

ASX Release

29 October 2021

ASX Code: HAW

ABN 44 009 157 439

Hawthorn Resources Limited
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Directors:

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

Mr Mark G Kerr
(Managing Director/CEO)

Dr David Tyrwhitt
(Non-Exec. Director)

Mr Liao Yongzhong
(Non-Exec. Director)

Mr Liu Zhensheng
(Non-Exec. Director)

Mr Brian F Thornton
(Non-Exec. Director)

Senior Management:

Mr William Lloyd
(Operations Manager)

Mr Mourice Garbutt
(Company Secretary)

Mr Tony Amato
(CFO)

QUARTERLY ACTIVITIES REPORT – SEPTEMBER 2021



Hawthorn Resources Limited Quarterly Report – SEPTEMBER 2021

HIGHLIGHTS

Mount Bevan/Mt Alexander – Joint Venture – Iron Ore & Base Metals

- *Re Base Metals, exploration for nickel-copper continues; the results of a DHEM survey for Nickel sulphides have now been received and that no anomalous EM conductors were observed. Other areas will continue to be reviewed.*
- *Assay results are still outstanding for the 10-hole DSO-haematite drilling program.*
- *Discussions are ongoing with our JV partner LCY on the potential monetisation or development of the Mt Bevan high grade magnetite project where HAW has equal management rights. All steel mills favour high quality iron ore as they seek to reduce emissions.*

Trouser Legs Joint Venture - Gold

- *Haulage and processing contracts for an estimated 50,000t parcel of the low-grade gold stockpiles from the Anglo-Saxon open pit operations finalised and expected to start shortly.*
- *As announced earlier, the Anglo-Saxon underground project will be deferred until satisfactory long-term toll treatment capacity from nearby mills becomes available. Refer ASX announcement on 8 September 2021.*

Edjudina - Gold Project: M31/481 (HAW 100%)

- *A six-hole RC program undertaken in July showed weak intercepts in the southern extension of the Carlson lode indicating that the Carlsen lode has weakened south along strike but has provided valuable information.*
- *Future RC drilling plans will now be focussed further east, testing near surface and deeper sections of the Neta Lode.*

IRON ORE & BASE METALS

Mount Bevan/Mt Alexander – Joint Venture - Base Metals

(Legacy Iron Ore Ltd 60%; Hawthorn Resources Limited 40 %): Manager- Legacy Iron Ore Ltd

The Joint Venture tenement area consists of Exploration Licence 29/510, being north of Kalgoorlie and approximately 100 km west of Leonora in the Central Yilgarn region of Western Australia; it is located immediately south of St George Mining Limited's (ASX: SGQ) Mt Alexander Nickel Project and immediately to the north of Juno Minerals Limited (ASX: JNO).

The Joint Ventures objective aims to progress its potentially world class magnetite project and is also exploring for nickel-copper mineralisation.

The project hosts a 1,170 Mt of magnetite resource @ 34.9% Fe as well as potential for discovery of nickel–copper mineralisation in the northern most part of the tenement.

In the June 2021 Quarterly Activities Report the Company reported that:

“...a) a total of 9 rock chip samples were collected from the BIF unit, particularly targeting the possible cross cutting East-West fault planes and streams from the southern part of the tenement; out of these samples two returned with more than 60% Fe; and

b) the successful completion of a drilling programme undertaken at the project in June and the JV is now compiling geological loggings and reviewing its findings. The above samples are with SGS laboratory in Perth and assays are expected to be received during the next month

The programme resulted in the drilling of a total of 1378 m in 13 holes with the objective of for exploring DSO mineralisation in the Southern part of the tenement and to drill test remaining Nickel sulphide targets in the Northern part of the tenement divided as to:

- RC drilling of a total of 10 holes covering 1,015 m for Hematite Mineralisation in the southern part of the tenement in the strike continuity of the Mt Mason deposit; and*
- RC drilling of a total of 3 holes covering 363 m for Nickel Sulphide mineralisation.*

Pending the receipt of the assay results LCY has recommended that the Joint Venture undertake a Down Hole Electromagnetic (DHEM) survey on one of the holes drilled for Nickel Sulphide...”

LCY has now advised that the results of the survey indicated that no anomalous EM conductors were observed. Assay results are still outstanding for the DSO-haematite drilling. Considerable delays have occurred in the Kalgoorlie laboratory, partly as a result of Covid-19 issues, but also a massive backlog of samples.

GOLD

ANGLO SAXON GOLD PROJECT

Trouser Legs Joint Venture – Underground Gold Project

(Hawthorn Resources 70%, Gel Resources 30 %): Manager - Hawthorn Resources Limited

Hawthorn Resources Limited ASX: HAW (“Hawthorn” or the “Company”), is pleased to update shareholders and the market on activities undertaken during the September 2021 quarter at the Trouser Legs Joint Venture underground gold project (“the Project”) at Pinjin in Western Australia.

The Project area is located 140 km north-east of Kalgoorlie at Pinjin in Western Australia within the prolific South Laverton Tectonic Zone (SLTZ) (see location map Fig 1 below).

As announced on 30 June 2021 the Company advised that AMC Consultants Pty Ltd ('AMC') had been engaged to undertake a geological review, gap analysis and an assessment of underground mining methods options at the Joint Venture's Anglo-Saxon Gold Project to enable the TLMJV to establish and confirm the business case on whether to proceed to a Pre-Feasibility Study (PFS) for the Anglo-Saxon underground project.

Currently the underground hosts an Indicated and Inferred Mineral Resource Estimate (MRE) of 796,000 tonnes at 6.1 g/t Au, for 157,000 oz; refer ASX Release of 20 October 2020: Mineral Resource Update.

On 8 September 2021 the Company, advised that the AMC report had found that underground mining methods such as longhole stoping or airleg mining do not generate a sufficient return on capital based on the current MRE, at the prevailing gold price. In addition, long-term toll treatment capacity from nearby mills is currently unavailable.

Accordingly, the TLMJV has resolved that the Anglo-Saxon underground project will be deferred temporarily or until such time that suitable long term treatment options become available.

As previously advised, haulage and processing contracts for the low-grade gold stockpiles at Pinjin, stemming from the previous open pit operations, have been signed for the processing of an estimated 50,000t parcel of ore.

The full 8 September 2021 announcement to the ASX can be viewed on the Company's website at: www.hawthornresources.com

EXPLORATION

Edjudina M31/481 -Gold Project

(Hawthorn Resources Limited: 100%)

On 1 July, 2021 the Company undertook a 600m Reverse Circulation (RC) drill campaign to investigate potential extensions of mineralisation into Hawthorn's M31/481, which is contiguous to Gibb River's (ASX: GIB) Neta Project, with the Carlsen lode as the focus of the RC drilling campaign.

As reported on 30 July 2021 the six-hole program showed only weak intercepts in the southern extension of this lode. The best grade intersections of 1.32g and 4.74g were made in hole 21EDRC002 drilled just south of the Mining Lease boundary with the GIB lease. A wider intersection was seen in hole 21EDRC004 of low-grade quartz-pyrite mineralised lode grading 0.45g between 34 metres and 35 meters and a deeper lode of 0.5g over 2 meters between 46-48 meters. As such, it appears that the Carlsen lode has weakened south along strike.

Future RC drilling will be focussed further east testing near surface and deeper sections of the Neta Lode which was the target of underground historic mining via the Geneve and Senate shafts on lease ML481. Whilst much of the past RC drilling by the company has tested this area the holes are widely spaced and require in-fill testing. Also, no deeper diamond drilling has been conducted which is needed to test such deep targets at a depth of 200 meters below surface.

For the full 30 July 2021 ASX announcement go to website: www.hawthornresources.com

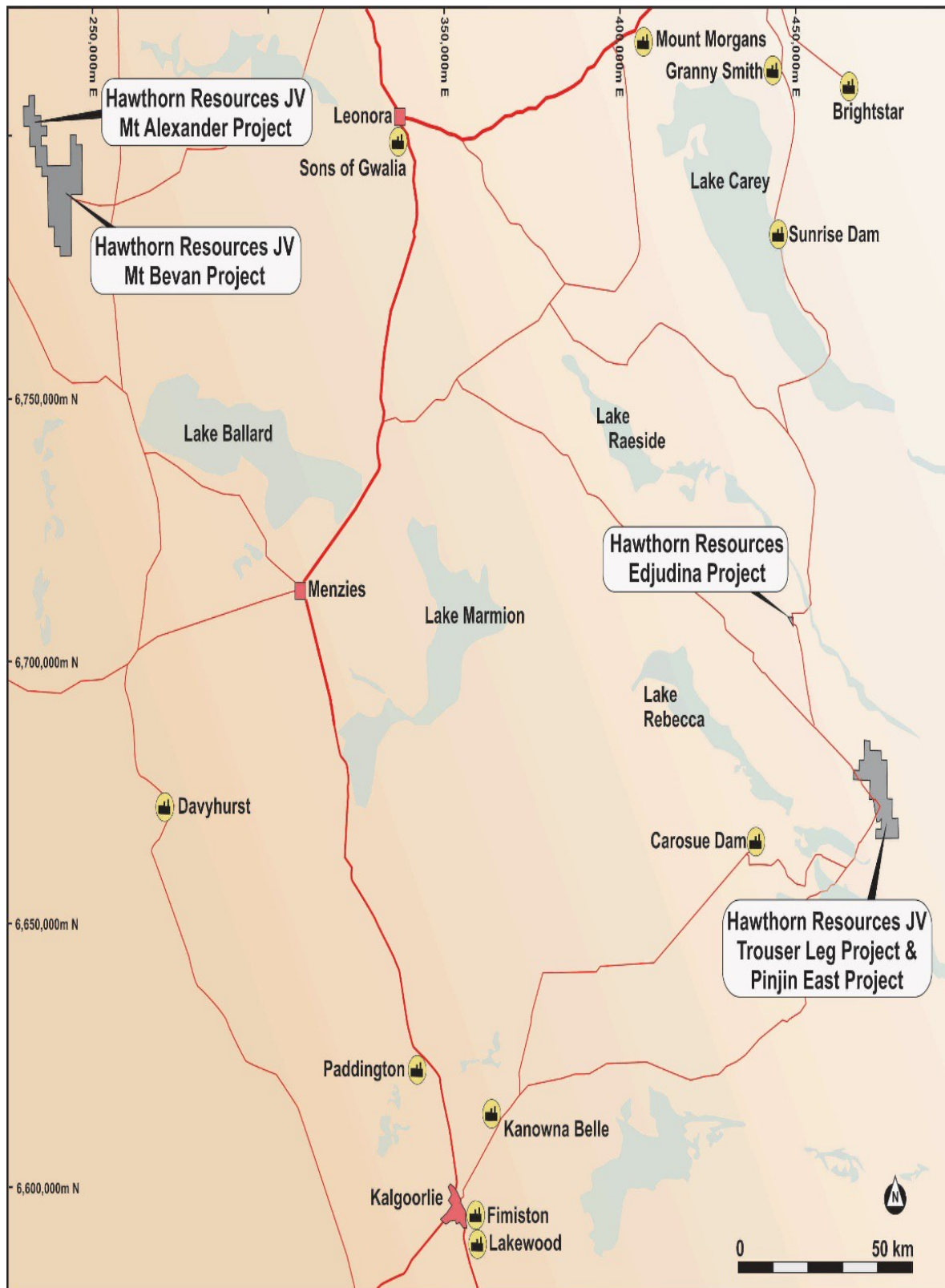


Figure 1 – Project location map – Western Australia Goldfields

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		40%	40%	Legacy Iron Ore Limited
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
P 31/2034		70%	70%	GEL Resources
Edjudina - Pinjin Joint Venture	West Australia			
E 31/789		80%	80%	Karora Resources Pty Ltd
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			

CORPORATE

Board of Directors

No changes to the Board membership occurred during the September quarter or up to the date of this Report. The Board continues to comprise five non-executive directors and one executive director.

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 as at 30 September 2020 was 333,515,613 fully paid ordinary shares (June 2021: 326,615,613 shares) as held in 3,721 shareholder accounts (June 2021: 3,742).

As of 30 September 2021 the Top 20 Shareholdings held 241,848,833 shares (June 2021: 240,690,454 shares) being 72.52 per cent of the number of shares on issue (June 2021: 72.17 per cent).

Funding/Cash Balance/Working Capital

As at 30 September 2021 the Company held funds-on-hand of A\$11.41 million (June 2021: A\$12.11 million). For full details of Cashflow movements refer to the Appendix 5B Report accompanying this Quarterly Activities Report.

The above 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 and from past open cut mining operations but have not, as at quarter end, been paid or received.

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

Mining Tenements

For full details of the movements in Mining Tenement interests during the period and held as at 30 September 2021 refer to the schedules attached to the Appendix 5B Report accompanying this Quarterly Activities Report.

For further information, please contact Mourice Garbutt, Company Secretary, on (03) 9605 5902.



Mourice Garbutt, Company Secretary

The information in this report that relates to the Mineral Reserve estimation is based on information compiled by Mr William Lloyd, a Competent Person who is a Member of Australasian Institute of Mining and Metallurgy. Mr Lloyd is employed by BM Geological Services. Mr Lloyd has been engaged as an external independent consultant by Hawthorn Resource Limited. Mr Lloyd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Lloyd consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Dr David Tyrwhitt, a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Tyrwhitt has sufficient experience as a geologist which is relevant to the style of mineralization and the 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tyrwhitt consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This announcement was authorised for release by the Managing Director, Hawthorn Resources Limited, Mr M Kerr

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 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(284)	(284)
	(b) development & maintenance	(104)	(104)
	(c) production	-	-
	(d) staff costs	(70)	(70)
	(e) administration and corporate costs	(268)	(268)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
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)	18	18
1.9	Net cash from / (used in) operating activities	(704)	(704)
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$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	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

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	12,115	12,115
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(704)	(704)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	11,411	11,411

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	733	895
5.2	Call deposits	9,130	9,672
5.3	Bank overdrafts	-	-
5.4	Other (Mine Rehabilitation Fund)	1,548	1,548
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,411	12,115

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	109
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 \$55,475 (Previous Quarter \$47,241)
 Fully Serviced Office facility rental \$46,750 (Previous Quarter \$52,250)
 Company requested Consulting Fees \$6,600 (Previous Quarter \$8,250)

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 (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)	(704)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(704)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	11,411
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	11,411
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	16

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:

Date: 29/10/2021.

Name: Mourice Garbutt – Company Secretary

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 – e.g. 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.