Interim Financial Report

For the
Half-Year Ended
31 December 2023

ABN 63 095 117 981
ASX Code: HIO

Directors' report

Your Directors present their report on Hawsons Iron Limited and its controlled entities (Consolidated Entity) for the half-year ended 31 December 2023.

Directors

The names and details of the Directors of Hawsons Iron Limited (Hawsons, Hawsons Iron or the Company) in office at the date of this report or at any time during the financial period are:

Name	Position during the period	Period of directorship
Jeremy Kirkwood	Non-executive Chairman	Appointed 10 May 2023
Bryan Granzien	Managing Director	Appointed 29 December 2020
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Hon. Tony McGrady AM	Non-executive Director	Appointed 3 October 2022

Operating results

Commentary and comparison with prior period

For the half-year ended 31 December 2023, the loss after tax for the Consolidated Entity was $2,315,948 (December 2022: profit of $16,257,162). The movement in profit between the periods is primarily attributed to:

- Net loss on the fair value movements on the LDA financial instruments of $850,321 versus a net gain in the prior period of $17,321,122; and
- Net gain on the Consultant share based payments of $Nil versus a gain in the prior period of $456,388.

Review of financial position

Liquidity and funding

As at 31 December 2023 the Consolidated Entity had cash reserves of $3,191,641, net current assets of $615,318 and net assets of $59,420,837. Excluding the financial derivatives attributable to the LDA facility arrangement, the net current asset position is $1,735,044.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- the Company has access to an equity facility with LDA Capital;
- the ability of the Company to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the Consolidated Entity's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Consolidated Entity has funded its activities through issuance of equity securities, and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities;
- Access to the LDA equity facility through to December 2025; and
- The level of existing cash reserves.

Review of operations

Project Activities

During the period laboratory results were received from the exploratory drilling undertaken during the first half of 2023. This drilling program targeted shallower magnetite ore above a depth of 150 metres with a grade greater than 9 per cent Davis Tube Recovery (DTR) mass recovery to help accelerate the project's cash flow during the first few years of operation.

These results identified prospective, near-surface magnetite mineralisation at targeted grades with potential to extend significantly along strike to the south-west. The positive assay results from 10 of 12 Reverse Circulation (RC) holes drilled within an out-cropping area referred to as the Fold Zone to the south of the existing mineral resource warranted further assessment.

An additional 21-hole confirmation and definition drilling program commenced in October 2023 to determine the extent, tonnage and grade of the near-surface mineralisation and potential to further improve the project's economics. Despite some weather interruptions, equipment issues and challenging ground conditions reflecting the structural complexity of the Fold Zone, 10 of 20 planned RC holes and one twin Diamond Drill core hole were drilled prior to the annual Christmas holiday break. Wet weather further delayed drilling through January 2024 with drilling re-commencing at the start of February 2024.

Independent geological experts H&S Consultants have been incorporating newly reinterpreted ground magnetic data, initially collected in 2012, into the existing geological model. This extensive historical ground magnetic data is helping improve the geological interpretation of the Fold Zone and accurately identify areas of higher magnetic intensity, near-surface material for future resource estimation drilling programs. Importantly, leveraging this historical magnetic data has eliminated the need to conduct costly ground-borne magnetic survey campaigns, while improving the turnaround time to produce 3D magnetic imagery.

The current drilling program has been assessed against the updated model, indicating that all drill holes designed to target the near-surface mineralisation are optimally positioned.

Tenements and Applications

During the period the Company successfully applied to the NSW Government for an additional exploration tenement adjoining its existing lease EL7208. This new tenement EL9620, granted on 5 December 2023, extends the Project's exploration footprint to the south. It significantly improves mine planning flexibility within the boundaries of a new Mining Lease Area application (MLA641) which was submitted on 18 December 2023. The previous MLA460, covering a smaller area, was withdrawn on 21 December 2023.

Strategic Partner Process

In December 2023 the Company commenced a formal process to consider potential strategic partner investment in the Bankable Feasibility Study (BFS) and longer term project involvement. In December 2023, Hawsons commenced market soundings with potential strategic investors involving presentations on the project and the selection process.

Feedback from these soundings, which are continuing, will help determine the interest of potential strategic investors in proceeding with the BFS and finalisation of the structure of the process. Subject to feedback, the Company will then enter a Strategic Investor Process with a smaller group of 'qualified investors'. These parties will be provided with the comprehensive, confidential Information Memorandum. Hawsons will then select its preferred partners. This group, with whom Hawsons aim to negotiate final agreements, will be given full due diligence access to project information.

Auditor’s Independence Declaration

The attached Auditor’s Independence Declaration forms part of the Directors’ Report.

Events after reporting date

There have been no events since 31 December 2023 that impact upon the financial report.

Signed in accordance with a resolution of the Board of Directors.

Jeremy N. Kirkwood

Director
Dated 27 February 2024

Auditor's independence declaration

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DECLARATION OF INDEPENDENCE K L COLYER TO THE DIRECTORS OF HAWSONS IRON LIMITED

As lead auditor for the review of Hawsons Iron Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hawsons Iron Limited and the entities it controlled during the period.

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 27 February 2024

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2023

	Note	December 2023 $	December 2022 $
Interest income		41,539	13,860
Net fair value gain/(loss) on financial instruments measured at fair value through profit or loss	4	(850,321)	17,321,122
Employment benefit expenses		(630,277)	(703,979)
Depreciation and amortisation expense		(91,479)	(70,421)
Consultants expense (change in fair value and share based payment)		-	456,388
Corporate compliance		(455,510)	(289,897)
Corporate advisory		(147,768)	(247,415)
Computer, IT and telecommunications		(53,134)	(70,102)
Other		(128,998)	(112,442)
Profit/(loss) before income tax		**(2,315,948)**	**16,257,162**
Income tax		-	-
Profit/(loss) after income tax		**(2,315,948)**	**16,257,162**
Other comprehensive income		-	-
Total comprehensive income		**(2,315,948)**	**16,257,162**

Earnings per share	Cents	Cents
Basic and diluted earnings/(loss) per share	(0.25)	2.25

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Balance Sheet
As at 31 December 2023

	Note	December 2023 $	June 2023 $
CURRENT ASSETS			
Cash and cash equivalents		3,191,641	7,246,403
Trade and other receivables		168,098	205,216
Other current assets		102,921	13,616
Financial assets at fair value through profit and loss	4	624,874	678,935
TOTAL CURRENT ASSETS		4,087,534	8,144,170
NON-CURRENT ASSETS			
Trade and other receivables		381,474	371,474
Plant and equipment		114,653	135,526
Exploration and evaluation assets	3	57,596,450	54,783,499
Right of use assets		144,898	206,997
Other non-current assets		63,182	63,182
Financial assets at fair value through profit and loss	4	539,052	1,113,662
TOTAL NON-CURRENT ASSETS		58,839,709	55,674,340
TOTAL ASSETS		**62,927,243**	**64,818,510**
CURRENT LIABILITIES			
Trade and other payables		457,617	391,919
Short-term provisions		95,412	71,403
Borrowings		121,972	-
Lease liabilities		80,071	116,509
Financial liability at fair value through profit and loss	4	2,717,144	2,495,494
TOTAL CURRENT LIABILITIES		3,472,216	3,075,325
NON-CURRENT LIABILITIES			
Lease liabilities		34,190	101,806
TOTAL NON-CURRENT LIABILITIES		34,190	101,806
TOTAL LIABILITIES		**3,506,406**	**3,177,131**
NET ASSETS		**59,420,837**	**61,641,379**
EQUITY			
Contributed capital	5	96,992,716	96,992,716
Reserves		3,401,937	3,812,539
Accumulated losses		(40,973,816)	(39,163,876)
TOTAL EQUITY		**59,420,837**	**61,641,379**

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2023

	Note	Contributed Capital $	Share Based Payment Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2022		**76,669,474**	**3,239,102**	**(49,526,033)**	**30,382,543**
Transactions with owners in their capacity as owners					
Issue of share capital	5	12,566,448	-	-	12,566,448
Capital raising costs	5	(431,691)	-	-	(431,691)
Share based payments - consultants	4	-	(456,388)	-	(456,388)
Share based payments – employees & directors		-	155,156	-	155,156
Total		12,134,757	(301,232)	-	11,833,525
Comprehensive income					
Profit after income tax		-	-	16,257,162	16,257,162
Total comprehensive income		-	-	16,257,162	16,257,162
Balance at 31 December 2022		**88,804,231**	**2,937,870**	**(33,268,871)**	**58,473,230**
Balance at 1 July 2023		96,992,716	3,812,539	(39,163,876)	61,641,379
Transactions with owners in their capacity as owners					
Share based payments – employees & directors		-	95,406	-	95,406
Transfer of expired options		-	(506,008)	506,008	-
Total		-	(410,602)	506,008	95,406
Comprehensive income					
Loss after income tax		-	-	(2,315,948)	(2,315,948)
Total comprehensive income		-	-	(2,315,948)	(2,315,948)
Balance at 31 December 2023		**96,992,716**	**3,401,937**	**(40,973,816)**	**59,420,837**

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Cash Flow Statement
For the half-year ended 31 December 2023

	Note	December 2023 $	December 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(1,272,744)	(1,331,487)
Interest received		41,539	13,690
Finance costs		(3,828)	-
Net cash used in operating activities		(1,235,033)	(1,317,797)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant & equipment		(8,507)	(3,576)
Refunds/(payments) for security deposits		(10,000)	19,024
Payments for exploration and evaluation assets		(2,732,324)	(12,183,772)
Net cash used in investing activities		(2,750,831)	(12,168,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	5	-	10,566,448
Cost associated with the issue of shares	5	-	(431,994)
Cost associated with the LDA facility	4	-	(2,000,000)
Repayment of borrowings (insurance financing)		(6,745)	-
Lease principal payments		(62,153)	(61,493)
Net cash provided by/(used in) financing activities		(68,898)	8,072,961
Net decrease in cash and cash equivalents held		(4,054,762)	(5,413,160)
Cash and cash equivalents at the beginning of the financial period		7,246,403	7,824,042
Cash and cash equivalents at the end of the financial period		**3,191,641**	**2,410,882**

The Consolidated Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

Hawsons Iron Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2023 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

b) Statement of Compliance

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the interim financial report. The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2023.

This consolidated interim financial report was approved by the Board of Directors on 27 February 2024.

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2023.

New and revised standards

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption these standards did not have any impact on the Consolidated Entity's accounting policies and did not require retrospective adjustments.

Going Concern

During the half-year the Consolidated Entity had net cash outflows of $1,235,033 (December 2022: $1,317,797) from operating activities and net cash outflows used in investing activities of $2,750,831 (December 2022: $12,168,324). Investing activities includes payments for exploration and evaluation assets. The group recorded a net loss of $2,315,948 during the half-year. Included in the net loss a net fair value loss (non-cash item) recorded in relation to the LDA financial instruments of $850,321.

These conditions give rise to material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- As at 31 December 2023 the Consolidated Entity had cash reserves of $3,191,641, net current assets of $615,318 and net assets of $59,420,837. Excluding the financial derivatives attributable to the LDA facility arrangement, the net current asset position is $1,735,044.
- The Company has access to an equity facility with LDA Capital through to December 2025, on which it can put Call Notices to fund future exploration activity, feasibility studies, initial development works and meet other necessary corporate expenditure. Based on the historical trading volumes and the HIO share price at 31 December 2023, Hawsons has estimated the total capital limit of the facility at 31 December 2023 at $22,226,000. As part of the financing facility, the Company also issued 71,500,000 options to LDA Capital with an excerice price of $0.055 and if exercised will contribute a further equity.
- The ability of the Company to raise additional capital in the future. To date the Consolidated Entity has funded its activities through issuance of equity securities, and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities; and
- The successful exploration and subsequent exploitation of the Consolidated Entity's tenements.

As a result of the items noted above the directors believe the going concern basis of preparation is appropriate, and accordingly have prepared the financial report on this basis. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

NOTE 2 SEGMENT REPORTING

Reportable Segments

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Consolidated Entity as having only one reportable segment, being exploration for minerals in Australia. The financial results from this segment are equivalent to the financial statements of the consolidated entity. There have been no changes in the operating segments during the half-year. All assets are located in Australia.

NOTE 3 EXPLORATION AND EVALUATION ASSETS

	December 2023 (half-year) $	June 2023 (full year) $
Movements during the period		
Opening balance	54,783,499	44,566,121
Exploration expenditure during the period	2,812,951	11,704,949
Government grants relating to exploration	-	(1,487,571)
	57,596,450	**54,783,499**

NOTE 4 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial Assets

LDA put option asset: current - Note 4 (A)	624,874	678,935
LDA put option asset: non-current - Note 4 (A)	539,052	1,113,662
	1,163,926	**1,792,597**

Financial Liabilities

LDA derivative liability - Note 4 (A)	1,744,600	1,522,950
Other payable: consultant fee - Note 4 (B)	972,544	972,544
	2,717,144	**2,495,494**

LDA Put Option Asset and LDA Derivative Liability

On 21 December 2021, the Company entered into a Put Option Agreement (POA) with LDA Capital to provide the Company with up to $200 million in committed equity capital over 4 years. The Company will control the timing and maximum amount of the draw down under this facility.

The effect of the key terms as described below gave rise to a derivative liability and derivative asset held at fair value through profit or loss.

Key terms and conditions

(i) In accordance with the POA, as part consideration, the Company issued 71,500,000 unlisted options to LDA Capital exercisable at $0.055, expiring on 21 December 2025. The options were valued at $5,305,300 using a Monte Carlo Simulation Methodology and classified as a derivative liability. Refer below for the valuation inputs.

(ii) The issue price of the shares under the purchased put option is calculated as 90% of the higher of the average VWAP of shares in the 30-day trading period after the issue of a call notice, and the minimum price notified to LDA Capital by the Company upon exercise of the put option. The VWAP calculation and the number of subscription shares are subject to adjustment as a result of certain events occurring including trading volumes falling below an agreed threshold level or a material adverse event occurring in relation to the Company. Refer below for the valuation inputs.

(iii) In December 2022, the Company settled commitment fees due pursuant to the POA of $4,000,000 comprising $2,000,000 due and payable in cash and $2,000,000 settled through a share issuance with a share price calculated based on the 90% of the 90-day VWAP preceding the 12-month anniversary date. The commitment fee was settled during the 2023 financial year.

(iv) The Company paid for legal fees of $21,259 incurred by LDA in preparation of the documentation under this agreement.

Recognition and reduction in put option premium and derivative liability

On entering the POA, the Company recognised the purchased put option as a derivative asset with a fair value of $9,273,462. The consideration payable comprised 71,500,000 unlisted options, recognised as a derivative liability totalling $5,305,300, and a commitment fee payable of $4,000,000. The difference between the total consideration payable and the derivative asset recognised was deferred on the balance sheet upon recognition in accordance with the requirements of accounting standards (day one loss). The difference of $31,838 was recognised in the prior period profit or loss and disclosed as 'Day one loss on initial recognition of put option contract released to profit or loss.

The valuation of the derivative asset was determined using a common pricing model. A derivative liability was recognised based on the fair value of the 71,500,000 options issued determined using a Monte Carlo Simulation Methodology. The derivative liability relating to the unlisted options issued to LDA Capital as part consideration were revalued at the year-end for the unexercised options.

At each reporting date the financial derivative asset and derivative liability is remeasured at fair value.

Movement in financial asset – LDA put option derivative asset

	December 2023 (half-year) $	June 2023 (full year) $
Movements during the period		
Opening balance	1,792,597	9,408,511
Revaluation of put option premium at call date [1]	-	(757,681)
Fair value movement in financial asset – put option premium	(628,671)	(6,858,233)
Closing balance	**1,163,926**	**1,792,597**

1 The derivative asset was revalued on 24 August 2022 when an equity call was made under the agreement.

Movement in LDA derivative liability

	December 2023 (half-year) $	June 2023 (full year) $
Movements during the period		
Opening balance	1,522,950	22,451,000
Re-measurement to fair value through profit or loss [1]	221,650	(20,928,050)
Closing balance	**1,744,600**	**1,522,950**

1 The value per option increased from $0.0213 cents in June 2022 to $0.0244 cents at 31 December 2023, thereby increasing the derivative liability by $221,650.

Net fair value gain/(loss) on financial instruments measured at fair value through profit or loss

Movements during the period		
Fair value movement in financial asset – put option premium	(628,671)	(7,615,914)
Fair value movement in derivative liability – call option	(221,650)	20,928,050
Net fair value gain/(loss) on financial instruments	**(850,321)**	**13,312,136**

(A) Other Payable – Consultant Fee

In 2013, the Company entered into an agreement with a consultant to provide financial modelling, financing negotiation support and other related services for the Hawsons Iron Project. The consultant provided these services to the Company at a discounted rate on the basis that a success fee of 5 times the foregone fees would be payable upon the first sale of iron ore/concentrate from the Hawsons Iron Project ("foregone fees"). The gross amount of the foregone was $1,945,087.

In 2019, the Company entered into another agreement with the consultant to assist the Company to obtain the necessary equity and other funding to carry out a bankable feasibility study in respect of the Hawsons Iron Project. In the event the consultancy relationship service was terminated by the Company without cause, the Company must pay the consultant a fee ("Break Fee") equal to the greater of:

- 0.25% of the debt funds arranged by the consultant; or
- a break fee being the cumulative sum calculated by multiplying the number of hours worked by the consultant from each month from July 2018 until termination of the consultancy by $1,000 less the fees paid to the consultant over that period. The break fee is payable upon the commitment to undertake a bankable feasibility study (or equivalent) for the Hawsons Iron Project should the consultancy arrangement be terminated without cause before such commitment or otherwise at financial investment decision for the development of the Hawsons resource.

The gross amount of the break fee was $1,097,500. The Company paid $1,094,500 + GST on 24 August 2021.

On 21 January 2020, the Company entered into a further agreement with the consultant which provided as follows. In the event that a takeover bid is made under Chapter 6 of the Corporations Act for the ordinary shares in the Company and the consultant believes reasonably that the bid will be successful and result in a change of control of the Company, then the consultant may serve notice upon the Company that it wishes to receive the Foregone Fee (together with the Break Fee that the consultant would be entitled to if the Company were to terminate the consultancy arrangement without cause before a termination event) by payment in HIO shares.

In such event, the Company must to the extent that it can do so in compliance with the ASX Listing Rules (in particular Chapter 7) allot and issue to the consultant or its nominee the number of fully-paid ordinary shares that is equal in value to the Foregone Fee plus the Break Fee, with each HIO share having a price equal to the prevailing price at which the takeover bid will succeed and do so in such time that the consultant may accept the offer. In the event that the takeover bid is withdrawn before completion, then the Company's obligation to pay the Foregone Fee and Break Fee in HIO shares will for the purposes of that takeover bid cease to exist. In the event that there is more than one concurrent takeover bid, the pricing of the HIO shares will be based on the bid that involves the highest offer price.

As a result of the 21 January 2020 agreement the consultant became entitled, in certain circumstances, to an equity settled share-based payment (as noted above). As such, the accounting for the arrangement is now based on the requirement of AASB2 Share-Based Payments applicable to compound instruments as follows:

- The right to cash, in certain circumstances, is recognised as a cash-settled share-based payment. In this regard, the Company recognises the expense at grant date and/or as services are received, as appropriate, with a corresponding credit as a liability. The liability is measured at fair value taking into account the potential gross amount payable and the impact of non-vesting conditions (being the success conditions of the first sale of iron ore and/or a commitment to undertake a bankable feasibility study).

The liability and equity-settled share-based payment recognised at 31 December 2023 were as follows:

	December 2023 $	June 2023 $
Fair value of liability recognised	972,544	972,544
Fair value of share-based payment recognised in equity share-based payment reserve	152,129	152,129

Movement in Other Payable Consultant Liability

	December 2023 (half-year) $	June 2023 (full year) $
Movements during the period		
Opening balance	972,544	1,069,798
Fair value loss/(gain) recognised in profit and loss	-	(97,254)
	972,544	**972,544**

Fair value gain/(loss) recognised in the Statement of Comprehensive Income:

Other payable	-	(97,254)
Share based payment reserve	-	456,388
Total recognised as Consultant's expense in Statement of Comprehensive Income	**-**	**553,642**

(B) Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the consolidated entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

	Level 1 $	Level 2 $	Level 3 $	Total $
December 2023				
Assets				
Derivative asset – put option premium	-	-	1,163,926	**1,163,926**
Liabilities				
LDA derivative liability	-		1,744,600	**1,744,600**
Other payable – consultant fee	-	-	972,544	**972,544**
	-	-	2,717,144	**2,717,144**

	Level 1 $	Level 2 $	Level 3 $	Total $
June 2023				
Assets				
Derivative asset – put option premium	-	-	1,792,597	**1,792,597**
Liabilities				
LDA derivative liability	-	-	1,522,950	**1,522,950**
Other payable – consultant fee	-	-	972,544	**972,544**
	-	-	2,495,494	**2,495,494**

Valuation techniques for fair value measurements categorised within level 2 and level 3

Other Payable – consultant fee
The fair value of the consultant's fees has been estimated using present value techniques, by discounting the probability-weighted estimated future cash outflows.

Put & Call Options
The valuation of the derivative asset was determined using a common pricing model. A derivative liability was recognised based on the fair value of the 71,500,000 options issued determined using a Monte Carlo Simulation Methodology.

Level 3 Assets and Liabilities

Movements in level 3 assets and liabilities during the current and previous financial period are set out below:

	December 2023 (half-year) $	June 2023 (full year) $
Assets		
Balance at the beginning of the period	1,792,597	9,408,511
Gain/(loss) recognised in profit or loss of financial asset – put option	(628,671)	(7,615,914)
	1,163,926	1,792,597

	December 2023 (half-year) $	June 2023 (full year) $
Liabilities		
Balance at the beginning of the period	2,495,494	23,520,798
(Gain)/Loss recognised in profit or loss of financial derivative	221,650	(20,928,050)
(Gain)/Loss recognised in profit or loss (consultants' expense)	-	(97,254)
	2,717,144	2,495,494

The level 3 liabilities unobservable inputs are as follows:

Description	Unobservable inputs	Unobservable Inputs Dec 2023	June 2023	Sensitivity
Other payable – consultant fee	First sale of ore/concentrate probability range	50.0%	50.0%	The estimated fair value would increase/(decrease) if probability % was higher/(lower)
LDA financial derivative asset – put option	Market placement discount	14.5%	14.5%	The estimated fair value would increase/(decrease) if market placement discount rate was higher/(lower) – refer below for sensitivity analysis
	Discount rate	14.0%	14.0%	The estimated fair value would increase/(decrease) if discount rate was lower/(higher)
LDA Financial derivative liability	Share price	$0.047	$0.037	The estimated fair value would increase/(decrease) if share price was higher/(lower) – refer below for sensitivity analysis
	Exercise Price	$0.055	125% of 90-day VWAP or $0.70	The estimated fair value would increase/(decrease) if exercise price was higher/(lower)
	Expected volatility	105.0%	115.0%	The estimated fair value would increase/(decrease) if expected volatility was lower/(higher)

Sensitivity analysis

Reasonably possible changes in the unobservable inputs included below, holding other assumptions constant, would have affected the fair value of the financial derivative assets and liabilities at balance date by the amounts shown in the following table:

	Dec 2023 Increase $	Dec 2023 Decrease $	June 2023 Increase $	June 2023 Decrease $
LDA financial derivative liability: Share Price +/- 10%	257,400	(257,400)	152,295	(153,010)
LDA financial derivative asset: Market placement discount +/- 2%	557,569	(557,569)	858,729	(819,472)

NOTE 5 SHARE CAPITAL

	December 2023 (half-year) $	June 2023 (full year) $	December 2023 (half-year) #	June 2023 (full year) #
Ordinary Shares				
At the beginning of the year	96,992,716	76,669,474	913,571,059	710,522,950
LDA share issue ($0.3178 per share)	-	5,566,448	-	17,515,000
Share placement ($0.08 per share)	-	5,000,000	-	62,500,000
LDA commitment fee issue ($0.2180 per share)	-	2,000,000	-	9,173,897
Share placement ($0.07 per share)	-	7,764,849	-	100,842,199
Share purchase plan ($0.07 per share)	-	999,995	-	12,987,013
Total shares issued during the year	**-**	**21,331,292**	**-**	**203,018,109**
Share issue costs	-	(1,008,050)	-	-
At reporting date	**96,992,716**	**96,992,716**	**913,571,059**	**913,571,059**
Non-recourse employee shares (NRE)				
At the beginning and end of the year	-	-	5,500,000	5,500,000
Total Ordinary and NRE Shares	**96,992,716**	**96,992,716**	**919,071,059**	**919,071,059**

NOTE 6 EMPLOYEE SHARE BASED PAYMENTS AND PUT OPTIONS

Equity based instruments - Options

The Company has granted options over ordinary shares to employees (including Directors) in recognition of services provided to the Company. The options were granted for nil consideration and are not quoted on the ASX. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Information with respect to the number of options granted is as follows (the table below includes share-based payments and options issued in accordance with the LDA Put Option Agreement- tranche 45):

Tranche	Grant Date	Expiry Date	Exercise Price	Balance 1 Jul 2023	Granted in period	Exercised in period	Expired in period	Balance 31 Dec 2023	Vested and exercisable
11	15-Oct-18	14-Oct-23	$0.15	1,500,000	-	-	(1,500,000)	-	-
12	15-Oct-18	14-Oct-23	$0.25	1,800,000	-	-	(1,800,000)	-	-
13	15-Oct-18	14-Oct-23	$0.40	800,000	-	-	(800,000)	-	-
14	15-Oct-18	14-Oct-23	$0.50	1,400,000	-	-	(1,400,000)	-	-
25	20-Aug-21	20-Aug-26	$0.15	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000
26	20-Aug-21	20-Aug-26	$0.25	4,750,000	-	-	(750,000)	4,000,000	-
27	20-Aug-21	20-Aug-26	$0.35	4,750,000	-	-	(750,000)	4,000,000	-
28	20-Aug-21	20-Aug-26	$0.50	7,000,000	-	-	(1,000,000)	6,000,000	-
29	6-Sep-21	6-Sep-26	$0.25	250,000	-	-	-	250,000	-
30	6-Sep-21	6-Sep-26	$0.35	250,000	-	-	-	250,000	-
31	6-Sep-21	6-Sep-26	$0.50	500,000	-	-	-	500,000	-
32	25-Oct-21	25-Oct-26	$0.25	250,000	-	-	-	250,000	-
33	25-Oct-21	25-Oct-26	$0.35	250,000	-	-	-	250,000	-
34	25-Oct-21	25-Oct-26	$0.50	500,000	-	-	-	500,000	-
35	29-Nov-21	29-Nov-26	$0.25	250,000	-	-	-	250,000	-
36	29-Nov-21	29-Nov-26	$0.35	250,000	-	-	-	250,000	-
37	29-Nov-21	29-Nov-26	$0.50	500,000	-	-	-	500,000	-
38	6-Dec-21	6-Dec-26	$0.25	150,000	-	-	-	150,000	-
39	6-Dec-21	6-Dec-26	$0.35	150,000	-	-	-	150,000	-
40	6-Dec-21	6-Dec-26	$0.50	200,000	-	-	-	200,000	-
41	13-Dec-21	13-Dec-26	$0.15	400,000	-	-	(400,000)	-	-
42	13-Dec-21	13-Dec-26	$0.25	400,000	-	-	(400,000)	-	-
43	13-Dec-21	13-Dec-26	$0.35	200,000	-	-	(200,000)	-	-
44	13-Dec-21	13-Dec-26	$0.50	475,000	-	-	(475,000)	-	-
45	21-Dec21	21-Dec-25	$0.055	71,500,000	-	-	-	71,500,000	-
49	20-May-22	16-Apr-25	$0.80	1,250,000	-	-	-	1,250,000	-
50	20-May-22	16-Apr-25	$1.00	1,250,000	-	-	-	1,250,000	-
51	20-May-22	16-Apr-25	$1.20	1,250,000	-	-	-	1,250,000	-
52	20-May-22	16-Apr-25	$1.00	1,250,000	-	-	-	1,250,000	-
55	15-Nov-22	15-Nov-27	$0.65	1,250,000	-	-	-	1,250,000	-
56	15-Nov-22	15-Nov-27	$0.85	1,250,000	-	-	-	1,250,000	-
57	15-Nov-22	15-Nov-27	$0.85	1,250,000	-	-	-	1,250,000	-
58	15-Nov-22	15-Nov-27	$1.05	1,250,000	-	-	-	1,250,000	-
59	10-May-23	10-May-28	$0.65	1,250,000	-	-	-	1,250,000	-
60	10-May-23	10-May-28	$0.85	1,250,000	-	-	-	1,250,000	-
61	10-May-23	10-May-28	$0.85	1,250,000	-	-	-	1,250,000	-
62	10-May-23	10-May-28	$1.05	1,250,000	-	-	-	1,250,000	-
63	3-Jul-23	3-Jul-28	$0.15	-	250,000	-	-	250,000	250,000
64	3-Jul-23	3-Jul-28	$0.65	-	250,000	-	-	250,000	-
65	3-Jul-23	3-Jul-28	$0.85	-	250,000	-	-	250,000	-
66	3-Jul-23	3-Jul-28	$1.05	-	250,000	-	-	250,000	-
				115,475,000	**1,000,000**	**-**	**(10,475,000)**	**106,000,000**	**1,250,000**

The fair value at grant date for the options is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the group companies.

Tranche	Grant/valn Date	Expiry Date	Share Price	Exercise Price	Expected volatility	Expected Dividends	Risk free rate	Fair value	Valuation Method
63	3-Jul-23	3-Jul-28	$0.037	$0.15	127%	Nil	3.890%	$0.0016	Black-Scholes
64	3-Jul-23	3-Jul-28	$0.037	$0.65	127%	Nil	3.890%	$0.0204	Black-Scholes
65	3-Jul-23	3-Jul-28	$0.037	$0.85	127%	Nil	3.890%	$0.0191	Monte Carlo
66	3-Jul-23	3-Jul-28	$0.037	$1.05	127%	Nil	3.890%	$0.0180	Black-Scholes

Tranche 45 – Options issued to LDA Capital in accordance with the Put Option Agreement (POA), 2021;

In accordance with the Agreement, the Company issued 71,500,000 unlisted options to LDA Capital, expiring on 21 December 2025. The exercise price of the options was set at either 125% of the 90-day VWAP at the two-year anniversary (21 December 2023) 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.

The final calculated exercise price on 21 December 2023 was $0.055.

NOTE 7 COMMITMENTS

Future exploration

The Consolidated Entity has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

	December 2023 $	June 2023 $
Exploration obligations to be undertaken:		
Payable within one year	432,670	432,670
Payable between one year and five years	1,088,447	1,205,456
Payable after five years	54,948	156,052
	1,576,065	**1,794,178**

To keep tenements in good standing, work programmes should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements or to meet expenditure requirements by joint venture or farm in agreements.

NOTE 8 CONTINGENT LIABILITIES

Contingent Liabilities

The Company has been made a party to proceedings by Pure Metals. In May 2021, the Company completed the acquisition of Pure Metals' 24.149% interest in the project in consideration for the issue by Hawsons of 90.8 million shares in the company to Pure Metals.

Following shareholder approval, a liquidator was appointed to Pure Metals' major shareholder (ASI Liquidator), effectively acquiring a controlling interest in Pure Metals. As a consequence of the appointment, the parties agreed to issue the HIO share in two tranches rather than one to ensure that the ASI Liquidator did not acquire a relevant interest in more than 20% of the company's shares.

Pure Metals claims it has suffered loss resulting from the sale of the HIO shares. The Company considers that the issue of HIO share to Pure Metals, an obligation of the Company under the transaction, could not conceivably cause loss to Pure Metals, and that any claim by Pure Metals against the company is without merit and misplaced.

NOTE 9 EVENTS AFTER REPORTING DATE

There have been no events since 31 December 2023 that impact upon the financial report.

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Jeremy N. Kirkwood

Director
Dated 27 February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hawsons Iron Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hawsons Iron Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

Kim Colyer
Director

Brisbane, 27 February 2024