000	-	-	-	250,000	-
33	25-Oct-21	25-Oct-26	$0.35	-	250,000	-	-	-	250,000	-
34	25-Oct-21	25-Oct-26	$0.50	-	500,000	-	-	-	500,000	-
35	29-Nov-21	29-Nov-26	$0.25	-	250,000	-	-	-	250,000	-
36	29-Nov-21	29-Nov-26	$0.35	-	250,000	-	-	-	250,000	-

37	29-Nov-21	29-Nov-26	$0.50	-	500,000	-	-	-	500,000	-
38	6-Dec-21	6-Dec-26	$0.25	-	150,000	-	-	-	150,000	-
39	6-Dec-21	6-Dec-26	$0.35	-	150,000	-	-	-	150,000	-
40	6-Dec-21	6-Dec-26	$0.50	-	200,000	-	-	-	200,000	-
41	13-Dec-21	13-Dec-26	$0.15	-	400,000	-	-	-	400,000	-
42	13-Dec-21	13-Dec-26	$0.25	-	400,000	-	-	-	400,000	-
43	13-Dec-21	13-Dec-26	$0.35	-	200,000	-	-	-	200,000	-
44	13-Dec-21	13-Dec-26	$0.50	-	475,000	-	-	-	475,000	-
46	4-Jan-22	4-Jan-27	$0.25	-	-	-	-	-	-	250,000
47	4-Jan-22	4-Jan-27	$0.35	-	-	-	-	-	-	250,000
48	4-Jan-22	4-Jan-27	$0.50	-	-	-	-	-	-	500,000
				17,075,000	31,950,000	2,000,000	9,575,000[1]		35,975,000	1,000,000

[1] 2,475,000 options issued to the CFO and other employees under the Hawsons Iron Option Plan have now been cancelled and replaced by a new set of options within the Option Plan.

The fair value at grant date for the options were estimated using Black-Scholes Option Pricing (BSOP) methodology which estimates the theoretical value taking into account the impact of time and other risk factors.

Tranche	Grant/valn Date	Expiry Date	Share Price	Exercise Price	Expected volatility	Expected Dividends	Risk free rate
22	16-Aug-21	16-Aug-26	$ 0.120	$ 0.25	85%	nil	0.570%
23	16-Aug-21	16-Aug-26	$ 0.120	$ 0.35	85%	nil	0.570%
24	16-Aug-21	16-Aug-26	$ 0.120	$ 0.50	85%	nil	0.570%
25	20-Aug-21	20-Aug-26	$ 0.094	$ 0.15	85%	nil	0.502%
26	20-Aug-21	20-Aug-26	$ 0.094	$ 0.25	85%	nil	0.502%
27	20-Aug-21	20-Aug-26	$ 0.094	$ 0.35	85%	nil	0.502%
28	20-Aug-21	20-Aug-26	$ 0.094	$ 0.50	85%	nil	0.502%
29	06-Sep-21	06-Sep-26	$ 0.081	$ 0.25	85%	nil	0.651%
30	06-Sep-21	06-Sep-26	$ 0.081	$ 0.35	85%	nil	0.651%
31	06-Sep-21	06-Sep-26	$ 0.081	$ 0.50	85%	nil	0.651%
32	25-Oct-21	25-Oct-26	$ 0.076	$ 0.25	85%	nil	1.163%
33	25-Oct-21	25-Oct-26	$ 0.076	$ 0.35	85%	nil	1.163%
34	25-Oct-21	25-Oct-26	$ 0.076	$ 0.50	85%	nil	1.163%
35	29-Nov-21	29-Nov-26	$ 0.096	$ 0.25	85%	nil	1.348%

Tranche	Grant/valn Date	Expiry Date	Share Price	Exercise Price	Expected volatility	Expected Dividends	Risk free rate
36	29-Nov-21	29-Nov-26	$ 0.096	$ 0.35	85%	nil	1.348%
37	29-Nov-21	29-Nov-26	$ 0.096	$ 0.50	85%	nil	1.348%
38	6-Dec-21	6-Dec-26	$ 0.105	$ 0.25	85%	nil	1.276%
39	6-Dec-21	6-Dec-26	$ 0.105	$ 0.35	85%	nil	1.276%
40	6-Dec-21	6-Dec-26	$ 0.105	$ 0.50	85%	nil	1.276%
41	13-Dec-21	13-Dec-26	$ 0.120	$ 0.15	85%	nil	1.319%
42	13-Dec-21	13-Dec-26	$ 0.120	$ 0.25	85%	nil	1.319%
43	13-Dec-21	13-Dec-26	$ 0.120	$ 0.35	85%	nil	1.319%
44	13-Dec-21	13-Dec-26	$ 0.120	$ 0.50	85%	nil	1.319%
46	04-Jan-22	04-Jan-27	$ 0.170	$ 0.25	85%	nil	1.402%
47	04-Jan-22	04-Jan-27	$ 0.170	$ 0.35	85%	nil	1.402%
48	04-Jan-22	04-Jan-27	$ 0.170	$ 0.50	85%	Nil	1.402%

Tranches 22 – 44 and 46-48 relates to the milestones below;

Milestone 1	The Company raising the funding to carry out the Hawsons Bankable Feasibility Study (BFS).
Milestone 2	Completion of the Hawsons BFS – forecast for completion in December 2022.
Milestone 3	The raising of the capital cost, by the Company, to develop the Hawsons Iron Project – successful bankability equals capital raise for mine build.
Milestone 4	The commencement of commercial production at the Hawsons Iron Project – production dependent on bankability and capital raise.

Options issued to LDA Capital in accordance with Put Option Agreement (POA)

In accordance with the Agreement, the Company issued 71,500,000 unlisted options to LDA Capital, expiring on 21 December 2025, exercisable at $0.70. The strike price of the options is 125% of the 90-day VWAP at the two-year anniversary of the issue of the options, or if the 90-day VWAP at the two-year anniversary of the issue of the options is at least $0.55c, then $0.70c. Each option has an exercise period of four years. Options exercised by LDA Capital will inject up to a further A$50.05 million in equity capital into HIO. Refer Note 11 for further details of the arrangement. Refer below to summary of movements during the period:

Tranche	Grant Date	Expiry Date	Exercise Price	30-Jun-21	Granted in year	Exercised in year	Lapsed Cancelled[1]	Modified	31-Dec-21	Options Issued Post Yr End
45	21-Dec-21	21-Dec-25	125% of 90 Day Vwap or .70c	-	71,500,000	-	-	-	71,500,000	-

In determining the fair value of Tranche 45, a Monte Carlo Simulation methodology was used because there are multiple sources of uncertainty and complicated features.

Valuation inputs at inception:

Tranche	Grant/valn Date	Expiry Date	Fair value at measurement date	Share Price	Exercise Price	Expected volatility	Expected Dividends	Risk free rate
45	21/12/2021	21/12/2025	$0.0742	$ 0.155	125% of 90 day VWAP or 0.70	85%	nil	1.260%

NOTE 3 SEGMENT REPORTING

Reportable Segments

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Consolidated Entity as having only one reportable segment, being exploration for minerals in Australia. The financial results from this segment are equivalent to the financial statements of the consolidated entity. There have been no changes in the operating segments during the year. All assets are located in Australia.

NOTE 4 ITEMS INCLUDED IN PROFIT OR LOSS

	December 2021 $	December 2020 $
Included in profit/(loss) are the following specific expenses:		
Included in 'Employment benefit expenses':		
Share based payment expense	169,617	21,763
Directors' fees	30,000	55,417
Salaries and consultant fees	380,563	131,917
	580,180	209,097

NOTE 5 CASH AND CASH EQUIVALENTS

	December 2021 $	June 2021 $
Cash at bank and in hand	31,269,038	2,333,556
Cash on deposit	119,991	15,895
TOTAL CASH AND CASH EQUIVALENTS	31,389,029	2,349,451

NOTE 6 TRADE AND OTHER RECEIVABLES

	December 2021 $	June 2021 $
Accounts receivable	115,720	32,928
GST refund due	328,938	-
Other receivable – Starlight cash calls	329,536	-
TOTAL TRADE AND OTHER RECEIVABLES	774,194	32,928

NOTE 7 PLANT AND EQUIPMENT

	December 2021 $	June 2021 $
Computer equipment[1]		
Opening balance	3,240	4,204
Additions	33,438	2,231
Disposals	-	(1,368)
Less accumulated depreciation	(4,271)	(1,827)
Closing balance	32,407	3,240
Office equipment		
Opening balance	-	-
Additions	3,615	-
Less accumulated depreciation	(182)	-
Closing balance	3,433	-
Right of Use Asset – office premises[2]		
Opening balance	-	-
Additions	372,595	-
Closing balance	372,595	-
TOTAL PLANT AND EQUIPMENT	408,435	3,240

[1]The Company purchased laptops, monitors and related computer equipment to accommodate additional resourcing requirements.

[2]The present value of future lease payments is determined by discounting future lease payments using the interest rate of 3%.

NOTE 8 EXPLORATION AND EVALUATION ASSETS

	December 2021 $	June 2021 $
Opening balance	15,895,346	4,437,598
Additional share of joint venture operation – Hawsons Iron Project	-	11,330,000
Capitalised expenditure	2,628,121	127,748
	18,523,467	15,895,346

Exploration activities capitalised during the period relate to the Hawsons Iron Project joint operation.

NOTE 9 TRADE AND OTHER PAYABLES

	December 2021 $	June 2021 $
Accounts payable	855,308	38,102
PAYG owing	43,143	-
Accrued expenses	2,881	24,712
Commitment fee payable – note 11	4,000,000	-
TOTAL TRADE AND OTHER PAYABLES	4,901,332	62,814

NOTE 10 LEASE LIABILITIES

During the period, the Company entered into a lease to occupy premises at Leve 21, 12 Creek Street, Brisbane.

The liability recognised at 31 December 2021 is as follows:

	December 2021 $	June 2021 $
CURRENT		
Lease liability – office premises	113,359	-
NON-CURRENT		
Lease liability – office premises	259,236	-

The Company is required to make significant judgements, estimates and assumptions in assessing the NPV of the office lease and has used an interest rate of 3%, the term of 3 years.

NOTE 11 FINANCIAL ASSETS AND LIABILITIES

	December 2021 $	June 2021 $
Financial asset:		
LDA Financial derivative asset – put option (refer note 11a)	9,273,462	-
	9,273,462	-
Financial liabilities:		
LDA derivative liability (refer note 11a)	5,305,300	-
Other payable – consultant fee (refer note 11b)	875,289	1,875,535
	6,180,589	1,875,535

a) Financial asset – LDA financial derivative asset & Financial liability – LDA derivative liability

On 21 December 2021, the Company entered into a Put Option Agreement (POA) with LDA Capital to provide the Company with up to $200 million in committed equity capital over 4 years. The Company will control the timing and maximum amount of the draw down under this facility.

The effect of the key terms as described below gave rise to a derivative liability and derivative asset held at fair value through profit and loss.

Key terms and conditions

(i) In accordance with the POA, as part consideration, the Company issued 71,500,000 unlisted options to LDA Capital exercisable at $0.70, expiring on 21 December 2025. The strike price of the options is 125% of the 90-day VWAP at the two-year anniversary of the issue of the options, or if the 90-day VWAP at the two-year anniversary of the issue of the options is at least $0.55c, then $0.70c. The options were valued at $5,305,300 using a Monte Carlo Simulation Methodology and classified as a derivative liability. Refer to Note 2 for the valuation inputs.

(ii) The issue price of the shares under the purchased put option is calculated as 90% of the higher of the average VWAP of shares in the 30-day trading period after the issue of a call notice, and the minimum rice notified to LDA Capital by the Company upon exercise of the put option. The VWAP calculation and the number of subscription shares are subject to adjustment as a result of certain events occurring including trading volumes falling below an agreed threshold level or a material adverse event occurring in relation to the Company.

(iii) The Company is liable for a commitment fee of $4,000,000 comprising $2,000,000 due and payable in cash and $2,000,000 due to be settled through a share issuance with a share price calculated based on the 90% of the 90-day VWAP preceding the 12-month anniversary date. This payable is due within a period of 12 months from the date of the agreement. This has been included in trade and other payables – note 9.

(iv) The Company paid for legal fees of $21,259 incurred by LDA in preparation of the documentation under this agreement. This has been recognised as a accounts payable – note 9.

Recognition and reduction in put option premium and derivative liability

On entering the POA, the Company recognised the purchased put option as a derivative asset with a fair value of $9,273,462. The consideration payable comprised 71,500,000 unlisted options, recognised as a derivative liability totalling $5,305,300, and a commitment fee payable of $4,000,000. The difference between the total consideration payable and the derivative asset recognised was deferred on the balance sheet upon recognition in accordance with the requirements of accounting standards (day one loss). The difference of $31,838 was subsequently released to profit or loss at reporting date and disclosed as 'Day one loss on initial recognition of put option contract released to profit or loss'.

The valuation of the derivative asset was determined using a common pricing model. A derivative liability was recognised based on the fair value of the 71,500,000 options issued determined using a Monte Carlo Simulation Methodology. Refer note 2 for valuation inputs. The derivative liability relating to the unlisted options issued to LDA Capital as part consideration were revalued at the year-end for the unexercised options. The re-measurement of the derivative liability resulted in no fair value change as the amount was considered not material.

Movement in LDA financial derivative asset – put option

	December 2021 $	June 2021 $
As at 1 July 2021	-	-
Derivative Asset – put option premium recognised at inception	9,273,462	-
Fair value movement in financial asset – put option premium	-	-
Release of derivative assets on settlement	-	-
Revaluation of put option premium	-	-
LDA financial asset at reporting date	9,273,462	-

Movement in LDA derivative liability

	December 2021 $	June 2021 $
As at 1 July 2021	-	-
Derivative Liability – call option recognised at inception	5,305,300	-
Re-measurement to fair value through profit or loss	-	-
Fair value of options exercised at each exercise date	-	-
LDA derivative liability at reporting date	5,305,300	-

b) Financial Liability - Other Payable

In 2013, the Company entered into an agreement with a consultant to provide financial modelling, financing negotiation support and other related services for the Hawsons Iron Project. The consultant provided these services to the Company at a discounted rate on the basis that a success fee of 5 times the foregone fees would be payable upon the first sale of iron ore/concentrate from the Hawsons Iron Project ("foregone fees"). The gross amount of the foregone was $1,945,087.

In 2019, the Company entered into another agreement with the consultant to assist the Company to obtain the necessary equity and other funding to carry out a bankable feasibility study in respect of the Hawsons Iron Project. In the event the consultancy relationship service was terminated by the Company without cause, the Company must pay the consultant a fee ("Break Fee") equal to the greater of:

- 0.25% of the debt funds arranged by the consultant; or
- a break fee being the cumulative sum calculated by multiplying the number of hours worked by the consultant from each month from July 2018 until termination of the consultancy by $1,000 less the fees paid to the consultant over that period. The break fee is payable upon the commitment to undertake a bankable feasibility study (or equivalent) for the Hawsons Iron Project should the consultancy arrangement be terminated without cause before such commitment or otherwise at financial investment decision for the development of the Hawsons resource.

The gross amount of the break fee was $1,097,500. The Company paid $1,094,500 + GST on 24 August 2021.

On 21 January 2020, the Company entered into a further agreement with the consultant which provided as follows. In the event that a takeover bid is made under Chapter 6 of the Corporations Act for the ordinary shares in the Company and the consultant believes reasonably that the bid will be successful and result in a change of control of the Company, then the consultant may serve notice upon the Company that it wishes to receive the Foregone Fee (together with the Break Fee that the consultant would be entitled to if the Company were to terminate the consultancy arrangement without cause before a termination event) by payment in CAP shares.

In such event, the Company must to the extent that it can do so in compliance with the ASX Listing Rules (in particular Chapter 7) allot and issue to the consultant or its nominee the number of fully-paid ordinary shares that is equal in value to the Foregone Fee plus the Break Fee, with each CAP share having a price equal to the prevailing price at which the takeover bid will succeed and do so in such time that the consultant may accept the offer. In the event that the takeover bid is withdrawn before completion, then the Company's obligation to pay the Foregone Fee and Break Fee in CAP shares will for the purposes of that takeover bid cease to exist. In the event that there is more than one concurrent takeover bid, the pricing of the CAP shares will be based on the bid that involves the highest offer price.

As a result of the 21 January 2020 agreement the consultant became entitled, in certain circumstances, to an equity settled share-based payment (as noted above). As such, the accounting for the arrangement is now based on the requirement of AASB2 Share-Based Payments applicable to compound instruments as follows:

- The right to cash, in certain circumstances, is recognised as a cash-settled share-based payment. In this regard, the Company recognises the expense at grant date and/or as services are received, as appropriate, with a corresponding credit as a liability. The liability is measured at fair value taking into account the potential gross amount payable and the impact of non-vesting conditions (being the success conditions of the first sale of iron ore and/or a commitment to undertake a bankable feasibility study).

The liability recognised at 31 December 2021 is as follows:

	December 2021 $	June 2021 $
Fair value of liability recognised	875,289	1,875,535
Fair value share-based payment recognised in equity	456,388	304,259
Fair value loss recognised directly in Statement of Comprehensive Income:		
- Other payable	94,254	1,267,018
- Share-based payment reserve	152,129	152,130
Total recognised as consultants' expense in Statement of Comprehensive Income	246,383	1,419,148

c) Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Consolidated Entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
LDA Derivative Asset – Put Option	-	-	9,273,462	9,273,462
Total Assets	-	-	9,273,462	9,273,462
Liabilities				
Other Payable – consultant fee	-	-	875,289	875,289
LDA Derivative Liability	-	-	5,305,300	5,305,300
Total liabilities	-	-	6,180,589	6,180,589
Consolidated - 2021				
Liabilities				
Other Payable – consultant fee	-	-	1,875,535	1,875,535
Total liabilities	-	-	1,875,535	1,875,535

Valuation techniques for fair value measurements categorised within level 2 and level 3

Other Payable – consultant fee
The fair value of the consultant's fees has been estimated using present value techniques, by discounting the probability-weighted estimated future cash outflows.

Put & Call options
The valuation of the derivative asset was determined using a common pricing model. A derivative liability was recognised based on the fair value of the 71,500,000 options issued determined using a Monte Carlo Simulation Methodology. Refer to note 2 for further information of valuation inputs.

Level 3 assets and liabilities
Movements in level 3 liabilities during the current and previous financial year are set out below:

Assets	December 2021 $	June 2021 $
Balance at 1 July	-	-
Transfers out level 3	-	-
Initial recognition of financial asset – put option	9,273,462	-
Losses recognised in profit or loss	-	-
(Disposals/settlements)	-	-
Balance at 31 December 2021	9,273,462	-

Liabilities	December 2021 $	June 2021 $
Balance at 1 July	1,875,535	608,517
Transfers out level 3	-	-
Initial recognition of financial derivative	5,305,300	-
Losses recognised in profit or loss (consultants' expense)	94,254	1,267,018
(Disposals/settlements)	(1,094,500)	-
Balance at 31 December 2021	6,108,589	1,875,535

Sensitivity

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Unobservable Inputs	Sensitivity
Other payable – consultant fee	Probability range	45% - 100%	The estimated fair value would increase/(decrease) if probability % was higher/(lower)
LDA financial asset – put option	Market placement discount	14.5%	The estimated fair value would increase/(decrease) if market placement discount rate was lower/(higher)
	Discount rate	14%	The estimated fair value would increase/(decrease) if discount rate was lower/(higher)
LDA Financial derivative liability	Share price	$0.155	The estimated fair value would increase/(decrease) if share price was higher/(lower)

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets at 31 December 2021.

EVENTS AFTER REPORTING DATE

There have been no other events since 31 December 2021 that impact upon the financial report.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001. On behalf of the directors

Bryan Granzien
Executive Chairman

Dated 16 March 2022

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hawsons Iron Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hawsons Iron Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, a summary of 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 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 2021 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 2021 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

BDO

K L Colyer

Director

Brisbane, 16 March 2022

Corporate directory

Business Office
Level 21 | 12 Creek St
Brisbane QLD 4000, Australia
Phone: +61 (0)7 3220 2022

Postal address
PO Box 10919,
Brisbane QLD 4000

Web: www.hawsons.com.au
Email: info@hawsons.com.au
ABN: 63 095 117 981
ACN: 095 117 981

Australian Securities Exchange Ltd
ASX Code: HIO Ordinary Shares

Share Registry
Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane, QLD, 4000
Phone: 1300 554 474

Contact information
Executive Chairman Bryan Granzien
Phone: +61 (0)7 3220 2022
Company Secretary & Chief Financial Officer
Gregory Khan
Phone: +61 (0)7 3220 2022

Disclosure

The information in this report that relates to Exploration Results, Exploration Targets and Mineral Resources is based on information evaluated by Mr Simon Tear of H&S Consultants Pty Ltd who is a member of the Australian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience relevant to the style of mineralisation and 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.