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Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2022

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH
THE JUNE 2022 ANNUAL FINANCIAL REPORT AND
THE SEPTEMBER AND DECEMBER 2022 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

Mr Li, Yijie (Chairman and Non-Executive Director)
Mr Brian F Thornton (Managing Director and CEO)
Mr Liao, Yongzhong (Non-Executive Director)
Mr Liu, Zhensheng (Non-Executive Director)
Mr Joseph D Corrigan (Non-Executive Director)

Company Secretary

Glenn Fowles

Mines Operations Manager

William Lloyd

Chief Financial Officer

Tony Amato

Registered Office

Level 23, Rialto South Tower, 525 Collins 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,
Collins Square 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

Hawthorn Resources Limited

Directors' Report

The Directors of Hawthorn Resources Limited present their report for the half year ended 31 December 2022.

1 DIRECTORATE

The Directors of the Company in office since 1 July 2022 and up to the date of this Report are:

Mr Li, Yijie	Chairman and Non-Executive Director
Mr Mark G Kerr (resigned 31 December 2022)	Managing Director and CEO
Mr Brian F Thornton (appointed MD/CEO 25 November 2022)	Managing Director and CEO (formerly NED)
Dr David S Tyrwhitt (retired 24 November 2022)	Non-Executive Director
Mr Liao, Yongzhong	Non-Executive Director
Mr Liu, Zhensheng	Non-Executive Director
Mr Joseph D Corrigan (appointed 24 November 2022)	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 revenue of \$66,485 (2021: \$5,705) and generated a consolidated total comprehensive loss from continuing operations of \$760,122 for the half-year ended 31 December 2022 (2021: loss of \$1,064,785).

Statement of Profit or Loss and Other Comprehensive Income

Consolidated comprehensive loss for the half year amounted to \$760,122 (2021: \$1,064,785 loss). No mine costs expensed for the half year (2021: \$153,199). Exploration and evaluation expenditure written off during the half year amounted to \$162,944 (2021: \$373,058).

Statement of Financial Position

At 31 December 2022, the consolidated entity had cash and cash equivalents on hand of \$12,719,526 (30 June 2022: \$13,775,136) and trade and other receivables of \$45,029 (30 June 2022: \$261,564), with net current assets of \$11,158,783 (30 June 2022: \$11,994,767). Total net assets amount to \$13,450,870 (30 June 2022 \$14,210,992), including exploration and evaluation assets of \$2,094,179 (30 June 2022: \$2,018,317).

Cash Flow

During the half-year, the consolidated entity's cash and cash equivalents decreased by \$1,055,610 (31 December 2021: \$1,490,293) with operations expenditure of \$517,653 (2021: \$861,588). Payments for exploration and development expenditure amounted to \$537,957 (2021: \$628,705).

2.3 Corporate Activities

Funding

Issued Securities

2.3.1 ASX Quoted Ordinary fully paid shares:

As at 31 December 2022, the number of ordinary shares on issue is represented by 333,515,613 ordinary fully paid shares (30 June 2022: 333,515,613). At the date of this report the number of shares on issue is 335,015,613.

Net Asset Backing per Share

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

December 2022	\$0.0403
June 2022	\$0.0426

Hawthorn Resources Limited Directors' Report

2.4 Dividends

The Company has not paid a dividend during the period nor has proposed a dividend.

2.5 Earnings per Share

	Dec 2022	Dec 2021
Basic (loss) / earnings per share	(\$0.00229)	(\$0.00306)
Diluted (loss) / earnings per share	(\$0.00229)	(\$0.00306)

2.6 Exploration and Mining Operations

The Company provided updates and information about its exploration and mining operations that have occurred up to the date of this report by way of ASX releases on the following dates:

- 29 July 2022 - Quarterly Activities Report - Jun22
- 29 August 2022 - Hancock executes agreement for nickel/copper at Mt Bevan
- 10 October 2022 - Mt Bevan iron ore joint venture progress
- 28 October 2022 - Quarterly Activities Report - Sep22
- 27 January 2023 - Quarterly Activities Report - Dec22
- 6 March 2023 - Mt Bevan iron ore joint venture progress

Other than the information contained in these there is no other material information for these operations.

2.7 Subsequent Events

On 3 January 2023 the Company announced that its registered address had changed.

On 6 January 2023 the Company announced the issue of 1,500,000 ordinary shares to settle fees for services received for corporate advisory services.

Other than the above, 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.

2.8 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.

2.9 Health & Safety

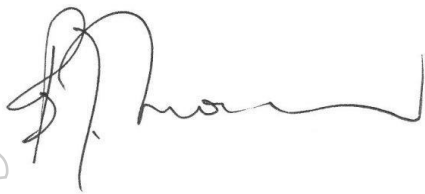
The Board, CEO and senior management team are committed to creating a positive environment for the health and wellbeing of the Company's employees and anyone affected by our operations, including contractors and visitors.

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.

Hawthorn Resources Limited
Directors' Report

Signed in accordance with a resolution of the Board of Directors at Melbourne this 15th day of March 2023.



Mr Brian F Thornton
Managing Director and CEO

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DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF HAWTHORN RESOURCES LIMITED

As lead auditor for the review of Hawthorn Resources Limited for the half-year ended 31 December 2022, 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.



James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 15 March 2023

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Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH
THE 2022 ANNUAL FINANCIAL REPORT**

Hawthorn Resources Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2022

	<u>Note</u>	Consolidated	
		31 Dec 2022 \$	31 Dec 2021 \$
Revenue	3	66,485	5,705
Exploration expenditure impaired		(160,321)	(239,117)
Exploration expenditure expensed		(2,623)	(133,941)
Mining costs expensed		-	(153,199)
Administration expense		(663,663)	(544,233)
Depreciation expense		-	-
Loss before income tax		(760,122)	(1,064,785)
Income tax expense		-	-
Loss for the period from continuing operations after income tax		(760,122)	(1,064,785)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(760,122)	(1,064,785)
Total comprehensive loss for the period is attributable to:			
Owners of Hawthorn Resources Limited		(763,000)	(1,019,415)
Non-controlling interest		2,878	(45,370)
		(760,122)	(1,064,785)
Earnings per share		Cents	Cents
Basic loss per share for the period attributable to ordinary equity holders	7	(0.229)	(0.306)
Diluted loss per share for the period attributable to ordinary equity holders	7	(0.229)	(0.306)

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 2022

	<u>Note</u>	Consolidated	
		31 Dec 2022 \$	30 Jun 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents		12,719,526	13,775,136
Trade and other receivables		45,029	261,564
Prepayments		51,859	-
Total Current Assets		12,816,414	14,036,700
Non-Current Assets			
Other financial assets		197,908	197,908
Exploration expenditure	4	2,094,179	2,018,317
Total Non-Current Assets		2,292,087	2,216,225
TOTAL ASSETS		15,108,501	16,252,925
LIABILITIES			
Current Liabilities			
Trade and other payables		467,446	792,779
Provisions		1,190,185	1,249,154
Total Current Liabilities		1,657,631	2,041,933
TOTAL LIABILITIES		1,657,631	2,041,933
NET ASSETS		13,450,870	14,210,992
EQUITY			
Contributed equity	5	54,084,505	54,084,505
Accumulated losses		(40,636,513)	(39,873,513)
Equity attributable to owners of Hawthorn Resources Limited		13,447,992	14,210,992
Non-controlling interest		2,878	-
TOTAL EQUITY		13,450,870	14,210,992

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 2022

	Consolidated	
	31 Dec 2022 \$	31 Dec 2021 \$
Cash flows from operating activities		
Payments in the course of operations	(584,138)	(867,293)
Interest received	66,485	5,705
Net cash used in operating activities	(517,653)	(861,588)
Cash flows from investing activities		
Payments for exploration expenditure	(537,957)	(628,705)
Net cash used in investing activities	(537,957)	(628,705)
Net decrease in cash and cash equivalents	(1,055,610)	(1,490,293)
Cash and cash equivalents at beginning of period	13,775,136	12,115,231
Cash and cash equivalents at end of period	12,719,526	10,624,938

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

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Hawthorn Resources Limited
Statement of Changes in Equity for the Half-Year Ended
31 December 2022

	Contributed Equity	Accumulated Losses	Non- controlling interest	Total Equity
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2021	54,084,505	(40,800,571)	-	13,283,934
Loss for the period from continuing operations after income tax		(1,019,415)	(45,370)	(1,064,785)
Total comprehensive income for the year		(1,019,415)	(45,370)	(1,064,785)
At 31 December 2021	54,084,505	(41,819,986)	(45,370)	12,219,149
At 1 July 2022	54,084,505	(39,873,513)	-	14,210,992
Loss for the period from continuing operations after income tax		(763,000)	2,878	(760,122)
Total comprehensive income for the year		(763,000)	2,878	(760,122)
At 31 December 2022	54,084,505	(40,636,513)	2,878	13,450,870

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 2022

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 2022 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 2022, 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 2022.

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 2022 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 15th March 2023.

(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 2022 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.

3. REVENUE

	31 Dec 2022 \$	31 Dec 2021 \$
Interest	66,485	5,705

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Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2022

4. **EXPLORATION EXPENDITURE**

(a) Reconciliation of movements during period

	31 Dec 2022 \$	30 June 2022 \$
Opening balance	2,018,317	3,461,575
Costs incurred during the period	238,806	1,276,675
Non-controlling interest contribution	-	(383,708)
Exploration expenditure written off during the year	(2,623)	(120,621)
Exploration expenditure impaired during the year (c)	(160,321)	(254,776)
Farm-out arrangement	-	(1,960,828)
Closing balance	2,094,179	2,018,317

(b) Critical Judgements

The ultimate recoupment of capitalised expenditure in relation to each area of interest is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas the results of which are still uncertain.

(c) Impairment

At 31 December 2022 the Company continued to review its projects and its available resources.

The Directors have considered the on-going impact of the COVID-19 pandemic. Based on information currently available the Directors believe there is no further impact on the impairment of the assets.

5. **CONTRIBUTED EQUITY**

	Consolidated			
	31 December 2022		30 June 2022	
	No. of shares	\$	No. of shares	\$
Ordinary shares	333,515,613	54,084,505	333,515,613	54,084,505

Terms and Conditions of Issued Capital

Ordinary Shares (quoted): HAW

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

6. **DIVIDENDS**

No dividends were proposed or paid during the period.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2022

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	
2022 \$	2021 \$
(763,000)	(1,019,415)

Weighted average number of ordinary shares at the end of the financial period

Basic (Loss) / Profit Per Share (cents)

Weighted average number of ordinary shares at the end of the financial period

Diluted (Loss) / Profit Per Share (cents)

Consolidated	
2022 Number of shares	2021 Number of shares
333,515,613	333,515,613
(0.229)	(0.306)
333,515,613	333,515,613
(0.229)	(0.306)

Options

There were no outstanding options at 31 December 2022 or 31 December 2021.

Performance rights

There are no outstanding performance rights at 31 December 2022.

8. CONTINGENT LIABILITIES

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

9. EVENTS AFTER BALANCE DATE

On 3 January 2023 the Company announced that its registered address had changed.

On 6 January 2023 the Company announced the issue of 1,500,000 ordinary shares to settle fees for services received for corporate advisory services.

Other than the above, 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.

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Hawthorn Resources Limited
Director's Declaration
For the Half-Year Ended 31 December 2022

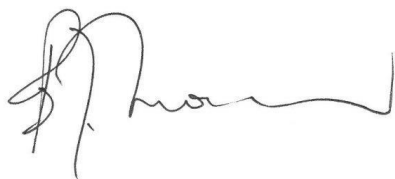
**DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

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 2022 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 2023.

Signed in accordance with a resolution of the directors:



Mr Brian F Thornton
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 consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2022 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 2022 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



James Mooney
Director

Melbourne, 15 March 2023

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