

Quarterly Report

For the period ended
30 June 2023

Strategic Review action plan delivers positive outcomes
supporting the business case for a modified 11 Mtpa BFS

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ASX: HIO

 **Hawsons
IRON** | WORLD'S
BEST IRON ORE
PRODUCT

Highlights

Hawsons Iron Project

- The Strategic Review action plan outcomes have substantially enhanced the Hawsons Iron Project's business case.
- Value engineering has identified significant potential capital and operating cost savings in mineral processing.
- Stage 2 of the resource analysis program delivered promising initial data.
- Sample results from 22 reverse circulation (RC) drill holes have been provided to our independent geological experts for modelling.
- An additional sampling and pilot testing program is underway.

Corporate

- Mr Jeremy Kirkwood joined the Board as a Non-Executive Director on 10 May 2023, following the retirement of former Chair, Mr Dave Woodall.
- Mr Bryan Granzien was appointed by the Board to act as Executive Chair on an interim basis.
- Work progressed on an updated investor information memorandum to support discussions with potential strategic partners willing to help fund a modified BFS.
- Corporate, investor and community stakeholder relations activities were maintained during the period.
- Cash used to fund activities during the quarter was \$1.195 million, leaving cash reserves at the end of the quarter standing at \$7.246 million.



Hawsons Iron Project

Due to mounting global cost pressures and restricted access to equity markets, the Board paused activity on the Hawsons Iron Project's Bankable Feasibility Study (BFS) in October 2022 to preserve capital and instigate a Strategic Review.

As announced on 1 February 2023, the Strategic Review concluded that a modified BFS should assess a project based on 11 Million tonnes per annum (Mtpa) and recommended a three-pronged action plan to further improve the project's economics and Net Present Value.

This action plan recommended:

- Additional value engineering analysis to further reduce capital and operating costs;
- A three-stage resource analysis program targeting access to higher grade ore above a depth of 150 metres to help accelerate start-up cash flow; and
- Fostering collaboration between industry, government and communities to support development of projects using shared resources and infrastructure in South Australia.

As announced on 13 June 2023, the action plan was substantially completed on schedule and delivered positive outcomes which significantly enhanced the business case required to support the modified BFS.

Global sustainable design and engineering leader Stantec, developed a new Phase 1 mineral processing circuit with potential to significantly lower the proposed Project's capital and operating costs and generate secondary revenues from the sale of ore-sands, thereby also reducing tailing wastes.

However, further sampling and a pilot test work program were recommended to confirm the performance and economic benefits of the redesigned processing circuit involving a unique configuration of mature and proven technology.

Hawsons commissioned international mineral industry advisory firm Behre Dolbear Australia (BDA) to review Stantec's processing plant design, assumptions and costing estimates.

BDA found "no fatal flaws", but noted the design's modified high-pressure grinding roll (HPGR) sizing and configuration increased technical risk.

Importantly, BDA agreed with Stantec's recommendations on how to address this risk, including the proposed sampling and pilot test work program. This work is now underway and scheduled for completion during the current quarter at an estimated cost of approximately \$520,000.

Stage 2 of the drilling and assaying resource program, targeting magnetite of greater than 9 per cent DTR at shallower depths from 30-150 metres, was also completed.

The drilling campaign comprised 3,568 metres of Reverse Circulation (RC) drilling in two prospective zones – one zone to the north involving 10 holes and the other in the vicinity of outcropping to the south of 12 holes.

Samples from the 22 drill holes were subsequently analysed by Bureau Veritas in Adelaide. These results have been provided to independent geological experts, H&S Consultants (H&SC) for modelling.

DTR estimates using hand-held magnetic susceptibility meters and down-hole logging data were very encouraging, particularly in the southern outcrop zone where thick mineralised seams were encountered from near-surface in some holes.

The scope and need for additional Stage 3 drilling work will be determined once results from Stages 1 and 2 have been analysed.

Confirmatory assay results, supported by additional resource drilling, will enable mining consultant Australian Mine Design and Development Pty Ltd (AMDAD) to revise the mine plan and optimise start-up cash flow by prioritising extraction of higher grade ore from the southern outcrop zone.

The additional sampling and pilot programs are on target for completion by the end of the current September quarter with the goal of commencing a modified 11 Mtpa BFS.

Hawsons, in conjunction with South Australia's leading port operator Flinders Ports, has also intensified advocacy efforts to collaborate with governments, private and listed companies and communities who are keenly motivated to develop the Braemar iron ore province.

Corporate

On 10 May 2023 the Company announced that Mr Jeremy Kirkwood had accepted an invitation to join the Board as a Non-Executive Director of the Company to fill a vacancy created by the retirement of former Chair, Mr Dave Woodall.

Mr Kirkwood is a former investment banker and Managing Director with Credit Suisse, Morgan Stanley and Austock.

He is also the Chair of ASX-listed Joyce Corporation Ltd (JYC), a non-executive Director of ASX-listed Talisman Mining Ltd (TLM), and has served as a director on a range of other public, private and not-for-profit sector boards.

The Company announced on 11 April 2023 Mr Woodall's intention to retire effective on 1 July 2023, for personal reasons.

Following receipt of a Shareholder Notice of an intention to requisition a meeting seeking Mr Woodall's removal as a Director, the Company announced on 13 April 2023 that Mr

Woodall had brought forward his retirement date to 16 April 2023.

Mr Bryan Granzien was then appointed by the Board to act as Executive Chair on an interim basis, pending the recruitment of a suitably qualified and experienced nominee to accept and fill the role.

Corporate, investor and community stakeholder relations activities were maintained during the period, including meetings with state and local government representatives, industry participants and shareholders.

Cash used to fund activities during the quarter was \$1.195 million, leaving cash reserves at the end of the quarter standing at \$7.246 million.

Cash Activities for the Quarter ending 30 June 2023

Hawsons Iron Ltd held cash of \$7.246 million at the end of the June 2023 quarter.

Expenditure was in line with planned Operating and Investing activities necessary for completion of the Strategic Review and progression of the recommended action plan.

Table 1: Quarterly summary of spending activities

	Current quarter \$A'000	Year to date \$A'000
1. Operating Activities		
1.2 (d) - Staff Costs	(169)	(548)
1.2 (e) - Administration Costs	(138)	(1,393)
1.4 – Interest received	45	69
1.5 – Interest and other costs of finance paid	(2)	(8)
Total Operating Activities	(264)	(1,880)
2. Investing Activities		
2.1 (c) - Plant and Equipment	-	(130)
2.1 (d) - Exploration & Evaluation, made up of:		
- Salaries & Wages	(288)	(1,327)
- EIS & Approvals	(92)	(1,526)
- Resource Upgrade	(1,272)	(5,950)
- Project maintenance	(1)	(32)
- Marketing	(25)	(282)
- Pilot Plant Test work	-	(8)
- Additional asset purchase	-	(2,000)
- Power supply	(14)	(75)
- Engineering & Design	(287)	(2,272)
- Community & Landowners	(61)	(491)
- Port/pipeline	(64)	(2,015)
- R&D tax concession received	1,488	1,488
Total Exploration & Evaluation	(616)	(14,490)
2.1 (f) – Security bonds	(284)	(284)
Total Investing Activities	(900)	(14,904)
3. Financing Activities		
3.1 - Proceeds from issue of equity securities	-	19,331
3.4 - Transaction costs	-	(3,008)
3.9 – Lease principal repayments	(31)	(117)
Total Financing Activities	31	16,206

Payments to related parties of the entity and their associates

Sixty-six per cent of Bryan Granzien's expense was charged and capitalised within the activities outlined in Table 1 at 2.1 (d).

Thirty-four per cent remains at item 6.1 of the attached Appendix 5B for Bryan Granzien and 100 per cent for non-executive director fees, totalling \$89,113.

Bryan Granzien Gross Wages	\$30,599
Bryan Granzien Superannuation	\$2,342
David Woodall Director Fee	\$17,500
David Woodall Superannuation	\$1,838
Paul Cholakos Director Fee	\$12,500
Paul Cholakos Superannuation	\$1,313
Tony McGrady Director Fee	\$12,500
Tony McGrady Superannuation	\$1,313
Jeremy Kirkwood Director Fee	\$8,333
Jeremy Kirkwood Superannuation	\$875
Total	\$89,113

In relation to Listing Rule: 5.3.2 – There were no substantive mining production and development activities during the Quarter. The statement of cash flows for the quarter and financial year to date are attached to this report at Appendix 5B.

Overview and outlook

Executive Chair Mr Bryan Granzien said undertaking the Strategic Review and resulting action plan had been necessary and successful in pursuing a modified BFS for the Hawsons Iron Project.

"We have made material progress, but there is more to do as we continue to optimise the value of opportunities to further strengthen the business case for developing the Company's world-class iron ore assets," he said.

Mr Granzien said Hawsons would determine a preferred strategic pathway following completion of the sampling and pilot test work program and analysis of laboratory test results from the drilling samples within the current quarter.

"Subject to results from the Stantec process validation work program and drilling assays, this pathway could include securing a strategic investor to help fund the modified BFS," he said.

Hawsons has been working with project delivery consultant JukesTodd to prepare an investor information memorandum to support discussions with potential strategic partners willing to help fund a modified BFS.

Additional planned activities also include:

- Additional value engineering analysis to further reduce capital and operating costs;
- Engaging with HPGR manufacturers on technology advances that may be beneficial;
- Targeting further capital and operating cost savings;
- Undertaking initial market soundings on the potential of saleable ore-sand products; and
- Continuing engagement with state governments and other stakeholders on power, water, transport and port options.

Subject to securing the required funding, a modified BFS could be concluded within 12 months of completion and analysis of the additional test work, piloting programs and drilling results. (See indicative timeline below)

Indicative timeline to complete Strategic Review Action Plan and modified BFS¹

Activity	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Three-stage resource analysis program targeting higher-grade ore at shallower depths	1						
		2 ²					
					3 ³		
Value engineering							
Process pilot test work							
Project economic analysis							
Funds for modified BFS in place							
Modified BFS							

¹ Completed activity in green/yet to be completed activity in grey

² Completion subject to third-party delivery of assay analysis and geological modelling

³ Requirement and timing for Stage 3 Drilling subject to results from Stages 1 & 2

Hawsons Iron Ltd tenement schedule 30 June 2023

Licence	Notes	Name	Grant date	Expiry date	Equity	Units	Area – km2
EL6979	1,2	Redan	11/12/2007	11/12/2026	100%	62	180
EL7208	2	Burta	22/09/2008	22/09/2025	100%	100	290
EL7504	2	Little Peak	08/04/2010	08/04/2029	100%	14	41
MLA460	3,4	Hawsons Iron	Under application	Under application	100%	n/a	187

- 1) 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.
- 2) Title to 100% Hawsons Iron Ltd completed.
- 3) MLA made on 18 October 2013. Tenement application subject to unspecified grant date and conditions.
- 4) Application to amend Mining License Application to 100% Hawsons Iron Ltd, in progress.

Release authorised by the Board

Hawsons Iron Limited
27 July 2023

Corporate directory

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Contact information

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Australian Securities Exchange Ltd

ASX Code: HIO Ordinary Shares

Share Registry

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane, QLD, 4000
Phone: 1300 737 760

Disclosure

The information in this report that relates to Exploration Results, Exploration Targets and Mineral Resources is based on information evaluated by Mr Simon Tear of H&S Consultants Pty Ltd who is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.



Appendix 5B

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

Name of entity

HAWSONS IRON LIMITED

ABN

63 095 117 981

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(169)	(548)
	(e) administration and corporate costs	(138)	(1,393)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	45	69
1.5	Interest and other costs of finance paid	(2)	(8)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(264)	(1,880)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(130)
	(d) exploration & evaluation	(2,104)	(15,978)
	(e) investments	-	-
	(f) other – security bonds	(284)	(284)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(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	R&D tax concession received	1,488	1,488
2.6	Net cash from / (used in) investing activities	(900)	(14,904)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	19,331
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	-	(3,008)
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 – lease principal repayments	(31)	(117)
3.10	Net cash from / (used in) financing activities	(31)	16,206

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,441	7,824
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(264)	(1,880)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(900)	(14,904)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(31)	16,206

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,246	7,246

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	7,246	8,441
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,246	8,441

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	89
6.2	Aggregate amount of payments to related parties and their associates included in item 2	64

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.

Item 1 Director remuneration recognised as an expense in the income statement

- Non-executive director fees \$56,171
- Executive director fees \$32,942 (34% of total fees for the quarter)

Item 2 Director remuneration capitalised to Exploration and Evaluation assets in the balance sheet

- Executive director fees \$63,745 (66% of total fees for the quarter)

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (Put Option Agreement)	42,000	-
7.4 Total financing facilities	42,000	-
7.5 Unused financing facilities available at quarter end		42,000
<p>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.</p> <p>Hawsons Iron has entered into a Put Option Agreement with United States investment group LDA Capital Limited. The company may access equity capital over four years at its sole discretion.</p> <p>The Company can draw down funds during the term of the Agreement by issuing ordinary shares of the Company (Shares) for subscription to LDA Capital. The Company may issue call notices to LDA Capital with each call notice being a put option on LDA Capital to subscribe for and pay for those Shares. A Call Notice draws upon the Companies placement capacity which there must be available capacity to initiate a Call Notice on LDA Capital.</p> <p>The issue price of the Shares is calculated at the completion of the 30-Day pricing period, following the Capital Call Notice as the higher of 90% of the 30-day Volume Weighted Average Price (VWAP) after the issue of the Call Notice, and the 'minimum acceptable price' (as defined in the LDA facility) notified by Hawsons to LDA Capital, in each case subject to adjustments for various factors. Based on the historical trading volumes and the HIO share price at the end of the quarter ending 30 June 2023, Hawsons has estimated the total capital limit of the facility at 30 June 2023 at \$42,000,000 (refer 7.3).</p> <p>LDA has the right to reduce the Proposed Capital Call Shares (Subject to adjustments) by up to 50% or increase the number of Proposed Capital Call Shares by up to 100%. Except for option shares, LDA must not, on any Trading Day during the Pricing Period sell Collateral Shares representing more than 1/30th of the Shares specified in the Capital Call Notice.</p> <p>The Agreement includes unlisted share options under which HIO will issue 71,500,000 options to LDA Capital. The strike price of the options is 125% of the 90-day VWAP at the two-year anniversary of the issue of the options, or if the 90-day VWAP at the two-year anniversary of the issue of the options is at least \$0.55c, then \$0.70c. Each option has an exercise period of four years.</p> <p>The Company paid an Option Premium Fee to LDA Capital of A\$4 million on 21 December 2022 – 50% (A\$2 million) in cash and 50% in shares (9,173,897 shares) based on 90% of the average VWAP of Shares in the 90-trading day period preceding the 12-month anniversary date from signing of the Agreement. HIO has paid AUD\$21,258 on 16th December 2021 to cover LDA Capital legal costs which were capped at US\$25,000, and AUD\$14,423 on 24th August 2022 for costs related to the Call Notice.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(264)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,104)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,368)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,246
8.5	Unused finance facilities available at quarter end (item 7.5)	42,000
8.6	Total available funding (item 8.4 + item 8.5)	49,246
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3) <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	186
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: </div>	
8.8.2	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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: </div>	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: </div>	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

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.

Date: ..27 July 2023.....

Authorised by: The Board.....
 (Name of body or officer authorising release – see note 4)

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

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.