

ASX Release

21 July 2023

Hawthorn Resources Limited

ABN 44 009 157 439
ASX Code: HAW

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Directors:

Mr Li, Yijie
(Non-Executive Director/Chairman)

Mr Brian Thornton
(Managing Director/CEO)

Mr Liao Yongzhong
(Non-Executive Director)

Mr Liu Zhensheng
(Non-Executive Director)

Mr Joseph D Corrigan
(Non-Executive Director)

Senior Management:

Mr William Lloyd
(Operations Manager)

Mr Glenn Fowles
(Company Secretary)

Mr Tony Amato
(CFO)



QUARTERLY ACTIVITIES REPORT – JUNE 2023

HIGHLIGHTS

- A lithium focused JV with Hancock Prospecting, Hawthorn Resources and Legacy Iron on Mt Bevan was executed on 15th June 2023.
- The JV agreement includes the exploration of all non-magnetite minerals, primarily lithium pegmatites along the Mt Ida fault at Mt Bevan.
- Hancock invested \$4 million to earn an initial 7.5% in the JV and may spend a further \$22 million to earn 51% of the non-magnetite minerals.
- Hancock may undertake a Pre-Feasibility Study (PFS) on completion of the agreed exploration milestones.
- On the same Mt Bevan tenement, there is an existing magnetite JV involving the same parties, with Hancock and Atlas Iron who are working towards completion of a PFS by the end of 2023.
- Benchmark studies are underway covering resource modelling, metallurgy and key engineering parameters including rail, port and processing.
- Hawthorn's other key asset, the Anglo-Saxon Gold project at Pinjin is currently being readied for sale or JV.
- At the close of the quarter Hawthorn had a cash balance of \$14.07m

ACTIVITIES UPDATE

MT BEVAN LITHIUM JOINT VENTURE

(Hawthorn Resources Limited – 37%; Legacy Iron Limited – 55.5%; Hancock Magnetite Holdings Pty Ltd – 7.5%)

The new earn in and joint venture for lithium and other critical minerals, nickel and copper with Hancock Magnetite Holdings Pty Ltd (Hancock), which was signed on 15 June, is focused on the Mt Ida fault in the Central Yilgarn of Western Australia

The Mt Ida fault is acknowledged as an emerging lithium pegmatite province following recent discoveries along the fault by neighboring companies, Delta Lithium (ASX: DLI) and St. George Mining (ASX: SGQ).

The key terms of the new lithium agreement with Hancock include:

- Hancock has made an unconditional initial investment of \$4 million for a 7.5 percent interest in the project with \$2.4 million cash being paid to Legacy Iron and \$1.6 million to Hawthorn
- Hancock may fund additional exploration and development activities totaling approximately \$22 million, to earn an additional 43.5 percent interest in the project, in three stages:
 - expending up to a maximum of \$5 million on exploration activities within 12 months, to earn an additional 7.5 percent;
 - expending up to a maximum of \$7 million on drilling activities within a further 12 months, to earn an additional 20 percent; and
 - delivering a pre-feasibility study (**PFS**) on the project within a further period of 18 months, which is expected to cost at least \$10 million, to earn an additional 16 percent.
- If Hancock meets all three earn-in requirements, it will hold a 51 percent interest in the project and Legacy Iron and Hawthorn will hold 29.4 percent and 19.6 percent respectively.
- Legacy and Hawthorn are entitled to receive an additional cash payment of up to \$10 million if a lithium pegmatite JORC resource of greater than 5,000,000 tonnes with an average grade of 1.2 percent Li₂O or above is delineated.

Furthermore, Legacy has a right to acquire up to 75 percent of the end product produced by the joint venture, with Hawthorn retaining a right to take 10 percent and Hancock retaining a right to take 15 percent of the end product.

The Agreement for lithium follows the completion of a similar joint venture agreement in April 2022, between Hancock, Legacy and Hawthorn on the same tenement for iron ore minerals (including magnetite), as released to the ASX by Legacy and Hawthorn on 17 December 2022.

MT BEVAN MAGNETITE JOINT VENTURE

(Hawthorn Resources Limited – 19.6%; Legacy Iron Limited – 29.4% Hancock Magnetite Holdings Pty Ltd – 51%)

Hancock and their mining group Atlas Iron have farmed into the Mt Bevan magnetite JV with Hawthorn and Legacy. Legacy (ASX: LCY) is majority owned by NMDC (National Minerals Development Corporation) - India's largest Iron Ore producer - owned by the Indian government.

Hancock acquired an initial 30% interest in the Mt Bevan Magnetite by a cash payment of \$8m to the JV partners with Hawthorn receiving \$3.2 million under the agreement which commenced in April 2022.

Under the agreement Hancock will exclusively fund the PFS and potentially earn 51% interest in the magnetite resource, leaving Legacy with 29.4% and Hawthorn with 19.6%.

Earlier drilling by Hawthorn revealed the Western BIF deposit to have the thickest magnetite intersections coupled with a favorable flat lying (40 degrees) eastern dip. Subsequent drilling, both RC and diamond by Legacy led to the confirmation of a major, potentially low strip ratio magnetite resource.

Geology, mapping, sampling and aeromagnetic data have confirmed a strike distance of more than 25 kilometers of the 3 BIF horizons. The Mt Bevan indicated Magnetite Resource currently sits at 322 mt @ 34.7% Fe. (Refer HAW ASX Announcement of 17 December 2013).

During the June quarter, significant progress has been made under the management of Atlas Iron. This includes:

- Completion of resource test work to assist in resource modelling.
- Metallurgical test work commenced with comminution tests completed to enable engineering work on the crushing and grinding circuit.
- Engineering studies for rail and port design and related capex.
- Flora and fauna studies underway and nearing completion

ANGLO SAXON GOLD PROJECT – TROUSER LEGS JV

(Hawthorn Resources Limited – 70%; Gel Resources Pty Ltd – 30%)

The company continues to consider the monetization options for this asset through development options including an expanded JV or a possible outright sale of the project. The current underground at Anglo Saxon hosts a MRE of 157,000 ounces at 5.7g/t (see HAW ASX release of 30 October 2020).

Hawthorn has engaged PCF Argonaut in Perth to assist in the assessment of the options available.

In the meantime, negotiations are continuing for the trucking and treatment of our remaining low-grade stockpiles of approximately 90,000 tonnes.

At Pinjin East, a soil sampling program along the granite contact yielded new low tenor gold and lithium anomalies which warrant follow up drilling. A proposal is currently being developed to undertake this work by our geological consultants, BMGS.

OTHER ASSETS

The company's remaining assets include the small Edjudina mining lease (HAW 100%) and a 10.6% interest in Black Raven Mining Limited, which is unlisted.

Given the company's focus on the Mt Bevan magnetite and lithium joint ventures with Hancock, both Edjudina and the Black Raven investment are under review.

No work was carried out or reported on these assets during the quarter.

CORPORATE UPDATE

Issued Securities – ASX Limited securities code: “HAW”

The number of ordinary fully paid shares on issue and quoted on the official lists of the ASX at 30 June 2023 was 335,015,613 fully paid ordinary shares (31 March 2023: 335,015,613 shares) as held across 1,722 shareholder accounts (31 March 2023: 1,629).

At 30 June 2023 the Top 20 Shareholdings held 246,143,449 shares (31 March 2023: 242,942,809 shares) being 73.5 per cent of the number of shares on issue (31 March 2023: 72.5 per cent).

Funding/Cash Balance/Working Capital

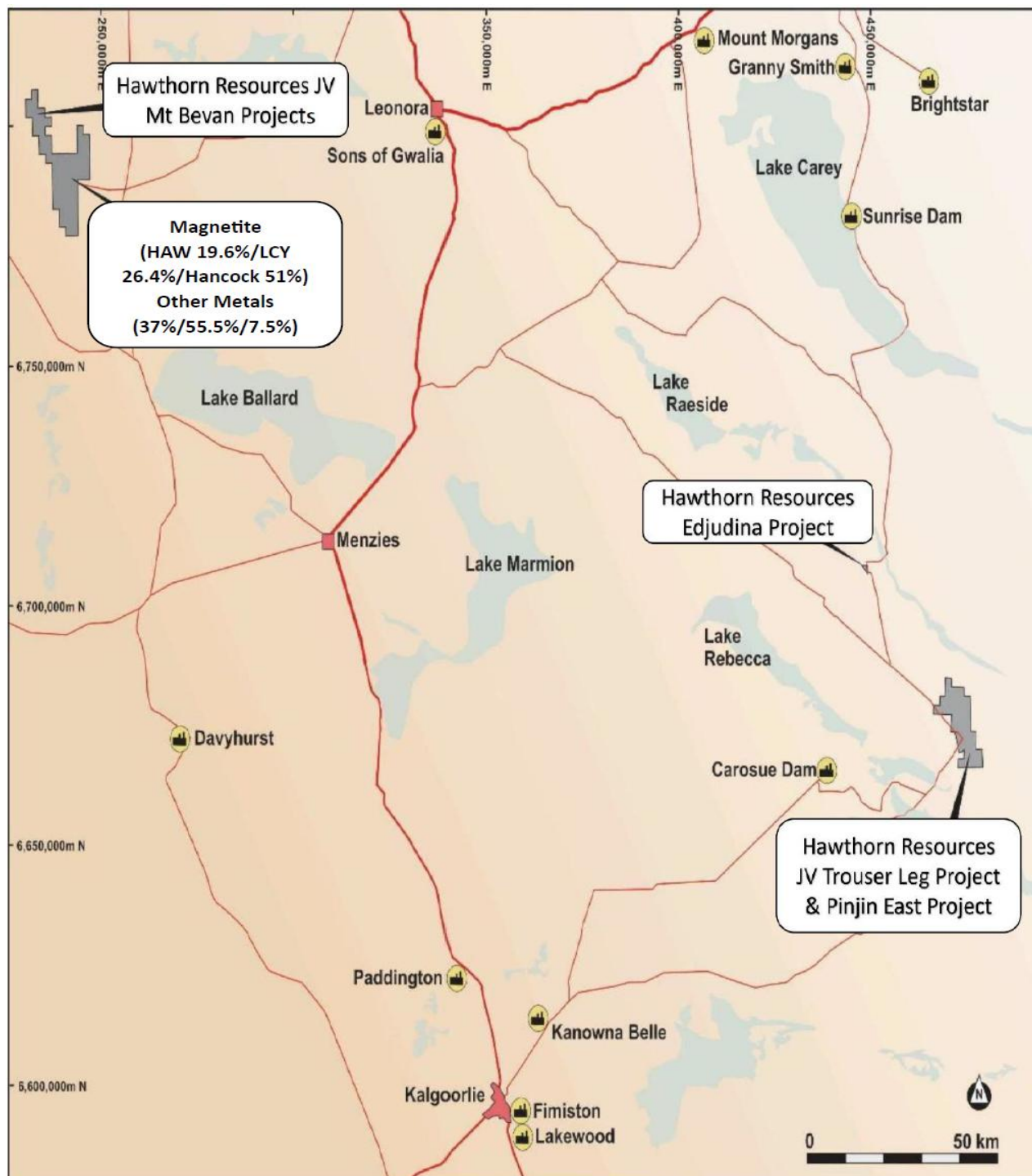
At 30 June 2023 the Company held funds-on-hand of A\$14.071 million (31 March 2023: A\$12.485 million). For full details of Cashflow movements refer to the Appendix 5B Report accompanying this Quarterly Activities Report.

The reported funds on hand at quarter end relate to the movement in cash during the quarter under review and are not to be confused with the accrual accounting system applicable in the preparation and audit of financial statements.

As at the quarter end the Company and the Trouser Legs Mining Joint Venture (“TLMJV”), as managed by the Company, as required under accounting standards, accrue and account for expenditures and revenues incurred/generated during the quarter but have not, as at quarter end, been paid or received.

Such accrued outflow items include Joint Venture Distributions and Accrued Expenditures, such as Trading Creditors, GST Collections and Credits, Local Government rates/taxes, mining operations closure and rehabilitation of mine site.

Hawthorn Resources Limited – Project location map – Western Australia



For further information contact:

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Company Secretary

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

HAWTHORN RESOURCES LIMITED

ABN

44 009 157 439

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers *	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(134)	(819)
(b) development & maintenance	(8)	(81)
(c) production *	-	-
(d) staff costs	(48)	(309)
(e) administration and corporate costs	(163)	(818)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	177	327
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other- GST refunds/(payments)	2	236
1.9 Net cash from / (used in) operating activities	(174)	(1,464)

*100% of gross receipts from customers and productions costs included as Manager of the TLMJV project whereby HAW has a 70% working interest

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal/dilution of:		
	(a) entities	-	-
	(b) tenements	1,760	1,760
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	1,760	1,760

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Return of Capital)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,485	13,775
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(174)	(1,464)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,760	1,760
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	14,071	14,071

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,010	291
5.2	Call deposits	10,779	10,925
5.3	Bank overdrafts	-	-
5.4	Other (Mine Rehabilitation Fund)	1,282	1,269
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,071	12,485

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

48

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Directors fees & salary \$48,273 (Previous Quarter \$94,543)

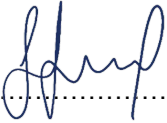
Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(174)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(174)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	14,071
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	14,071
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	80
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
Answer: N/A	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer: N/A	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Signed: 
Name: Glenn Fowles – Company Secretary

Date: 21/07/2023.

Authorised by the Board.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

HAWTHORN RESOURCES LIMITED
ACN 009 157 439
CHANGES IN INTERESTS IN MINING TENEMENTS

**10.1 Interests in Mining
Tenements relinquished,
reduced or lapsed**

Tenement Reference	Nature of Interest [note (4)]	Interest at beginning of quarter	Interest at end of quarter

**10.2 Interests in Mining
Tenements acquired
Or increased**

Tenement Reference	Nature of Interest [note (4)]	Interest at beginning of quarter	Interest at end of quarter

Interests in Mining Tenements

Disclosure in accordance with ASX Listing Rule 5.3.3.

Project / Tenement	Location	Interest at beginning of quarter	Interest at end of quarter	Joint Venture Partner / Farm-In Partner / Farm Out Partner
Pinjin East	West Australia			
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	West Australia			
M 31/481		100%	100%	
Mt Bevan Iron Ore Joint Venture	West Australia			
E 29/510 –I		28%	28%	Legacy Iron Ore Limited Hancock Magnetite Holdings Pty Ltd
Mt Bevan Other Minerals Joint Venture	West Australia			
E 29/510		40%	37%	Legacy Iron Ore Limited Hancock Magnetite Holdings Pty Ltd
Pinjin – Trouser Legs Joint Venture	West Australia			
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
Teutonic Bore Royalty *	West Australia			
E 37/902		0%	0%	Round Oak Jaguar Pty Ltd
	* Royalty up to a maximum of \$1m subject to conditions			