



Hawthorn
RESOURCES

ANNUAL REPORT 2022
HAWTHORN RESOURCES LIMITED
ABN 44 009 157 439



Pictured above & front cover:
Mt Bevan Joint Venture, Western Australia



HAWTHORN RESOURCES LIMITED

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2022 ANNUAL REPORT

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HAWTHORN RESOURCES LIMITED

ABN 44 009 157 439

Corporate Directory

DIRECTORS

| | |
|-----------------|---------------------------------|
| Li, Yijie | Non-executive Director/Chairman |
| Mark Kerr | Managing Director/CEO |
| David Tyrwhitt | Non-executive Director |
| Brian Thornton | Non-executive Director |
| Liao, Yongzhong | Non-executive Director |
| Liu, Zhensheng | Non-executive Director |

COMPANY SECRETARY

Glenn Fowles

CHIEF FINANCIAL OFFICER

Tony Amato

REGISTERED OFFICE

Level 2, 90 William Street, Melbourne, Victoria 3000 Australia

Phone: +61 3 9605 5901

Email: info@hawthornresources.com

Web: <http://www.hawthornresources.com>

SHARE REGISTRY

Link Market Services Ltd
Tower 4, 727 Collins Street
Melbourne VIC 3008
+ 61 1300 554 474

AUDITORS

BDO Audit Pty Ltd
Tower 4, 727 Collins Street
Melbourne VIC 3000

SOLICITORS

MinterEllison Lawyers
Rialto Towers, 525 Collins Street
Melbourne VIC 3000

BANKERS

National Australia Bank
Level 1, 99 Bell Street
Preston VIC 3072



HAWTHORN RESOURCES LIMITED

Managing Director/CEO Report

Dear Shareholders,

FY 2022 was a year of positive progress for Hawthorn Resources which has laid strong foundations for the future.

In April 2022, Hawthorn Resources announced the earn-in by Hancock Magnetite Holdings Pty Ltd (Hancock) into the Mt Bevan magnetite iron ore project.

More recently, in August 2022, the company announced that Hancock had executed an additional agreement to undertake a Critical Minerals pre-feasibility study at Mt Bevan. The desktop study will assess the potential exploration of nickel, lithium and copper on the Mt Bevan project.

Financially, a profit for the year of \$0.9m was achieved which pleasingly increased cash on hand to \$13.8m at 30 June 2022.

The principal activities of the Group during the financial year centered on the Company's interests in:

- (i) the Mount Bevan iron ore project ("Mt Bevan") which at the start of the year the Company held a 40% stake with Legacy Iron Ore Limited (ASX: LCY) holding the remaining 60% stake; and
- (ii) our 70% interest in the Trouser Legs gold Mining Joint Venture Project ("TLMJV" or "the Project"). GEL Resources Pty Ltd ("GEL") owns the remaining 30% interest in the project.

Mt Bevan Magnetite Joint Venture

On 7 April 2022, the Company announced to ASX that it and LCY had entered a new joint venture arrangement with Hancock Magnetite Holdings Pty Ltd ("Hancock") where Hancock would earn-in to this project with an initial payment of \$9m for a 30% interest. \$4.8m was paid to LCY and \$3.2m paid to HAW, with the remaining \$1m to be used as working capital for the new JV. Upon completion of this stage of the earn-in Hancock held 30%, LCY held 42% and HAW held 28%.

Hancock will earn an additional 21% in the joint venture by funding the completion of a pre-feasibility study, at which time interests in the project will be Hancock 51%, LCY 29.4% and HAW 19.6%. Mt Bevan is a next generation decarbonizing, high grade magnetite (iron ore) project in the central Yilgarn of Western Australia with the potential to supply the growing market for Direct Reduced Iron (DRI), essential for the transition to lower carbon emissions in steel making.

Atlas Iron Ore Pty Ltd has been appointed as the manager of the new joint venture and is 100% owned by the Hancock Group.



Trouser Legs Gold Mining Joint Venture

The projects initial development and mining operations in the TLMJV were completed in FY2021. The Company also hold additional interests in exploration assets and continues exploration and evaluation activities on these assets in the district.

It is pleasing to report that the TLMJV successfully treated some of its low grade ore stockpiles during the year resulting in further net proceeds \$1,284,775.

As Hawthorn is deemed to control the operation of the TLMJV it has accordingly consolidated in full the Project assets and liabilities, plus income and expenditure, with the interest GEL holds being represented in the financial accounts as a liability.

WEBSITE UPDATE

We recently launched our new website, which is being regularly updated with relevant news. The platform is user friendly and is a great way to stay up to date with Hawthorn's activities, so please make sure to subscribe to the monthly newsletter.

www.hawthornresources.com

OTHER EXPLORATION AND DEVELOPMENT

For additional detailed information on all the Company's financial, exploration and development activities in FY 2021 and up to the date of this Report shareholders are referred to the Company's Quarterly Activities Reports for September and December 2021 and March and June 2022 either on the Company's website or on the Company's ASX webpage.

In addition to the above market announcements, Shareholders are referred to the following public announcements were made during FY22 relating to exploration activities which can be viewed on the Company's website or the Company's ASX webpage ("HAW"):

- 30 July 2021 – Edjudina Gold Project Tenement Update
- 08 September 2021 – Trouser Legs Joint Mining Venture Update
- 15 November 2021 – Hancock to earn into the Mt Bevan iron ore project
- 14 February 2022 – Company Update
- 04 April 2022 – Mt Bevan Agreement Completion
- 03 May 2022 – Mt Bevan Joint Venture Update

FINANCIAL POSITION

The consolidated operating profit for the year was \$927,058.

The Group had cash funds on hand at 30 June 2022 of \$13,775,136, receivables of \$261,564, financial assets of \$197,908 and current liabilities totalled \$2,041,933.



ISSUED SECURITIES

The number of securities on issue at the end of the June 2022 financial year was 333,515,613 ordinary fully paid shares (2021: 333,515,613 shares) as quoted on the ASX under security code: "HAW".

BOARD OF DIRECTORS

For the year ended 30 June 2022 and as at the date of this Report the Board of Directors had six serving members with Mr Li as Chairman and with me as Managing Director/CEO.

At the AGM in December 2021 Mr Li, Yijie was re-elected as a Non-Executive Director and continues as Chairman and Mr Brian Thornton was elected as Non-Executive Director.

No other changes to the Board occurred during FY22. A full and detailed description of each Director in office on 30 June 2022 and as at the date of this Report is set out in the Directors' Report within the Financial Statements that form part of this 2022 Annual Report.

SUMMARY

The aggressive activities of management in the areas of evaluation, assessment and negotiation were most positive resulting in the earn-in Agreement for the Mount Bevan Iron Ore Project as noted above.

Overall, the existing debt-free financial resources of the Company with the Group having working capital of \$11,994,767 at 30 June 2022 which includes the initial farm-in proceeds to the Company arising from the Mount Bevan earn-in Agreement has placed the Company in a strong financial position and, going forward, allows the Company to:

- Review and negotiate new exploration/ development opportunities; and
- Deal with the future development options for the Anglo-Saxon Gold Project

In late August 2022, Legacy Iron and Hawthorn granted Hancock the exclusive right to undertake a desktop study (DTS) to assess nickel, lithium, and copper on the Mt Bevan project. The JV will advise the results of the Critical Minerals Desktop Study at Mt Bevan when they come to hand.

The Company continues to update its website to shareholders and potential investors with reports and announcements.

See the ASX webpage (ASX code: "HAW") or the Company's website at:

www.hawthornresources.com

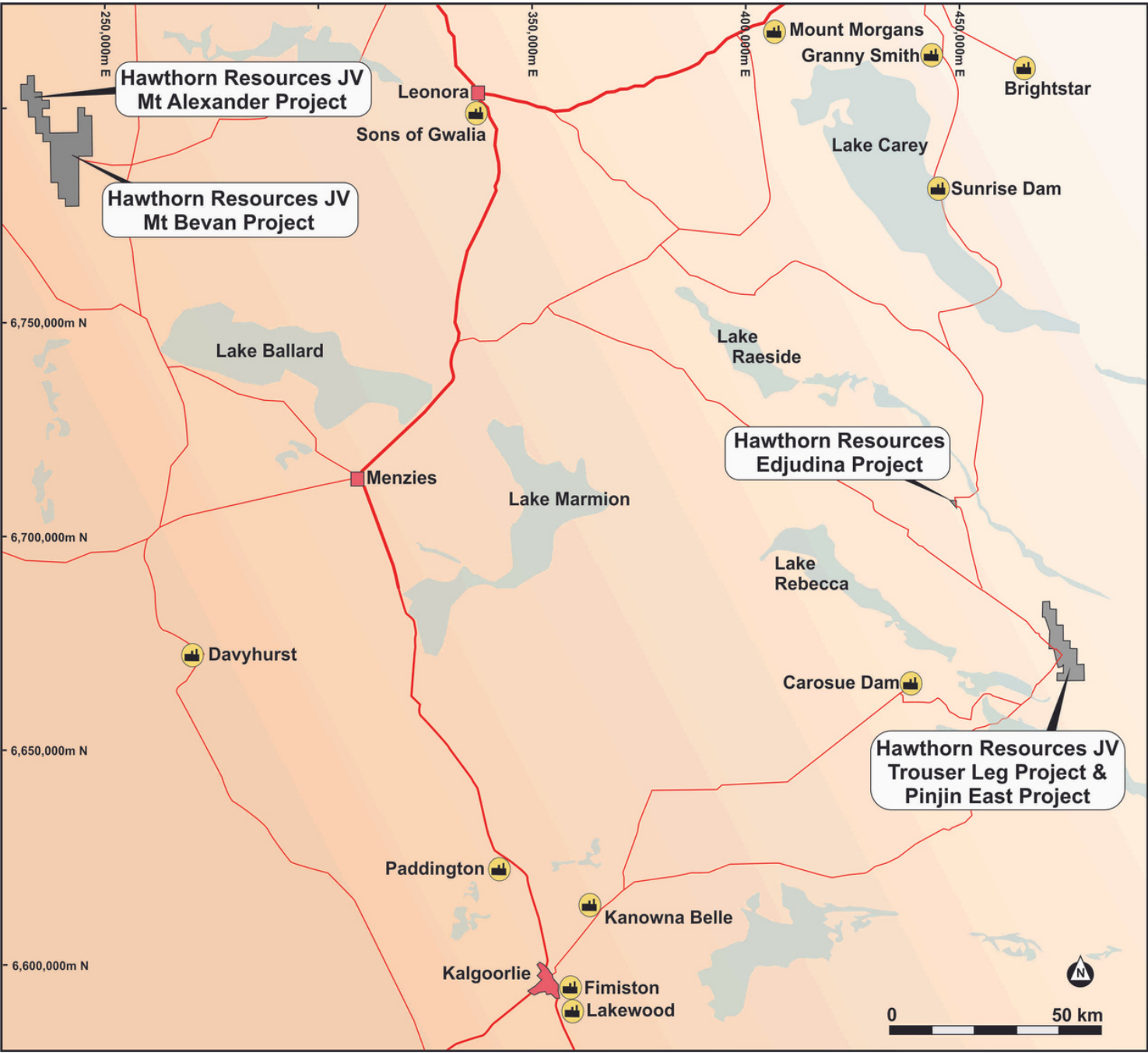
Yours faithfully,

Mark Kerr

Managing Director/CEO

Hawthorn Resources

Western Australia Goldfields Area Map





ANGLO-SAXON, AERIAL VIEW OF PIT





Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT YEAR ENDED 30 JUNE 2022

Comprising:

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Hawthorn Resources Limited

ABN 44 009 157 439

Directors' Report 2022

Hawthorn Resources Limited Directors' Report

The Directors of Hawthorn Resources Limited, a Company listed on the Australian Securities Exchange, present their report for the year ended 30 June 2022.

1. Directors

The Directors of the Company in office since 1 July 2021 and up to the date of this Report are:

Mr Li, Yijie

Non-Executive Chairman

Appointed 30 October 2012; last re-elected 2021 AGM

In November 2019 Mr Li was elected as Chairman of the Board of Directors.

Mr. Li is the Chairman of the Board of Lite Smooth Investment Limited and has been the President of Guangdong Jiarun Industrial Co. Ltd since 2000, which is a diversified investment group, with total assets of RMB 5 billion.

Indirect interest in securities (ordinary fully paid shares) are held through a greater than twenty per cent shareholding interest in Feng Hua Mining Investment Holding (Hong Kong) Limited.

Mr Mark G Kerr - LL.B

Managing Director and Chief Executive Officer

Appointed 22 November 2007; last re-elected 2014 AGM

Mr Kerr was appointed as a Director and as Chairman of the Board of Directors of Hawthorn Resources Limited in November 2007, which merged with Ellendale Resources N.L in June 2008. In June 2016 the Board of Directors resolved to additionally appoint Mr Kerr to be Managing Director and Chief Executive Officer with immediate effect from 24 June 2016. In November 2020 Mr Kerr stepped down as Chairman but continued in his role as Managing Director and CEO.

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

Mr Kerr holds current directorships as non-executive Chairman of WCM Global Long Short Ltd (ASX: WLS)(formerly known as Contango Income Generator Ltd (ASX: CIE));

Former directorships of listed entities during the past three-year period being: non-executive director of Alice Queen Ltd (ASX: AQX) – resigned 30 June 2019; non-executive chairman of Think Childcare Limited (ASX: TNK) and non-executive director chairman Think Childcare Development Limited (ASX: TND) –resigned both positions 21 October 2021.

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

Interest in securities (ordinary fully paid shares): 11,854,088.

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

Non-Executive Director

Appointed 14 November 1996; last re-elected 2019 AGM

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

Dr Tyrwhitt worked for over 20 years with Newmont Mining Corporation in Australia, South-East Asia and the United States. During this time, he was responsible for the discovery of the Telfer Gold Mine in Western Australia. He was Chief Executive of Newmont Australia Limited between 1984 and 1988 and Chief Executive Officer of Ashton Mining Limited between 1988 and 1991. He established his own consultancy business in 1991 working in South-East Asia and China with several Australian, Canadian and British mining and exploration groups as a consulting geologist.

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

Dr Tyrwhitt holds no other directorships of listed entities.

Hawthorn Resources Limited Directors' Report

Former directorships in the last three years of listed entities being Merlin Diamonds Limited (December 2011 to September 2019) and Northern Capital Resources Incorporated (January 2008 to October 2019).

Interest in securities (ordinary fully paid shares): 400,000.

Mr Liao, Yongzhong – MBA

Non-Executive Director

Appointed 30 October 2012; last re-elected 2020 AGM

Mr. Liao, Yongzhong has served Guangdong Feng Hua Advanced Technology (Holding) Co., Ltd. for more than 20 years. Since joining it in 1993, he has held the following significant posts: Vice General Manager and Secretary of the Board of Directors from October 2003 to July 2007, Director and Vice General Manager from January 2007 to August 2008, Vice General Manager from August 2008 to May 2018.

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

Interest in securities (ordinary fully paid shares): Nil.

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

Mr Liu, Zhensheng

Non-Executive Director

Appointed 9 December 2015; last re-elected 2019 AGM

Mr Liu is a Geological professor-level senior engineer and a mineral processing senior engineer. He has worked on prospecting, exploration, mine construction, mine production and operation management, mining investment for around 40 years.

He has held the following significant posts:

- Investment Director of a listed company (2018 to present);
- Director and General Manager of Guangdong Rising Mineral Resources Investment and Development Co. Ltd (2016-2018);
- Director and Vice General Manager of Guangdong Rising Mineral Resources Investment and Development Co. Ltd. (2014-2016);
- Director, General Manager, and Chief Engineer of Guangdong Jinding Gold Co., Ltd (2010-2014);
- Geological Section Vice Chief, Assistant to Mine director, vice mine director, director of Hetai Gold Mine in Gaoyao of Guangdong (1989-2010);
- Technician, Mining Technical Manager in team 719 of Guangdong Geological and Mineral Bureau (1983-1989);

In addition, he has served as a member of the Membership Committee of the Shanghai Gold Exchange and the National Technical Committee on Gold of Standardization Administration of China. He has also served as a member of Senior Engineer (professor level) Commission on Accrediting of Guangdong Province

Interest in securities (ordinary fully paid shares): Nil.

Mr Brian F Thornton

Non-Executive Director

Appointed 17 June 2021, elected 2021 AGM

Mr Thornton is the Director and 100% shareholder of Gel Resources Pty Ltd, which holds a 30% interest in the Anglo-Saxon gold project. Mr Thornton has had a long association with the minerals and exploration industry in Australia and internationally, both at executive and advisory levels. He is the former Executive Chairman of Xanadu mines Ltd (ASX: XAM), which he founded in 2004 and in which he remains a significant investor.

Mr Thornton is a graduate in Economics from the Australian National University and a Fellow of the Financial Services Institute (FINSIA) and, currently, is the Honorary Consul of Mongolia in New South Wales.

Interest in securities (ordinary fully paid shares): 5,761,879.

Hawthorn Resources Limited

Directors' Report

FORMER DIRECTORS

During the financial year ended 30 June 2022 and up to the date of this Report the following no directors resigned from the Board of Directors:

DIRECTORSHIPS

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

2. Principal Activities and Review and Results of Operations

Hawthorn Resources Limited ("Hawthorn" or "the Company") and its controlled entities ("the Group") is an Australian diversified base metals and gold mining and exploration company, with strategic and significant tenement holdings throughout the Central Yilgarn Iron Province and the South Laverton Gold Zone of Western Australia.

The principal activities of the Group during the financial year centered around the Company's interests in:

- (i) the Mount Bevan iron ore project ("Mt Bevan") which at the start of the year the Company held a 40% stake with Legacy Iron Ore Limited (ASX: LCY) holding the remaining 60% stake; and
- (ii) the 70% interest in the Trouser Legs Mining Joint Venture Project ("TLMJV" or "the Project"). GEL Resources Pty Ltd ("GEL") owns the remaining 30% interest in the project.

Mt Bevan

On 7 April 2022, the Company announced to the ASX that it and LCY had entered into a new joint venture arrangement with Hancock Magnetite Holdings Pty Ltd ("Hancock") where Hancock would earn-in to this project with an initial payment of \$9m for a 30% interest. \$4.8m was paid to LCY and \$3.2m paid to HAW, with the remaining \$1m to be used as working capital for the new JV. Upon completion of this stage of the earn-in Hancock held 30%, LCY held 42% and HAW held 28%.

Hancock will earn an additional 21% in the joint venture by funding the completion of a pre-feasibility study, at which time interests in the project will be Hancock 51%, LCY 29.4% and HAW 19.6%

Atlas Iron Ore Pty Ltd has been appointed as the manager of the new joint venture.

TLMJV

The project's initial development and mining operations in the TLMJV were completed in FY2021. The Company also holds interests in exploration assets and continues exploration and evaluation activities on these assets.

As Hawthorn is deemed to control the operation of the TLMJV it has accordingly consolidated in full the Project assets and liabilities, plus income and expenditure, with the interests GEL holds being represented in the financial accounts as a cost to the project, and any amounts arising from the operation due to GEL presented as a liability to the Group, and any amounts due from GEL represented as an asset.

Objective

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

During the year the Group generated \$5,647,473 from ore sales (2021: nil). Mining costs and related development expenses amounted to \$3,829,636 (2021: nil). The revenue was generated from the processing of low-grade ore that was mined previously at TLMJV.

The Company generated a gain from entering into a farm-out arrangement in relation to the Mt Bevan exploration permit during the year, for which it received cash of \$3,200,000. The gain recorded in profit and loss occurred due to the excess of the cash received over previously capitalised expenditure on the permit of \$1,960,828. The gain recorded was \$1,239,172.

Exploration write-offs and impairment for the year amounted to \$375,397 compared to \$592,208 in 2021.

Administration expenses for 2022 were \$1,233,992 (2021: \$1,153,780), and consolidated profit for the year was \$927,058 (2021: loss \$1,660,433).

Hawthorn Resources Limited

Directors' Report

Consolidated Statement of Financial Position

The Group had cash funds on hand at 30 June 2022 of \$13,775,136 (2021: \$12,115,231), receivables of \$261,564 (2021: \$61,956), financial assets of \$197,908 (2021: \$197,908) and current liabilities totaled \$2,041,933 (2021: \$2,552,736).

At 30 June 2022, the Group had working capital of \$11,994,767 (2021: \$9,624,451), being current assets less current liabilities (excluding mining assets disclosed as current assets), and net assets of \$14,210,992 (2021: \$13,283,934).

Cash Flow

During the year, the Company received \$3,200,000 as part of a farm-out agreement for the Mt Bevan permit.

In operations, the Group generated cash flows of \$123,089 (2021: \$1,148,537 outflow) for operating activities and paid \$1,216,140 (2021: \$1,850,541) for exploration activities. It raised no capital from the issue of new equity (2021: \$nil). Return of funds and profit distributions totaling \$459,544 (2021: \$288,361) were provided to the TLMJV partner.

3. Significant Change in State of Affairs

Other than the matters noted in item 2 above and items 4 to 9 below, the Directors are of the opinion that there has not been any significant change in the state of affairs of the Company during the year under audit.

4. Dividends

No dividend was declared or paid during the year ended 30 June 2022. During the prior year the Company returned funds of \$8,234,809 to shareholders and paid a special dividend of \$5,265,190.

5. Status of Operations at Reporting Date

Exploration and Development

In the interval between the end of the financial year and the date of this Report and, as reported to the ASX, the Company has continued its exploration and development on its Western Australia Gold Projects in the South Laverton Zone and its iron ore/base metals interests in the Central Yilgarn region 100kms west of Leonora.

6. Events After the Balance Date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods. Refer to item 7 below.

7. Future Developments and Results

The current focus is exploring and evaluating underground reserves at the Trouser Legs Mining Joint Venture ("TLMJV") tenement areas.

The Group will also continue to develop its other exploration assets and will fund such operations from existing reserves, cash flows from the TLMJV mining operation and, where necessary, capital raising. Other than this there are no likely developments of which the Directors are aware of which could be expected to significantly affect the results of the Group's operations in subsequent financial years.

8. COVID-19 Pandemic

The COVID-19 pandemic has impacted all businesses throughout Australia and Hawthorn is no different. The restrictions relating to travel between states, regions and countries, restrictions in work practices, and precautionary measures required to be taken when outside of the home have impacted all aspects of life in Australia throughout 2021-22.

Although the restrictions have provided challenges on an individual basis, management has developed COVID-specific operating protocol addressing this issue and the Group's operations have not been as disrupted. In addition, the Group's officers are familiar with working remotely, and therefore have been able to adapt readily to the "new normal".

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information, and the Directors do not expect there to be any impact on the activities or assets of the Group.

Hawthorn Resources Limited

Directors' Report

9. Issued Securities

(a) Ordinary Shares

At the date of this Report this Company has on issue a total of 333,515,613 shares (2021: 333,515,613 shares).

(b) Options

At the date of this Report the Company has no options on issue (2021: nil).

(c) ESOP – Performance Rights

At the date of this Report the Company has no performance rights on issue (2021: nil)

10. Directors Interest in Issued Securities

The declared relevant interest of each Director of fully paid ordinary shares of the Company as at the date of this Report is:

| | 2022 | 2021 |
|-----------------|------------|------------|
| M G Kerr * | 11,854,088 | 11,854,088 |
| D S Tyrwhitt | 400,000 | 500,000 |
| Liao, Yongzhong | - | - |
| Li, Yijie ** | - | - |
| Liu, Zhengsheng | - | - |
| B F Thornton | 5,761,879 | 5,761,879 |

* Mr Kerr's shareholding is held indirectly through superannuation funds that Mr Kerr is trustee of.

** Mr Li, as the owner and controller of Lite Smooth Investment Limited, an entity which has a voting power in Feng Hua Mining Investment Holding (HK) Limited ("Feng Hua") of greater than 20%, has a relevant shareholding interest in Hawthorn Resources Limited ("HAW"). As declared, Feng Hua holds 120,788,101 ordinary fully paid voting shares (2021: 120,788,101 shares) in HAW currently being the equivalent of a 36.22 percentage voting interest in HAW (2021: 36.22 per cent).

11. Meetings of Directors

The number of meetings of Directors held including meetings of Committees of the Board during the financial year including their attendance was as follows:

| | BOARD | | AUDIT COMMITTEE | |
|-----------------|--------------------|----------|--------------------|----------|
| | ELIGIBLE TO ATTEND | ATTENDED | ELIGIBLE TO ATTEND | ATTENDED |
| M G Kerr | 5 | 5 | 2 | 2 |
| D S Tyrwhitt | 5 | 5 | 2 | 2 |
| Liao, Yongzhong | 5 | 5 | 2 | 2 |
| Li, Yijie | 5 | 5 | - | - |
| Liu, Zhensheng | 5 | 5 | - | - |
| B F Thornton | 5 | 5 | - | - |

Note:

In between Board Meetings, Directors passed a total of three circulating resolutions which are then noted and ratified at the next occurring Board meeting.

12. Company Secretary

On 14 February 2022, Mr G Fowles replaced Mr M Garbutt as Company Secretary.

Over the past 20 years, Mr Fowles has held director and company secretary positions with various ASX listed companies including Contango MicroCap Limited, Global Health Limited and Incannex Healthcare Limited.

Hawthorn Resources Limited Directors' Report

13. Directors' and Officers' Indemnity and Auditor Indemnity

Directors:

The Company has entered into an Indemnity Deed with each of the Directors and with certain former Directors which will indemnify them against liability incurred to a third party (not being the Company or any related company) where the liability does not arise out of misconduct including a breach of good faith. The Indemnity Deed will continue to apply for a period of 10 years after a Director ceases to hold office and a Director's Access and Insurance Deed with each of the Directors pursuant to which a Director can request access to copies of documents provided to the Director whilst serving the Company for a period of 10 years after the Director ceases to hold office. There will be certain restrictions on the Directors' entitlement to access under the deed.

Pursuant to the requirements of the Indemnity Deed, the Company has taken out Directors and Officers Liability Insurance the terms of which are subject to confidentiality prohibiting disclosure of the terms and conditions of the policy cover.

Auditors:

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as an auditor.

14. Environment

The mining and exploration activities of the Hawthorn group are conducted in accordance with, and controlled principally by, Australian state and territory government legislation. The group has extensive land holdings in Australia for exploration and exploitation of resources. The Company employs a system for reporting environmental incidents, establishing and communicating accountability, and rating environmental performance. During the year, data on environmental performance was reported as part of the periodic exploration reporting regime. In addition, as required under state legislation, procedures are in place to ensure that the relevant authorities are notified prior to the commencement of ground disturbing exploration activities. Mining activities are governed by licencing arrangements and the Company is committed to complying in full to all conditions and regulations associated with the TLMJV mining licence requirements.

The Company is committed to minimising the impact of its activities on the surrounding environment at the same time aiming to maximise the social, environmental and economic returns for the local community. To this end the environment is a key consideration in our mining and exploration activities and during the rehabilitation of disturbed areas. Generally, rehabilitation occurs immediately following the completion of a particular phase of exploration or, in the case of TLMJV, after the completion of mining activities. In addition, the Company continues to develop and maintain mutually beneficial relationships with the local communities affected by its activities.

15. Non-Audit Services

During the year BDO Audit Pty Ltd, the Company's auditor, has not performed other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, BDO Audit Pty Ltd, and its related practices, for audit and non-audit services provided during the year are set out below.

| | 2022 \$ | 2021 \$ |
|---|-------------------|-------------------|
| Statutory audit | | |
| Auditors of the Company – BDO | | |
| - Audit and review of financial reports | 65,583 | 62,715 |
| Other Services – BDO | | |
| - Other non-audit services | - | - |
| Total fees | 65,583 | 62,715 |

Hawthorn Resources Limited Directors' Report

16. Remuneration Report - Audited

The Remuneration Report sets out remuneration information for non-executive directors, executive directors and other key management personnel.

The Report contains the following sections:

- (i) Management Services – Berkeley Consultants Pty Ltd;
- (ii) Overview of Company Performance on Remuneration Structures;
- (iii) Non-Executive Directors;
- (iv) Executive Directors Remuneration;
- (v) Details of Directors, Executives and Remuneration; and
- (vi) Bonuses included in Remuneration
- (vii) Details of Directors and Executives Interest in Securities.
- (viii) Other Transactions with Key Management Personnel

(i) Management Services – Berkeley Consultants Pty Ltd

The Company entered into a service arrangement with Berkeley Consultants Pty Ltd (“Berkeley Consultants”) effective from 1 April 2008.

Total fees paid or due during the 30 June 2022 financial year amounted to \$170,000 plus GST (2021: \$190,000) for the provision for serviced office facilities at 90 William Street, Melbourne.

This arrangement with Berkeley Consultants represented a related party transaction with Mr M Kerr having a material personal interest in the transactions through his interests in Berkeley Consultants Pty Ltd.

Given the nature of the related party interest in this matter, the non-related non-executive directors, in March 2014 conducted a review of the provision of serviced office facilities and executive functions offered to the Hawthorn Resources group of companies by Berkeley Consultants Pty Ltd noting the terms and procedures set out in Section 195 of the *Corporations Act 2001* and approved an extension to the term of the arrangement to 31 December 2017 and thereafter of a month-to-month basis.

In considering the extension of the Agreement to 31 December 2017 and beyond and the services to be provided by Berkeley Consultants Pty Ltd to the Hawthorn Resources group of companies, the non-related Directors noted the following:

- (i) the terms proposed are similar to the previous arrangements being on arms-length commercial terms; and
- (ii) the proposal includes provision of serviced offices with reception, boardroom and other facilities as required, payable quarterly in advance.

(ii) Overview of Company Performance on Remuneration Structures

The Group's performance, during the current year and over the past five years, has been as follows:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| | <u>Consolidated</u> | <u>Consolidated</u> | <u>Consolidated</u> | <u>Consolidated</u> | <u>Consolidated</u> |
| Revenue | 5,661,091 | 92,138 | 37,758,946 | 39,318,439 | 17,339,153 |
| Net profit / (loss) | 927,058 | (1,660,433) | 13,921,133 | 8,315,992 | (5,586,744) |
| Basic earnings / (loss) per share – cents | 0.278 | (0.498) | 2.715 | 2.280 | (1.723) |
| Diluted earnings per share-cents | 0.278 | (0.498) | 2.715 | 2.280 | (1.723) |
| Net assets | 14,210,992 | 13,283,934 | 28,727,314 | 20,947,003 | 13,272,581 |

The Directors do not believe the financial or share price performance of the Company is an accurate measure when considering remuneration structures as the Company is in the mineral exploration industry. Companies in this industry do not have an ongoing source of revenue, as revenue is normally from ad-hoc transactions.

The more appropriate measure is the identification of exploration targets, identification and/or increase of mineral resources and reserves and the ultimate conversion of the Company from explorer status to mining status.

(iii) Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders in January 2008 at a General Meeting of shareholders and approved with a 99.65% acceptance in favour of the resolution, is not

Hawthorn Resources Limited Directors' Report

to exceed \$300,000 per annum. The current aggregate of Non-Executive Directors' base fees for the current year was \$170,000 per annum (2021: \$170,000). Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities and membership of Board committees. Non-Executive Directors do not receive any benefits on retirement.

However, and as permitted under the Company's Constitution, Non-Executive Directors are entitled to receive payment for services provided which are over and above their normal directorial duties and which have been specifically requested by the Board of Directors. For such additional services, consultancy fees are in addition to directors' fees and are outside of the shareholder approved aggregate for directors' fees.

There has been no change to the remuneration structure during the year, and as such no independent remuneration expert was engaged during the year.

(iv) Executive Directors Remuneration

The Company seeks to reward executives with a level of remuneration based upon their position and responsibilities.

The Company's Managing Director/CEO, Mr M G Kerr was appointed on 24 June 2016. The key elements of the Executive Service Agreement were:

- (i) Term: to 31 December 2018, and thereafter, renewable annually;
- (ii) Remuneration: \$147,000 a year (adjusted for CPI increases) plus government superannuation levy;
- (iii) Bonus: the Board of Directors may, in its absolute discretion, set performance criteria which, if met, will entitle a bonus of 50 per cent of the annual remuneration to be paid in respect of each Financial Year or pro rata Financial Year;
- (iv) Termination: the Agreement may be terminated by:
 - (a) mutual agreement between the Company and the Executive;
 - (b) expiry of the Agreement at the agreed date as extended; and
 - (c) by being summarily terminated by the Company without notice or compensation where certain events have occurred. The Agreement does not contain a period of notice; and
- (v) Termination Benefits: subject to an entitlement to a bonus there are no other amounts payable on Termination.

(v) Details of Directors, Executives and Remuneration

The names of the Directors and Executives in office during the year are as follows: -

Li, Yijie – Non-Executive Chairman
 M G Kerr – Managing Director and Chief Executive Officer
 D S Tyrwhitt – Non-Executive Director
 Liao, Yongzhong – Non-Executive Director
 Liu, Zhensheng – Non-Executive Director
 B F Thornton – Non-Executive Director

Details of the nature and amount of each major element of remuneration of each Director of the Company and of each Executive of the Company are:

Year Ended 30 June 2022

| | SHORT TERM EMPLOYMENT BENEFITS | | POST EMPLOYMENT | EQUITY BASED | |
|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------------------|----------------|
| | Cash Salary and Fees | Leave provision | Superannuation Contributions | PAYMENTS Performance Rights | TOTAL |
| | \$ | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | | |
| D S Tyrwhitt (1) | 83,750 | - | 5,000 | - | 98,750 |
| Liao, Yongzhong | 30,000 | - | - | - | 30,000 |
| Li, Yijie | 30,000 | - | - | - | 30,000 |
| Liu, Zhensheng | 30,000 | - | - | - | 30,000 |
| B F Thornton | 30,000 | - | 3,000 | - | 33,000 |
| Sub-Total | 203,750 | - | 8,000 | | 221,750 |
| Executive Directors | | | | | |
| M G Kerr | 195,272 | 6,116 | 19,527 | - | 310,266 |
| Sub-Total | 195,272 | - | 19,527 | - | 310,266 |
| Total | 399,022 | 6,116 | 27,527 | - | 532,016 |

1. In addition to directors' duties, Dr Tyrwhitt undertook additional exploration 'field' duties at the request of the Board of Directors and received \$33,750 in consulting fees.

Hawthorn Resources Limited

Directors' Report

Year Ended 30 June 2021

| | SHORT TERM EMPLOYMENT Cash Salary and Fees \$ | EMPLOYMENT Leave provision \$ | BENEFITS Cash Bonus | POST EMPLOYMENT Superannuation Contributions \$ | EQUITY BASED PAYMENTS Performance Rights \$ | TOTAL \$ |
|--------------------------------|--|--|---------------------------|---|--|----------------|
| Non-Executive Directors | | | | | | |
| C Corrigan (1) | 20,000 | - | - | 1,900 | - | 21,900 |
| D S Tyrwhitt (2) | 80,525 | - | - | 4,750 | - | 85,275 |
| Liao, Yongzhong | 30,000 | - | - | - | - | 30,000 |
| Li, Yijie | 30,000 | - | - | - | - | 30,000 |
| Liu, Zhensheng | 30,000 | - | - | - | - | 30,000 |
| B F Thornton | 1,250 | - | - | 119 | - | 1,369 |
| Sub-Total | 191,775 | - | - | 6,769 | - | 198,544 |
| Executive Directors | | | | | | |
| M G Kerr | 147,000 | 2,813 | - | 13,965 | - | 163,778 |
| Sub-Total | 147,000 | 2,813 | - | 13,965 | - | 163,778 |
| Other KMP | | | | | | |
| M Garbutt (3) | - | - | - | - | - | - |
| Sub-Total | - | - | - | - | - | - |
| Total | 338,775 | 2,813 | - | 20,734 | - | 362,322 |

1. Mr Corrigan resigned on 9 February 2021.
2. In addition to directors' duties, Dr Tyrwhitt undertook additional exploration 'field' duties at the request of the Board of Directors and received \$30,525 in consulting fees.
3. Mr Garbutt does not receive a salary or direct remuneration for Company Secretarial fees. Mr Garbutt controls a company (KR Corporate Compliance Pty Ltd) that provides company secretarial and corporate services for Hawthorn Resources Ltd.

(vi) Bonuses included in Remuneration

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | 2022 | | | 2021 | | |
|--------------------------------|--------------------|---------------|---------------|--------------------|---------------|---------------|
| | Fixed remuneration | At risk - STI | At risk – LTI | Fixed remuneration | At risk - STI | At risk – LTI |
| Non-Executive Directors | | | | | | |
| C Corrigan | -% | - | - | 100% | - | - |
| D S Tyrwhitt | 90% | 10% | - | 100% | - | - |
| Liao, Yongzhong | 100% | - | - | 100% | - | - |
| Li, Yijie | 100% | - | - | 100% | - | - |
| Liu, Zhensheng | 100% | - | - | 100% | - | - |
| B F Thornton | 100% | - | - | - | - | - |
| Executive Directors | | | | | | |
| M G Kerr | 71% | 29% | - | 100% | - | - |
| | - | - | - | - | - | - |

(vii) Details of Directors and Executives Interest in Securities

Fully paid ordinary shares:

| Directors: | 01.07.2021 | Exercise of performance rights | On-market movements | 30.06.2022 |
|------------------------|-------------------|--------------------------------|---------------------|-------------------|
| M G Kerr | 11,854,088 | - | - | 11,854,088 |
| D S Tyrwhitt | 500,000 | - | (100,000) | 400,000 |
| Liao, Yongzhong | - | - | - | - |
| Li, Yijie | - | - | - | - |
| Liu, Zhensheng | - | - | - | - |
| B F Thornton | 5,761,879 | - | - | 5,761,879 |
| Total Directors | 18,115,967 | - | (100,000) | 18,015,967 |

(viii) Other transactions with Key Management Personnel

- (i) During the year the Company paid \$170,000 (2021: \$190,000) to Berkeley Consultants Pty Ltd for serviced office facilities. Berkeley Consultants Pty Ltd is an entity in which Mr. M Kerr has a material

Hawthorn Resources Limited Directors' Report

- personal interest in the transactions through his interests in Berkeley Consultants Pty Ltd. At 30 June 2022 a payable of nil (2021: \$69,250) was outstanding.
- (ii) During the year the Company paid consulting fees totalling nil (2021: \$6,840) to Public Relations Exchange, an entity controlled by a related party of Mr. M Kerr.

This concludes the Remuneration Report, which has been audited.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's Independence Declaration:

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 13.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 30th day of September 2022.



Mark Kerr
Managing Director and CEO

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

As lead auditor of Hawthorn Resources Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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 30 September 2022

Hawthorn Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2022

| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 2022 \$ | 2021 \$ |
| Continuing operations | | | |
| Revenue | 11 | 5,661,091 | 92,138 |
| Other income | 12 | 1,251,672 | - |
| Expenses | | | |
| Mining costs | 13 | (3,829,636) | - |
| Exploration expenditure impaired | 4 | (254,776) | (464,228) |
| Exploration expenditure expensed | 4 | (120,621) | (127,980) |
| Administration expenses | | (1,233,992) | (1,153,780) |
| Depreciation expense | | - | (1,170) |
| Profit attributable to Joint Venture partner | 14 | (546,680) | (5,413) |
| Profit / (Loss) before income tax expense from continuing operations | | 927,058 | (1,660,433) |
| Income tax expense | 15 | - | - |
| Profit / (Loss) for the year after tax from continuing operations | | 927,058 | (1,660,433) |
| Other comprehensive income | | - | - |
| Total other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income / (loss) for the year | | 927,058 | (1,660,433) |
| Earnings per share | | | Cents |
| Basic earnings / (loss) per share for the year attributable to ordinary equity holders | 16 | 0.278 | (0.498) |
| Diluted earnings / (loss) per share for the year attributable to ordinary equity holders | 16 | 0.278 | (0.498) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes

Hawthorn Resources Limited
Consolidated Statement of Financial Position as at 30 June 2022

| | | Consolidated | |
|----------------------------------|------|--------------|--------------|
| | Note | 2022 \$ | 2021 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2(a) | 13,775,136 | 12,115,231 |
| Trade and other receivables | 3 | 261,564 | 61,956 |
| Total Current Assets | | 14,036,700 | 12,177,187 |
| Non-Current Assets | | | |
| Other financial assets | | 197,908 | 197,908 |
| Exploration expenditure | 4 | 2,018,317 | 3,461,575 |
| Total Non-Current Assets | | 2,216,225 | 3,659,483 |
| TOTAL ASSETS | | 16,252,925 | 15,836,670 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 7 | 792,779 | 909,815 |
| Provisions | 8 | 1,249,154 | 1,642,921 |
| Total Current Liabilities | | 2,041,933 | 2,552,736 |
| TOTAL LIABILITIES | | 2,041,933 | 2,552,736 |
| NET ASSETS | | 14,210,992 | 13,283,934 |
| EQUITY | | | |
| Contributed equity | 9 | 54,084,505 | 54,084,505 |
| Accumulated losses | | (39,873,513) | (40,800,571) |
| TOTAL EQUITY | | 14,210,992 | 13,283,934 |

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes

Hawthorn Resources Limited
Consolidated Statement of Cash Flows for the year ended 30 June 2022

| | Note | Consolidated | |
|--|-------|--------------|--------------|
| | | 2022 \$ | 2021 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 5,647,473 | - |
| Payments in the course of operations (inclusive of GST) | | (5,538,002) | (1,289,665) |
| Government grant income | | - | 37,100 |
| Interest received | | 13,618 | 104,028 |
| Net cash provided by / (used in) operating activities | 2 (b) | 123,089 | (1,148,537) |
| Cash flows from investing activities | | | |
| Payments for exploration expenditure | | (1,216,140) | (1,850,541) |
| Payments for investments | | - | (84,818) |
| Receipts from disposal of property, plant and equipment | | 12,500 | - |
| Receipts from farm-out arrangement | 4(a) | 3,200,000 | - |
| Net cash provided by / (used in) investing activities | | 1,996,360 | (1,935,359) |
| Cash flows from financing activities | | | |
| Return of capital to shareholders | | - | (8,234,809) |
| Dividends paid | | - | (5,265,190) |
| Return of cash calls to JV partner | | (459,544) | (288,361) |
| Net cash used in financing activities | | (459,544) | (13,788,360) |
| Net increase / (decrease) in cash and cash equivalents | | 1,659,905 | (16,872,256) |
| Cash and cash equivalents at beginning of year | | 12,115,231 | 28,987,487 |
| Cash and cash equivalents at end of year | 2 (a) | 13,775,136 | 12,115,231 |

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes

Hawthorn Resources Limited
Consolidated Statement of Changes in Equity for the year ended 30 June 2022

| | Contributed Equity | Accumulated Losses | Total Equity |
|---|-----------------------|-----------------------|-----------------|
| | \$ | \$ | \$ |
| CONSOLIDATED | | | |
| At 1 July 2020 | 62,319,314 | (33,874,948) | 28,444,366 |
| Loss for the year after income tax expense | - | (1,660,433) | (1,660,433) |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive loss for the year | - | (1,660,433) | (1,660,433) |
| Dividend paid | - | (5,265,190) | (5,265,190) |
| Return of capital | (8,234,809) | - | (8,234,809) |
| At 30 June 2021 | 54,084,505 | (40,800,571) | 13,283,934 |
| At 1 July 2021 | 54,084,505 | (40,800,571) | 13,283,934 |
| Profit for the year after income tax expense | - | 927,058 | 927,058 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 927,058 | 927,058 |
| At 30 June 2022 | 54,084,505 | (39,873,513) | 14,210,992 |

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Hawthorn Resources Limited (the “Company”) is a public company incorporated and domiciled in Australia. The principal activity of the Company during the financial year was development and mining of gold ore, as well as exploration and evaluation of various base metals and gold.

The consolidated financial report of the Company as at, and for the year ended, 30 June 2022, comprises the Company and its subsidiaries. The financial report was authorised for issue by the Directors on the date of this report.

The registered office and principal place of business of the entity is Level 2, 90 William Street, Melbourne, Victoria, 3000.

(b) Basis of Preparation

The financial report is presented in Australian dollars. The financial report has been prepared on a historical cost basis, except for the valuation of financial assets at fair value through profit or loss that have been measured at fair value in accordance with Australian Accounting Standards.

Separate financial statements for Hawthorn Resources Limited as an individual entity are no longer presented as a consequence of a change in the *Corporations Act 2001*, however limited information for Hawthorn Resources Limited as an individual entity is presented at Note 18.

The accounting policies set out in the notes to the financial statements have been applied consistently to all periods presented in the financial report.

The financial statements have been prepared on a going concern basis.

(c) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (‘AASB’) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

The financial report complies with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

(d) Critical Accounting Estimates and Judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make significant judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards have a significant effect on the financial report and estimates made in accordance with these Standards have a significant risk of material adjustment in the next year. The areas most impacted include:

- Exploration expenditure in note 4.
- Provision for land rehabilitation in note 8.
- COVID-19 Pandemic. The Company has considered the impacts of COVID -19 upon its operations and future plans. There has been no impact upon the carrying value of any of the Group’s assets, and the Directors will continue to monitor the impacts of the pandemic, including Government policy, travel and logistics restrictions and the economic impacts.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

(e) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets, liabilities and results of the Company, and the entities it controlled at the end of, or during, the financial year. The Company and its controlled entities together are referred to in this financial report as the Company or Group.

Subsidiaries are all those entities over which the consolidated Group has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The balances and effects of transactions between entities in the Group have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The accounting policies adopted in preparing the financial statements have been consistently applied by all entities in the Company.

The acquisition of Ellendale Resources NL ("Ellendale") on 10 June 2008 was treated as a reverse acquisition in accordance with AASB 3 "Business Combinations" whereby Ellendale is considered the accounting acquirer on the basis that Ellendale is the controlling entity in the transaction. As a result, Ellendale is the continuing entity for consolidated accounting purposes and the legal parent, Hawthorn Resources Limited, is the accounting subsidiary.

Investments in subsidiaries are accounted for at cost or recoverable amounts in the individual financial statements of Hawthorn Resources Limited.

2. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

| | 2022 | 2021 |
|---------------------------------|-------------|-------------|
| | \$ | \$ |
| Cash at bank | 4,391,927 | 315,848 |
| Term deposits | 9,383,209 | 11,799,383 |
| Total cash and cash equivalents | 13,775,136 | 12,115,231 |

(b) Reconciliation of profit after tax to net cash generated in operating activities

| | 2022 | 2021 |
|--|-------------|-------------|
| | \$ | \$ |
| Profit / (Loss) for the year after tax | 927,058 | (1,655,020) |
| <i>Adjustment for:</i> | | |
| Write off of exploration expenditure | 120,621 | 127,980 |
| Impairment of exploration expenditure | 254,776 | 464,228 |
| Profit on disposal of property, plant and equipment | (12,500) | - |
| Gain on farm-out arrangement | (1,239,172) | - |
| Depreciation | - | 1,170 |
| Allocation of profit to JV partner | 546,680 | |
| Net cash from operating activities before change in assets and liabilities | 597,463 | (1,061,642) |
| Change in assets and liabilities: | | |
| (Increase) / Decrease in receivables and other assets | (199,608) | 130,763 |
| Increase / (Decrease) in trade and other payables | 119,001 | (15,562) |
| Decrease in provisions | (393,767) | (202,096) |
| Net cash from / (used in) operating activities | 123,089 | (1,148,537) |

(c) Reconciliation of cash

For the purpose of the Consolidated Statement of Cash Flows, cash includes cash on hand and at bank.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

(d) *Non-cash financing and investing activities*

During the year, there was no non-cash financing or investing activities (2021: Nil).

Accounting policy

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and short-term deposits whose maturity is within three months or less from the reporting date, net of bank overdrafts.

3. TRADE AND OTHER RECEIVABLES

CURRENT

GST recoverable

Sundry debtors

Total trade and other receivables

| 2022 \$ | 2021 \$ |
|------------|------------|
| 261,564 | 33,756 |
| - | 28,200 |
| 261,564 | 61,956 |

Accounting policy

Receivables are recognised initially at the amount of consideration that is unconditional. The Group holds trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Any impairment or expected loss allowance is recorded in a separate account and any write off is offset against this account in the future.

4. EXPLORATION EXPENDITURE

Areas in the exploration phase

At cost

| 2022 \$ | 2021 \$ |
|------------|------------|
| 2,018,317 | 3,461,575 |

Movement in the carrying value of exploration expenditure during the year was:

Opening balance at 1 July

Costs incurred during the year

Non-controlling interest contribution

Exploration expenditure written off during the year

Exploration expenditure impaired during the year

Farm-out arrangement (a)

Balance at 30 June

| 2022 \$ | 2021 \$ |
|-------------|------------|
| 3,461,575 | 2,389,852 |
| 1,276,675 | 1,772,552 |
| (383,708) | (108,621) |
| (120,621) | (127,980) |
| (254,776) | (464,228) |
| (1,960,828) | |
| 2,018,317 | 3,461,575 |

(a) *Farm-out arrangement*

During the year Hawthorn entered into an arrangement with Hancock Magnetite Holdings Pty Ltd ("Hancock") and Legacy Iron Ore Ltd ("Legacy") in relation to the Mt Bevan exploration permit. Hawthorn and Legacy were joint holders of the permit, with Hawthorn holding a 40% interest and Legacy 60%. Hancock agreed to pay \$8million to the permit holders for a 30% interest in the permit. Hawthorn received \$3.2million to transfer a 12% interest to Hancock, reducing its interest to 28%. In accordance with its accounting policy Hawthorn recorded all receipts against the permit. At the date of the agreement \$1,960,828 of expenditure had already been recorded against the permit. As the receipt of the \$3.2million resulted in an excess of receipts over expenditure on the permit, this excess was taken to profit and loss. This resulted in a gain of \$1,239,172 being recorded in other income.

Accounting policy

Exploration expenditure is capitalised for each separate area of interest where rights to tenure are current and:

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

- (a) such costs are expected to be recovered through successful development and exploitation or by sale; or
- (b) where activities in the area of interest have not yet reached a stage, which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

The carrying values of expenditures carried forward are reviewed for impairment at each reporting date when the facts, events or changes in circumstances indicate that the carrying value may be impaired. Accumulated expenditures are written off to the Profit or Loss to the extent to which they are considered to be impaired.

The key points that are considered in this review include:

- planned drilling programs and data evaluation;
- environmental issues that may impact the underlying tenements; and
- the estimated market value of assets at the review date.

Information used in the review process is rigorously tested to externally available information as appropriate.

The Group conducted a review of its exploration areas of interest at Mt Bevan and Trouser Leg, considering planned exploration activity over the next twelve months, which is over and above the expenditure requirements to maintain the tenements in good standing. In addition, the Group has other areas of interests, classified as a lower priority over the next twelve months. These lower priority areas of interests have been fully impaired in the current year.

Key estimates and judgements

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off to profit or loss in the period when the new information becomes available.

5. INTEREST IN JOINT OPERATIONS

The Company has an interest in the following joint operations:

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Edjudina – Pinjin (Avoca Resources Pty Ltd) (i) | 80% | 80% |
| Mt Bevan (Legacy Iron Ore Limited) (ii) | 28% | 40% |

- (i) Edjudina – Pinjin: Avoca Resources Pty Ltd has a non-contributory 20% interest that is free carried to decision to mine. Avoca Resources Pty Ltd was acquired by RNC Minerals from Westgold Resources Limited;
- (ii) Mt Bevan: As noted in note 4 (a) the Mt Bevan permit was subject to a farm-out arrangement during the year, resulting in Hawthorn's interest being reduced to 28%. The farm-out arrangement makes provision for all expenditure that leads to a Preliminary Feasibility Study ("PFS"), and up to \$7million, to be met by Hancock. Accordingly no expenditure commitments fall to Hawthorn at this time. The JV agreement makes provision for Hancock increasing its holding, and management of the permit will be determined by the activities undertaken by Hancock and the results of the PFS initially.

The principal activity of these joint operations is mineral exploration all of which are located within Australia. The Company's interest in these projects is included in exploration expenditure (Note 4). Included in the assets and liabilities of the Group are the following assets and liabilities employed in the joint operations:

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

| | 2022 \$ | 2021 \$ |
|--------------------------|--------------------------|--------------------------|
| Assets | | |
| Exploration expenditure | - | 1,533,944 |
| Total Assets | - | 1,533,944 |
| Liabilities | | |
| Trade and other payables | 59,000 | 59,000 |
| Total Liabilities | 59,000 | 59,000 |

Included in the Group commitments (Note 6) are the following commitments in relation to the joint operations:

| | 2022 \$ | 2021 \$ |
|---|--------------------------|--------------------------|
| Exploration | | |
| Not later than 1 year | 20,000 | 281,410 |
| Later than one year but not later than five years | - | 776,840 |
| More than five years | - | 872,690 |
| Total | 20,000 | 1,930,940 |

Accounting policy

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

6. COMMITMENTS

(a) Exploration

The Group must perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Group's tenement portfolio management through expenditure exemption approvals and expenditure reductions through relinquishment of parts or the whole of tenements deemed non prospective.

Should the Group wish to preserve interests in its current tenements the amount which may be required to be expended is as follows:

| | 2022 \$ | 2021 \$ |
|---|--------------------------|--------------------------|
| Not later than one year | 412,810 | 480,010 |
| Later than one year but not later than five years | 931,240 | 961,240 |
| More than five years | 772,880 | 940,690 |
| Total commitments | 2,116,930 | 2,381,940 |

The terms and conditions under which the Group has title to its various mining tenements oblige it to meet tenement rentals and minimum levels of exploration expenditure as gazetted by the Department of Industry and Resources of Western Australia, as well as Local Government rates and taxes.

The "More than five years" component represents commitments of up to sixteen years in respect of mining licences which are granted for a period of twenty-one years, but in common with prospecting licences and exploration licences they may be relinquished or sold by the Group before the expiry of the full term of the licence.

(b) Operating Leases

The Company's lease for its principal place of business expired on 31 December 2018 and thereafter the Company has leased the premises on a month-to-month basis. The expected level of outgoings in relation to this arrangement is \$170,000 per annum until the arrangement is ended.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

7. TRADE AND OTHER PAYABLES

Trade and other payables

| 2022 \$ | 2021 \$ |
|------------|------------|
| 792,779 | 909,815 |

Accounting policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

8. PROVISIONS

Employee entitlements
Other provisions
Land rehabilitation
Provisions

| 2022 \$ | 2021 \$ |
|------------|------------|
| 127,532 | 107,837 |
| - | 360,000 |
| 1,121,622 | 1,175,084 |
| 1,249,154 | 1,642,921 |

Reconciliation of other provisions

Opening balance
Released during the year
Closing balance

| 2022 \$ | 2021 \$ |
|------------|------------|
| 360,000 | 360,000 |
| (360,000) | - |
| - | 360,000 |

Other provisions relate to amounts provided in relation to land usage and access at the Anglo-Saxon project. During the year the matter was settled by a court ruling the Company's favour and as a consequence the Directors expect no costs to be expended on the matter.

Reconciliation of Land Rehabilitation provision

Opening balance
Provision made in the year
Costs incurred during the year
Closing balance

| 2022 \$ | 2021 \$ |
|------------|------------|
| 1,175,084 | 1,386,271 |
| - | - |
| (53,462) | (211,187) |
| 1,121,622 | 1,175,084 |

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

Key estimates and judgements

Land rehabilitation

The Group makes provision for the rehabilitation of the land used in its mining operations. The provision is required to estimate the costs that the Group will incur to rehabilitate the land in the future. The quantum of the rehabilitation work is uncertain, and therefore the estimates are subject to a number of factors that can vary. These factors include of the costs of performing the work, the volume of land to be rehabilitated, regulatory changes, technological changes and discounting factors. Expenses incurred on land rehabilitation are offset against the provision and the outstanding costs estimated to complete the land rehabilitation are re-assessed.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

9. CONTRIBUTED EQUITY

| | 2022 | | 2021 | |
|-----------------|---------------|------------|---------------|------------|
| | No. of shares | \$ | No. of shares | \$ |
| Ordinary shares | 333,515,613 | 54,084,505 | 333,515,613 | 54,084,505 |

The reconciliation of opening and closing equity is as follows:

| | No. of shares | \$ |
|-----------------------------------|---------------|-------------|
| At 30 June 2020 | 333,515,613 | 62,319,314 |
| Return of capital – November 2020 | - | (8,234,809) |
| At 30 June 2021 | 333,515,613 | 54,084,505 |
| At 30 June 2022 | 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.

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

Capital Management

The Company's policy in relation to capital management is for management to regularly and consistently monitor future cash flows against expected expenditures. The Board determines the Company's need for additional funding by way of either share placements or loan funds depending on market conditions at the time. Management defines working capital in such circumstances as its excess liquid funds over liabilities and defines capital as being the ordinary share capital of the Company.

There were no changes in the Company's approach to capital management during the year.

10. DIVIDENDS

No dividend was declared or paid during the year ended 30 June 2022. During the prior year the Company returned funds of \$8,234,809 to shareholders and paid a special dividend of \$5,265,190.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

11. REVENUE

| | 2022 \$ | 2021 \$ |
|------------------------|--------------------------|--------------------------|
| Revenue from ore sales | 5,647,473 | - |
| Interest | 13,618 | 92,138 |
| Total revenue | 5,661,091 | 92,138 |

Accounting Policy

Sale of goods

Revenue from the sale of gold ore is recognised when the performance obligation is satisfied. The performance obligation is generally considered to be satisfied when the gold ore is physically transferred to the buyer.

Gold sales are recognised based on the quantity and grade of the ore mined and processed at the Lakewood Mill operated by Golden Mile Milling Pty Ltd (Golden Mile). The amount paid by Golden Mile is the amount billed, net of processing costs borne by Golden Mile and any discounts allowed. If required, adjustments are made for variations in commodity price, assay or weight between the time of dispatch and the time of final settlement.

Interest

Interest revenue is recognised as the interest accrues.

12. OTHER INCOME

| | 2022 \$ | 2021 \$ |
|---|--------------------------|--------------------------|
| Gain from farm-out arrangement (i) | 1,239,172 | - |
| Gain from disposal of property, plant and equipment | 12,500 | - |
| Total other income | 1,251,672 | - |

(i) Refer note 4(a)

13. MINING COSTS

| | 2022 \$ | 2021 \$ |
|--------------------|--------------------------|--------------------------|
| Processing costs | 3,712,295 | - |
| Camp costs | 50,214 | - |
| Other expenses | 67,127 | - |
| Total mining costs | 3,829,636 | - |

During the year ore from the TLMJV was processed at the Lakewood Mill, operated by Golden Mile Milling Pty Ltd. Costs included haulage, fuel and processing costs charged by the mill.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

14. EXPENSES

Profit before income tax expense includes the following expenses whose disclosure is relevant in explaining the performance of the Group:

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| (i) Payroll and contractor expenses | | |
| Salaries and other employee costs | 420,559 | 385,594 |
| Superannuation | 33,627 | 20,734 |
| Insurance | 66,259 | 48,000 |
| Consulting and contractor fees | 57,000 | 57,000 |
| Total payroll and contractor expenses | 577,445 | 511,328 |
| (ii) Fully serviced office rental expense | 170,000 | 190,000 |
| (iii) Profit attributable to Joint Venture Partner ¹ | 546,680 | 5,413 |

1. Profit attributable to Joint Venture Partner relates to 30% of the of the profits derived from the Anglo-Saxon mining operation. The Anglo-Saxon mining permit is subject to a Joint Venture agreement with Hawthorn holding a 70% interest in the operation and controlling the resources and activities of the operation as JV manager. Accordingly Hawthorn has recorded 100% of the revenues and expenses, and assets and liabilities of the mining operation (see notes 11 and 13). A total profit of \$1,822,058 was recorded in the mining operation for the current year. \$546,680 is attributable to the Joint Venture partner and has been recorded as an expense. \$459,544 was paid out in cash, whilst the remaining \$87,136 was recorded against the Joint Venture partners share of expenses paid on further exploration at

Accounting policy

Other taxes

Revenues, expenses and assets are recognised net of the amount of associated GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

15. TAXATION

(a) Income tax recognised in profit or loss Tax expense comprises:

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Current tax benefit | - | - |
| Deferred tax expense relating to the origination and reversal of temporary differences | - | - |
| Tax losses not recognised | - | - |
| Income tax expense | - | - |

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

- (b) **The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:**

| | 2022 \$ | 2021 \$ |
|--|------------|-------------|
| Profit / (Loss) from operations | 927,058 | (1,660,433) |
| Income tax expense at 26% (2021: 26%) | 241,035 | (431,713) |
| Non-deductible expenditure | 726,932 | 745,257 |
| Capital expenditure deduction | (232,171) | (432,622) |
| Decline of value of depreciating assets | - | (304) |
| Allowable deductions | (614,499) | (662,630) |
| Tax base of assets disposed of | 509,815 | - |
| Tax and capital losses (utilised) /generated | (631,112) | 782,012 |
| Income tax expense | - | - |

- (c) **Deferred tax assets and liabilities**

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Deferred tax liability comprises: | | |
| Exploration costs | 217,982 | 593,230 |
| Amounts not recognised due to offset of deferred tax assets (detailed below) | (217,982) | (593,230) |
| | - | - |

| | | |
|--|-----------|-----------|
| Deferred tax asset comprises: | | |
| Accruals and payables | 162,411 | 162,411 |
| Employee entitlements | 33,158 | 28,038 |
| Blackhole expenditure | - | 24,928 |
| Provisions | 291,622 | 399,122 |
| | 487,191 | 614,499 |
| Deferred tax liabilities not recognised | (269,209) | (21,269) |
| Deferred tax assets offset against deferred tax liabilities | 217,982 | 593,230 |
| Tax Loss amounts where benefit not recognised (potential benefit at 26% (2021: 26%)) * | 7,130,106 | 9,557,459 |

*At 10 June 2008, the Company formed a tax consolidated group. These losses are subject to further review by the Company to determine if they satisfy the necessary legislative requirements under the income tax legislation for the carry forward and recoupment of tax losses. Additionally, a deferred tax asset has not been recognised in respect of these items because at this stage of the Company's development, it is not currently considered probable that future taxable profits will exceed the value of the gross value of the deferred tax assets available to the Company. This is due to the uncertainties and risks associated with estimating economic benefits arising from the Trouser Legs Mining Joint Venture, due to the risk factors discussed related to the Company's assets and operations.

Accounting policy

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current tax is the expected tax payable on the taxable income for the period. The Company has not derived taxable income in either the current or previous period.

Deferred income tax is determined using the balance sheet method which calculates temporary differences on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Hawthorn Resources Limited (the 'head entity') and its wholly owned Australian entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

16. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated as follows:

| | 2022 \$ | 2021 \$ |
|---|---------------------|---------------------|
| Profit / (Loss) for the year attributable to members | 927,058 | (1,660,433) |
| | Number of shares | Number of shares |
| Weighted average number of ordinary shares at the end of the financial year | 333,515,613 | 333,515,613 |
| Basic and Diluted (Loss) / Earnings Per Share (cents) | 0.278 | (0.498) |

There were no outstanding options at the reporting date (30 June 2021: \$nil). Outstanding performance rights are considered non-dilutive as the rights have not vested due to the vesting conditions not being satisfied as at 30 June 2022.

17. RELATED PARTIES

(a) Key Management Personnel Disclosures

The key management personnel for the Company for all or part of the year are set out as follows: -

Directors

| | |
|------------------|------------------------|
| Mark G Kerr | Managing Director/CEO |
| David S Tyrwhitt | Non-Executive Director |
| Liao, Yongzhong | Non-Executive Director |
| Li, Yijie | Non-Executive Chairman |
| Liu, Zhensheng | Non-Executive Director |
| Brian F Thornton | Non-Executive Director |

The key management personnel compensation is as follows:

| | 2022 \$ | 2021 \$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 504,489 | 341,588 |
| Post-employment benefits | 27,527 | 20,734 |
| | 532,016 | 362,322 |

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

In addition to the above disclosed remuneration, \$170,000 (2021: \$190,000) was paid to Berkeley Consultants Pty Ltd during the year for serviced office facilities. As noted, Berkeley Consultants Pty Ltd is an entity in which Mr. M Kerr has a material personal interest in the transactions through his interests in Berkeley Consultants Pty Ltd. At 30 June 2022 no amount was payable to Berkeley Consultants Pty Ltd in relation to invoiced services (2021: \$69,250).

During the year the Company paid consulting fees totalling nil (2021: \$7,135) to Public Relations Exchange, an entity controlled by a related party of Mr. M Kerr.

At year end, no amounts were due to or from key management personnel (2021: \$nil).

(b) Wholly Owned Group Transactions

During the year there were no transactions with controlled entities, other than movements in the respective inter-company loan accounts.

As at 30 June 2022, Hawthorn Resources Limited loan balances with its subsidiary companies were:

| | |
|--|--------------------------------|
| Payable to Ellendale Resources Pty Ltd | \$514,648 (2021: \$515,200) |
| Receivable from Northern Resources Australia Pty Ltd | \$262,369 (2021: \$262,093) |
| Receivable from Trouser Leg Mining Joint Venture | \$ 1,676,807 (2021: \$112,076) |

As at 30 June 2022, Ellendale Resources Pty Ltd loan balances with its subsidiary companies were:

| | |
|--|-----------------------------|
| Payable to Sunderland Pty Ltd | \$476,874 (2021: \$477,150) |
| Receivable from Northern Resources Australia Pty Ltd | \$140,738 (2021: \$140,738) |

All loan balances have been provided on an interest free basis and have no fixed repayment date.

Movements in loan account during the year relate to payment of expenses. Expenses paid and charged through the loan accounts during the year relate to exploration, tenement costs and Company administration expenses.

18. PARENT ENTITY INFORMATION

As at, and throughout the financial year ended 30 June 2022, the legal parent entity of the Group was Hawthorn Resources Limited.

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$ | \$ |
| Current assets | 12,820,665 | 10,247,894 |
| Non-current assets | 2,270,596 | 3,714,683 |
| Total assets | 15,091,261 | 13,962,577 |
| Current liabilities | 627,990 | 425,536 |
| Non-current liabilities | 10,268,768 | 8,994,219 |
| Total liabilities | 10,896,758 | 9,419,755 |
| Net assets | 4,194,503 | 4,542,822 |
| Issued capital | 105,818,795 | 105,818,795 |
| Accumulated losses | (101,624,292) | (101,275,973) |
| Total equity | 4,194,503 | 4,542,822 |
| Loss of the parent entity | (348,319) | (1,673,064) |
| Comprehensive Loss of the parent entity | (348,319) | (1,673,064) |

The parent Company has not provided any guarantees for its subsidiaries, nor does it have any contingent liabilities or contractual commitments to purchase plant and equipment. This is consistent with prior years.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

19. CONSOLIDATED ENTITIES

| Name | Country of Incorporation | Ordinary Share | |
|--|-----------------------------|------------------------------|------|
| | | Consolidated Equity Interest | |
| | | 2022 | 2021 |
| | | % | % |
| Parent entity | | | |
| Hawthorn Resources Limited | Australia | | |
| Controlled entities | | | |
| Ellendale Resources Pty Ltd | Australia | 100% | 100% |
| Sunderland Pty Ltd * | Australia | 100% | 100% |
| Northern Resources Australia Pty Ltd * | Australia | 100% | 100% |
| Trouser Leg Mining Joint Venture** | Australia | 70% | 70% |

* Sunderland Pty Ltd and Northern Resources Australia Pty Ltd are non-operating 100% owned subsidiaries of Ellendale Resources Pty Ltd.

** Trouser Legs Mining Joint Venture is a contractual arrangement set up upon a decision to mine within exploration tenements previously subject to Farm-out arrangements.

20. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to various financial risks including market, credit, liquidity and price risks. Financial risk management is carried out by the Board on an informal basis using a variety of methods as deemed appropriate, including performance analysis, cash flow and operating/capital expenditure forecasts, to manage market, credit, liquidity and price risk.

(a) Market Risk

Foreign Exchange Risk

Foreign currency risk is the risk of exposure to transactions that are denominated in a currency other than the Australian dollar.

The Group's operations are currently solely within Australia, and therefore are not exposed to any material foreign exchange risk.

Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Fluctuations in interest rates will not have any material risk exposure to the cash held in bank deposits at variable rates.

The Group's exposure to market interest rates relates primarily to the Group's short-term cash deposits held.

Sensitivity Analysis on Cash and Cash Equivalents

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the average monthly closing balances. A 100-basis point increase or decrease is used when reporting interest rate risk internally and represents Management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables held constant, the Group's net result and net assets would increase by \$117,758 (2021: \$184,297) and decrease by \$117,758 (2021: \$184,297). This is mainly attributable to the Group's exposure to interest rates on its cash and cash equivalents.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions. For banks and financial institutions, only major Australian banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets (refer Notes 2 and 3). The Group's cash assets are held with large Australian banks. The Group's

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

receivables are mainly from the Australian Tax Office. Accordingly the directors are satisfied there is no significant credit risk in relation to current financial assets.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group does not have any committed credit lines. As at the reporting date, the Group has no significant liquidity risk, as available cash assets significantly exceed amounts payable.

(d) Price Risk

The Group currently does not have any exposure to price risk.

(e) Maturities of Financial Liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – 30 June 2022

| | <i>Less than 3 months</i> | <i>3 months to 1 year</i> | <i>1 - 5 years</i> | <i>5 + Years</i> | <i>Total</i> |
|----------------------|---------------------------|---------------------------|--------------------|------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Non-Interest Bearing | (792,779) | - | - | - | (792,779) |

Group - 30 June 2021

| | <i>Less than 3 months</i> | <i>3 months to 1 year</i> | <i>1 - 5 years</i> | <i>5 + Years</i> | <i>Total</i> |
|----------------------|---------------------------|---------------------------|--------------------|------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Non-Interest Bearing | (909,815) | - | - | - | (909,815) |

(f) Net Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value at the reporting date of financial assets and financial liabilities, such as receivables and payables, are assumed to approximate fair values due to their short-term nature. For other financial assets, such as financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset.

The financial instruments recognised at fair value in the Consolidated Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets and liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset and liability that are not based on observable market data (unobservable inputs) (Level 3)

The Group's financial assets held at fair value comprise the investment in ordinary shares of a private entity (\$197,908). These have been valued using Level 2 inputs. The risk related to these assets are considered minimal based on the low level of resources invested.

Accounting policy

The Group's principal financial instruments comprise receivables, payables, cash and term deposits. These instruments expose the Group to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

Management manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate risk and by being aware of market forecasts for interest rate and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through general business budgets and forecasts.

Hawthorn Resources Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

21. EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

22. REMUNERATION OF AUDITORS

The auditor of Hawthorn Resources Limited is BDO Audit Pty Ltd.

| | 2022 \$ | 2021 \$ |
|--|--------------------------|--------------------------|
| Amounts received or due and receivable by BDO for: | | |
| An audit and review of the financial report of the Company and any other companies in the consolidated group | 65,583 | 62,715 |

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and contingent assets in existence at 30 June 2022 and 30 June 2021.

24. OPERATING SEGMENTS

The Group has adopted AASB 8 Operating Segments whereby segment information is presented using a "management approach". Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Makers, in the Group's case being the Board of Directors, that are used to make strategic decisions. The Group operates predominately in one geographical location. The Group does not have any operating segments with discrete financial information. The Group does not have any customers outside Australia, and all the Group's assets and liabilities are located within Australia.

The Board of Directors review internal management reports at regular intervals that are consistent with the information provided in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because the information as presented is what is used by the Board of Directors to make strategic decision including assessing performance and in determining the allocation of resources.

25. IMPACT OF ADOPTING NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS NOT YET EFFECTIVE

(a) New, Revised or Amending Accounting Standards and Interpretations Adopted

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the year.

(b) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Hawthorn Resources Limited Directors Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 32 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1 (c); and
- (d) the audited Remuneration Report set out on pages 9 to 12 of the Directors' Report is in accordance with the *Corporations Act 2001*.

The directors have been given declarations, as required by section 295A of the *Corporations Act 2001*, by the chief executive officer and the chief financial officer for the financial year ended 30 June 2022.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 30th day of September 2022.



M G Kerr
Managing Director and CEO

INDEPENDENT AUDITOR'S REPORT

To the members of Hawthorn Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hawthorn Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Exploration Expenditure

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|--|
| <p>The Group has incurred significant exploration expenditure which have been capitalised. As the carrying value of exploration expenditure represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p><i>AASB 6 Exploration for and Evaluation of Mineral Resources</i> contains the requirements with respect to both the initial recognition as an asset and the ongoing requirements to continue to carry forward the assets.</p> <p>Note 4 to the financial statements contains the accounting policy and disclosures in relation to exploration expenditure.</p> | <p>In addressing this key audit matter, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration expenditure; • Confirming whether the rights to tenure of the areas of interest remained current at the reporting date; • Reviewing the directors' assessment of the carrying value of the exploration expenditure, agreeing that management have considered the effect of impairment indicators and critically reviewing the status and findings of exploration activities at each tenement; • Reviewing budgets and challenging assumptions made by the Group to agree that substantive expenditure on further exploration for and evaluation of the mineral resources in the areas of interest are planned; and • Reviewing ASX announcements and minutes of directors' meetings to agree that the Group had not decided to discontinue activities in any of its current areas of interest. |

Partial disposal of interest in Mt Bevan

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|--|
| <p>The Group partially disposed of its interest in the Mt Bevan iron ore project Joint Venture to Hancock Magnetite Holdings Pty Ltd.</p> <p>The transaction was determined to be a key audit matter due to the significant impact on profit and loss and the carrying value of capitalised exploration and evaluation expenditure.</p> <p>Note 4(a) and note 14(iii) to the financial statements contain information relating to the transaction.</p> | <p>In addressing this key audit matter, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Obtaining a copy of the contract and reviewing the terms of the agreement; • Reviewing management's position paper to confirm the correct accounting treatment has been adopted; • Engaging our technical experts to review the proposed accounting treatment; • Obtaining bank statements and traced the receipt of cash proceeds; • Ensuring that journals relevant to the disposal had been accurately recorded in the ledger and financial statements. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2022.



In our opinion, the Remuneration Report of Hawthorn Resources Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'J Mooney', written over a faint, stylized 'BDO' logo.

James Mooney
Director

Melbourne, 30 September 2022



HAWTHORN RESOURCES LIMITED

Additional Shareholder Information

ASX Listing Rule 4.10 at 17 October 2022

1. 20 Largest Shareholders – HAW ordinary shares

| Registered holder | Holding | % | Rank |
|--|--------------------|---------------|--------------|
| FENG HUA MINING INVESTMENT HOLDING (HK) LIMITED | 120,788,101 | 36.22 | 1 |
| BELL POTTER NOMINEES LTD <BB NOMINEES A/C> | 54,694,572 | 16.40 | 2 |
| LEGACY IRON ORE LIMITED | 12,575,000 | 3.77 | 3 |
| MR M KERR & MRS L KERR <LINDMARK STAFF SUPER A/C> | 7,573,852 | 2.27 | 4 |
| MR BRIAN THORNTON | 5,761,879 | 1.73 | 5 |
| BAGBO PTY LTD | 5,501,537 | 1.65 | 6 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,191,279 | 1.26 | 7 |
| MR VICTOR LORUSSO | 4,127,529 | 1.24 | 8 |
| DR MARK THEO BLOCH | 4,020,500 | 1.21 | 9 |
| YELRIF INVESTMENTS P/L <YELRIF INV P/L P/FUND A/C> | 3,650,000 | 1.09 | 10 |
| NATIONAL NOMINEES LIMITED | 3,448,891 | 1.03 | 11 |
| MR MICHAEL ROBERT WELLARD | 2,500,000 | 0.75 | 12 |
| AUSTIC ENTERPRISES PTY LTD | 2,250,000 | 0.67 | 13 |
| CITICORP NOMINEES PTY LIMITED | 2,218,227 | 0.67 | 14 |
| MR MG KERR <LINDMARK INVESTMENTS STAFF S/F> | 1,865,511 | 0.56 | 15 |
| MR MA & MRS LJ MITCHELL <M & L MITCHELL S/F A/C> | 1,800,000 | 0.54 | 16 |
| MR TONY DOMENIC AMATO | 1,650,000 | 0.49 | 17 |
| MS JANET ELIZABETH WELLARD | 1,328,319 | 0.40 | 18 |
| KRISHNAJIPITALE PTY LTD <KRISHNAJI PITALE S/F A/C> | 1,326,112 | 0.40 | 19 |
| P G COLEMAN PTY LTD <P G COLEMAN SUPER FUND A/C> | 1,200,000 | 0.36 | 20 |
| Total – 20 largest holders | 242,471,309 | 72.70 | 20 |
| Total – all others | 91,044,304 | 27.30 | 1,634 |
| TOTAL | 333,515,613 | 100.00 | 1,654 |

2. Range of Shareholdings – HAW ordinary shares

| Range | Holding | % | No. of holders | % |
|-------------------|--------------------|---------------|----------------|---------------|
| 100,001 and over | 303,391,873 | 90.97 | 200 | 12.06 |
| 10,001 to 100,000 | 26,524,119 | 7.96 | 729 | 44.09 |
| 5,001 to 10,000 | 2,500,950 | 0.75 | 321 | 19.36 |
| 1,001 to 5,000 | 1,074,632 | 0.32 | 264 | 15.98 |
| 1 to 1,000 | 24,039 | 0.01 | 140 | 8.50 |
| Total | 333,515,613 | 100.00 | 1,654 | 100.00 |



3. Marketable Parcels

There were 434 holders with less than a marketable parcel (market value less than \$500) of the Company's ordinary shares (being 5,555 shares at the closing market price of \$0.09 per share on 17 October 2022). These holdings totalled 1,257,080 shares or 0.38% of all shares on issue.

4. Buy-Back

The Company has not undertaken any buy-back during or since the end of the period under review.

5. Substantial Shareholdings

At 17 October 2022, the following substantial shareholdings have been declared to the Company:

| Declared entity | No. of shares | % |
|---|----------------------|----------|
| Feng Hua Mining Investment Holding (HK) Ltd | 120,788,101 | 36.22 |
| Li, Yijie | 120,788,101 | 36.22 |
| Christopher D Corrigan | 54,694,572 | 16.40 |

6. Other

At 17 October 2022, HAW has no options, performance rights, or other securities on issue.



HAWTHORN RESOURCES LIMITED

Table of Interests in Mining Tenements

| Project/Tenement | Interest at 30-Jun-22 | Interest at 30-Jun-21 | Joint Venture Partner / Farm- In/Out Partner |
|--|--------------------------|--------------------------|---|
| Pinjin East | | | |
| E 31/781 | 100% | 100% | |
| E 31/782 | 100% | 100% | |
| E 31/783 | 100% | 100% | |
| E 31/1050 | 100% | 100% | |
| E 31/1176 | 100% | 100% | |
| Edjudina-Triumph | | | |
| M 31/481 | 100% | 100% | |
| Mt Bevan JV | | | |
| E 29/510 –I | 28% | 40% | Legacy Iron Ore Limited & Hancock Magnetite Holdings Pty Ltd |
| Trouser Legs JV | | | |
| E 31/1094 | 70% | 70% | GEL Resources |
| G 31/4 | 70% | 70% | GEL Resources |
| L 31/32 | 70% | 70% | GEL Resources |
| L 31/65 | 70% | 70% | GEL Resources |
| L 31/66 | 70% | 70% | GEL Resources |
| L 31/68 | 70% | 70% | GEL Resources |
| L 31/69 (A) | 0% | 0% | GEL Resources |
| M 31/78 | 70% | 70% | GEL Resources |
| M 31/79 | 70% | 70% | GEL Resources |
| M 31/88 | 70% | 70% | GEL Resources |
| M 31/113 | 70% | 70% | GEL Resources |
| M 31/284 | 70% | 70% | GEL Resources |
| Edjudina – Pinjin JV | | | |
| E 31/789 | 80% | 80% | Karora Resources Pty Ltd |
| Teutonic Bore Royalty * | | | |
| E 37/902 | 0% | 0% | Round Oak Jaguar Pty Ltd |
| * Royalty up to \$1m subject to conditions | | | |



MT BEVAN JV, WESTERN AUSTRALIA



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