Annual Report 2022

Powering the green steel revolution

Hawsons IRON | WORLD'S BEST IRON ORE PRODUCT

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Board of Directors

David Woodall	Non-executive Chairman
Bryan Granzien	Managing Director
Paul Cholakos	Non-executive Director
Jon Parker	Non-executive Director
Chief Financial Officer	Gregory John Khan
Company Secretary	Gregory John Khan

About this report

Hawsons Iron Ltd (ASX: HIO) is a Company (ABN 63 095 117 981) limited by shares and is incorporated and domiciled in Australia. Unless otherwise stated, in this report all references to Hawsons, Hawsons Iron, the Company, we, us and our, refer to Hawsons Iron Limited. References to 2022, the financial year or FY are to the year ended 30 June 2022 unless stated otherwise. All dollar figures are expressed in Australian currency unless stated otherwise.

A digital version of this report is available on the Hawsons Iron website at www.hawsons.com.au. In consideration of the environmental footprint associated with the production of this annual report, printed copies will be posted only to shareholders who have requested a printed copy.

Report objectives

This annual report is provided for the benefit of all shareholders of Hawsons Iron as a clear and concise summary of the Company's performance for 2022 and outlook for the year ahead. It meets our compliance and governance requirements. Through this report, we aim to build awareness of our operations and demonstrate our commitment to sustainability.

Mineral Resources

The data in this report that relates to Exploration Results and Exploration Targets for the Hawsons Magnetite Project is based on information evaluated by Mr Wesley Nichols who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and who 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 Nichols is a full-time employee of Hawsons Iron Ltd and he consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

The data in this report that relates to Mineral Resource estimates for the Hawsons Magnetite Project is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who 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 is a director of H & S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

Annual general meeting

15 November, 2022

Cover image: The successful infill drilling campaign in 2021-22 resulted in a 21 per cent increase in the Hawsons Iron Project's Mineral Resource estimate to 484 million tonnes of concentrate.

Powering the green steel revolution

Hawsons Iron Ltd is an emerging producer of one of the world's highest-grade iron ore concentrates – vital to decarbonisation of steel manufacturing.

The Company's wholly owned 20 million tonne per annum (Mtpa) Hawsons Iron Project, 60km southwest of Broken Hill in NSW, will produce premium iron ore concentrate products for the global market.

These products will enable steelmaking with significantly reduced carbon dioxide emissions, promising strong demand from steel manufacturers.

Led by an experienced Board and management team, Hawsons Iron is poised to create 1,900-2,500 construction jobs and a further 500-600 long-term jobs, support regional economies and generate significant royalties for the community for decades to come.

A globally significant project

70%	3.95	484	20	2000+
Iron (Fe) percentage of Hawsons Supergrade® iron ore product	Billion tonnes resource[1]	Million tonnes (Mt) of high-grade concentrate[2]	Mtpa production target in Bankable Feasibility Study (BFS)	Jobs created in construction in NSW and SA

[1]Total Global Mineral Resources for Hawsons Iron Project refer ASX release 26 July 2022

[2]Notes: 12.2 per cent magnetite recovery (Davis Tube Recovery (DTR)) (at a 6 per cent cut-off) reported in accordance with 2012 JORC Code and Guidelines for 484 Million tonnes (Mt) of high grade 68.9%Fe concentrate (refer ASX release 26 July 2022).

Iron ore for a new age

Steel is critical to modern life. This strong, versatile and recyclable material is used in cars and construction products, and in everything from white goods to surgical scalpels.

But the industry faces a significant challenge that Hawsons Iron's high-grade magnetite product can help to overcome: steel accounts for around seven per cent of annual global carbon dioxide emissions.

About 70 per cent of steel is produced using coal in oxygen blast furnaces. These furnaces create emissions during the iron-making process when fed iron ore, coke and minerals used to remove impurities.[3]

Making one tonne of steel this way requires about 770kg of coking coal; and for every tonne of steel produced, almost two tonnes of carbon dioxide is created.[4]

To reduce steel's carbon footprint, steelmakers are expected to transition from traditional blast furnaces to green hydrogen-based direct reduced iron (DRI) processes.

DRI technology requires a feedstock of high-grade, low-impurity iron ore like Hawsons Supergrade® to produce low-to-zero emission green steel.

According to Boston Consulting Group, steel products made with high-grade, low-impurity, magnetite concentrate and green hydrogen DRI-electric arc furnace (EAF) have the potential to reduce emissions by up to 55 per cent compared to blast furnace production.[5]

Demand is expected to be high, with nearly 60 per cent of primary steel production, or 889 million tonnes of steel, to come from DRI-EAF processes by 2050. This equates to a 10-fold increase in DRI-grade iron ore.[6]

Leading global companies have already signed letters of intent with Hawsons Iron for offtake of 12 million tonnes per annum of Hawsons Supergrade®.

Hawsons Supergrade®

The Hawsons Iron Project is capable of producing a 70 per cent iron (Fe) concentrate which will be among the highest-grade iron ore products on the seaborne market.

While magnetite, compared to hematite, is generally of a lower grade in the ground, the Hawsons orebody has a valuable differentiating characteristic: its relative softness.

Our orebody is contained within a softer siltstone rather than a hard, glass-like silica rock known as "chert" that is common to the magnetite orebodies in the Pilbara region of Western Australia.

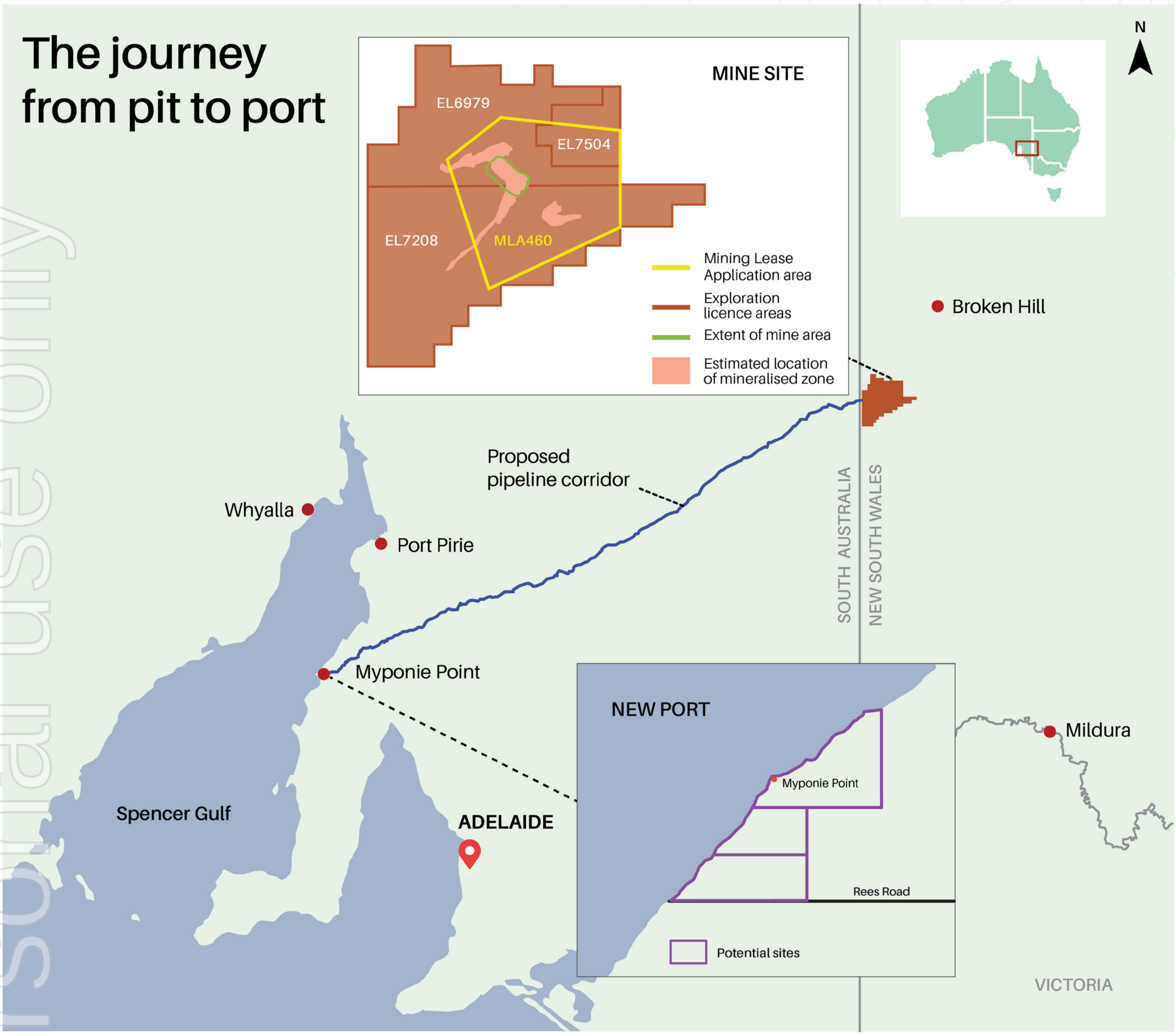
This softness offers commercial advantages, requiring less energy during crushing and grinding to process the ore into pellets and concentrates. A higher grade can be achieved because the ore breaks cleanly around the grain boundaries, easily separating from impurities and waste.

Beneficial to green steel makers, our Hawsons Supergrade® will demand a price premium despite iron ore spot pricing fluctuations.

Recognised as one of the world's best high-grade iron ore developments, Hawsons is committed to producing socially and environmentally resilient outcomes. (See A sustainable business, pages 12-15)

Steel produced with electric arc furnaces has a lower carbon intensity than traditional blast furnace steelmaking

[3]*Source: World Coal Association*
[4]*Source: McKinsey Decarbonization challenge for steel*
[5]*Source: Greener Steel, Greener Mining? – BCG analysis, 27 April 2022*
[6]*Source: Bloomberg New Energy Finance (BNEF)*



Anatomy of a world-class project

Our flagship 20 Mtpa Hawsons Iron Project has been identified by independent analysts as one of the world's leading undeveloped high-quality iron ore concentrate and pellet-feed projects.[7]

Premised on a successful prefeasibility study in 2017, the project showed it can produce among the world's highest-grade iron products for steelmakers increasingly striving to curb pollution and lift productivity.

From Asian to Middle Eastern producers, a lengthening queue of blue-chip companies is seeking to secure our Hawsons Supergrade® product.

The Hawsons Iron Project is located at the eastern tip of the globally-significant Braemar magnetite deposit that straddles the region of north-east South Australia and south-west New South Wales.

Hawsons will mine and process its sought-after magnetite ore in this project area, supported by Broken Hill's highly skilled mining workforce.

The concentrate will then be transported via a 390km underground slurry pipeline to a new deepwater port at Myponie Point, north of Wallaroo on the eastern Spencer Gulf in South Australia.

At the port, the concentrate will be dewatered and loaded directly on to ships for export to steelmakers globally.

The Hawsons Iron Project has been declared a NSW State Significant Development and a Major Project by the Commonwealth Government.

Subsequent to the end of the financial year, our project was declared an Impact Assessed Development (Major Project) by the South Australian Government.

[7]*Excluding replacement or expansion projects owned by established majors. Source: Wood Mackenzie Q2 2019*

Year of delivery - From equity raise to major project status

July 21

A $35.6m equity raise completed to secure funding for 10Mtpa BFS

Aug 21

Rebrand from Carpentaria Resources to Hawsons Iron launched

Oct 21

Hawsons Iron Project JORC resource upgrade to 400Mt

Dec 21

A $200m equity funding package with LDA announced

Jan 22

BFS Advisory Committee appointed

Feb 22

BFS scope expanded to include 20Mtpa option

Mar 22
Starlight purchase announced; 100% project ownership achieved

May 22
Dave Woodall announced as chairman to lead HIO's transition into production

July 22
Updated Mineral Resource Statement to 484 Mt of concentrate

Sep 22
Major Project declaration by South Australian Government. Citigroup engaged as Strategic Advisory Partner

FY 2023

Apr 22
Federal Government Major Project Status renewed

Jun 22
20Mtpa option announced as sole BFS focus. Flinders Ports MoU and port Land Option agreement signed

Aug 22
LDA capital subscription completed

Chairman's Report

I am pleased to present Hawsons Iron Ltd's 2022 Annual Report on behalf of your Board of Directors. The Company has markedly advanced and achieved key milestones over the past 12 months in pursuit of our goal to complete the Hawsons Iron Project's Bankable Feasibility Study (BFS) and develop this truly world-class resource.

My decision to take on this exciting leadership role as Chairman of the Hawsons Board was underpinned by a strong belief in the quality of the Company's flagship project and its tremendous potential – not just to produce stellar profits for shareholders, but to deliver significant social capital globally.

Steel mills currently contribute around seven per cent of global greenhouse emissions and, according to a 2021 report by Rethink Energy, production is expected to increase by more than 60 per cent through to 2050, driven by economic development in Asia and Africa.

Hawsons has a genuine claim to being part of the solution to reducing CO_2 emissions on a global scale through the supply of super-high-iron-content concentrate. Our 70 per cent Fe Hawsons Supergrade® product will enable steelmakers to deploy direct reduced iron technology using fossil-fuel-free energy to produce "green steel".

Significantly, investors are increasingly assessing non-financial aspects of material risks and growth opportunities, giving rise to a focus on ESG – Environmental, Social, and Governance factors. Consequently, the global climate change imperative to contain CO_2 emissions needs to be embedded within the ESG strategies of any enterprise seeking to achieve sustainable future business success.

Unfortunately, ESG does lump together a dizzying array of objectives and there is no coherent guide for investors and companies to make the trade-offs that are inevitable.

By contrast, not only will Hawsons' approach to ESG be practical, transparent and measurable, I believe a commitment to good ESG practices can readily be found in the corporate DNA Hawsons

"We can aspire to be the best *in* the world and the best *for* the world."

inherited while operating under its original birth name Carpentaria Resources. Carpentaria Resources started life with people from the former exploration arm of that great Australian mining house MIM Holdings Limited, for which I worked for many years, finally as an Executive General Manager.

MIM consciously created social capital through deep membership of the communities in which it operated and a sweeping engagement across its corporate reach by embedding four words within its total suite of policy vernacular. Those four words were: "Do The Right Thing."

Hawsons is embracing ESG because it is the right thing to do. As a starting point, we can aspire to be the best *in* the world and the best *for* the world. I've experienced firsthand how it is possible to create meaningful social capital and seen the benefits in Africa, the Middle East, Europe, China and here in Australia.

From the Outback to Myponie Point (opposite page): Hawsons Iron has the opportunity to deliver one of the world's best iron ore concentrate products and make a positive global impact.

We have the opportunity from within Australia's great mining heartland of Broken Hill to deliver one of the world's best iron ore concentrate products and make a positive global impact as a leading enabler of the "green steel" pathway to lower emissions steel.

The Company's Board, management, staff and international team of leading global consultants are totally committed to delivering a fit-for-purpose BFS so we can successfully assemble the project financing package required to fund construction.

This overarching project delivery activity is being undertaken in tandem with a fundamental transitional requirement to develop an up-and-running strategic business plan for the world-class mining enterprise we intend to build and operate.

Your Directors are focused on how best to position Hawsons to transition from its current project development posture to managing a highly successful and sustainable international business within the global "green steel" supply chain. Clearly, our ESG commitments will be strategically inherent in the business plan devised to support the BFS and reflected in all we do.

A recent PwC report on the health of the international mining sector noted that mining companies needed to continue developing strategies wherein trust was seen as a precious commodity. Operating in the modern world requires the establishment and maintenance of trust with a broad range of stakeholders and the successful development and execution of ESG strategies can go a long way to securing that trust.

Development of the Hawsons Iron Project certainly presents a significant stakeholder engagement challenge, encompassing shareholders and financiers, potential product off-takers, the Federal, NSW and SA governments, local governments, Traditional Custodians and communities and landholders impacted by our operations.

My appointment in May was a planned step to free up your former Executive Chairman Bryan Granzien to focus his attention as Managing Director on these important matters of corporate leadership and securing our approvals path to begin operation.

Putting ESG commitments aside, the inflationary impact of the pandemic on the global economy, the interest rate policy responses of various central banks around the world and the Russian invasion of Ukraine have generated strong market headwinds which have temporarily restricted deeper access to equity capital.

However, the $200 million Put Option Agreement established with LDA Capital Limited in December 2021 was designed specifically to ensure the Company's access to a reliable source of capital not wholly dependent on volatile, short-term shifts in equity market sentiment.

Thankfully, that planning paid off. Subsequent to the end of the financial year, and following the initial Capital Call Notice to draw down from the facility in July, we've worked with LDA to access their capital resources to keep advancing the Hawsons Iron Project.

We don't want anything to slow us down as we ramp up towards completion of our BFS and move into project development and construction during what is shaping up to be a challenging, but exciting, watershed year ahead for your Company.

On behalf of the Board, I would like to thank all members of the Hawsons management team, our employees, Advisory Committee, partners, consultants, and contractors for their commitment and valued contribution.

Thank you for your continued support.

Dave Woodall

Managing Director's Review

We hit the ground running at the start of FY2022 by renaming, refreshing and recapitalising the Company, after resolving the legacy joint venture ownership issue which had stalled our world-class Hawsons Iron Project for too long.

The Company successfully raised $35.6 million in July last year to fund the project's Bankable Feasibility Study (BFS) and set a demanding schedule of milestones, including the drilling program required to prove up our large orebody to the satisfaction of potential financiers.

Mineral Resource upgrade to 484 Mt

Despite the headwinds posed by COVID-19, wet weather on site and laboratory bottlenecks, we announced a 21 per cent increase in the project's Mineral Resource estimate to 484 million tonnes (Mt) of concentrate on 26 July 2022. Importantly, this included a maiden 54 Mt of Measured and 193 Mt of Indicated Resources required to support future reserve estimation and project debt financing.

The resource upgrade was the result of an infill drilling program that commenced in October last year and at one point involved up to seven rigs operating on site, five around the clock. In all, 67 reverse circulation (RC), diamond core and RC holes with diamond tails were drilled for 24,261 metres.

A further Mineral Resource upgrade, anticipated in September this year, will include remaining drilling sample assay results and the requirement for any further drilling will then be assessed.

BFS focused on 20 Mtpa mine

All this work built on last October's upgraded 400 Mt estimate, which proved to be such a game changer by enabling investigations into upscaling the project's production profile to 20 Mtpa using a direct-to-port slurry pipeline.

The Board subsequently endorsed a decision in June to focus the BFS solely on the development of a 20 Mtpa project due to its expected superior economics, ESG outcomes and investment appeal, relative to the 10 Mtpa project considered in the 2017 Preliminary Feasibility Study. However, this also increased the cost of the BFS by an estimated $12.4 million.

Our decision to upscale to a 20 Mtpa project enabled us to enter into a non-binding Memorandum of Understanding with Flinders Ports, documenting plans to co-operate on the potential development and operation of a proposed new port on the Myponie Point site.

The decision was further underpinned by the execution of a crucial Option Agreement with landholders to acquire a suitable site for development of a deep-water export facility at Myponie Point on South Australia's eastern Spencer Gulf.

Major project status

The Company is forging lasting relationships with the NSW Government, local councils, Flinders Ports, local communities, Traditional Custodians and the South Australian Government, which has declared the Hawsons Iron Project an Impact Assessed Development (Major Project).

Ours is a large-scale project. It is estimated to create 1,200 to 1,500 construction jobs in NSW and 750 to 1,000 construction jobs in South Australia and a further 500-600 long-term jobs in total once in operation. In April, the Federal Government renewed the project's Major Project status for a further three years in recognition of its potential to supply high-quality magnetite for low-emissions steel-making.

In addition to jobs creation and skills development, the project will generate economic opportunities for local businesses, drive community investment, and foster collaborative engagement with

"We remain focused right now on completing the BFS and clearing the path forward of all regulatory approvals required to develop and bring the Hawsons Iron Project into production."

Traditional Custodians. We acknowledge the Traditional Custodians of the land and enduring cultural connections to the land on which we operate.

Notably, South Australia is focused on the production of green hydrogen essential for producing low-carbon "green steel", using renewable solar and wind power. There are also plans afoot to manufacture "green steel" at Whyalla using green hydrogen in conjunction with direct reduced iron technology (DRI).

We may be able to participate by supplying a portion of our 70 per cent Fe Hawsons Supergrade® concentrate as feedstock for DRI electric arc furnaces locally. So we are in exactly the right place. Our proposed slurry dewatering process could also potentially supply this relatively arid area with commercial-grade water for which we are anticipating high demand.

The project still requires approvals in both South Australia and New South Wales, including statutory public consultation. We are committed to engaging directly with stakeholders to learn about, and support, their aspirations and goals and work to minimise and mitigate any adverse impacts while respecting all connections to the land. (See A sustainable business, pages 12-15).

Full joint venture control

In March, the Company seized an opportunity to gain 100 per cent control of the Hawsons Iron Project by the purchase of minority partner, Starlight Investment Company Ptd Ltd's 6.037 per cent stake for $10 million.

This was another significant milestone and strategically important transaction which has simplified ongoing management of the BFS and opened all avenues for the Company to move forward, including the future consideration of strategic joint venture partners.

Board expansion

In light of the significant progress made during the year, the Board invited Dave Woodall to become Non-Executive Chairman and lead the Company through the project development phase and beyond, enabling me to step from being Executive Chairman into the new role of Managing Director.

Dave, with whom I've previously worked closely, was already involved with Hawsons Iron as a member of the BFS Advisory Committee, providing the Board with strategic advice on the progress and quality of the BFS. This resulted in a seamless leadership transition.

This Board expansion was always part of our plan and we were lucky to have attracted someone with Dave's depth of boardroom, management and capital markets experience as our Non-Executive Chairman. His appointment has enabled me to concentrate on corporate leadership and the significant stakeholder engagement which lies ahead.

Outlook

We remain focused right now on completing the BFS and clearing the path forward of all regulatory approvals required to develop and bring the Hawsons Iron Project into production.

Once we have sufficiently de-risked the project to the satisfaction of potential financiers and the market, we will consider bringing in joint venture partners and lock in offtake agreements with customers. Timing will be critical because we do not want to risk limiting value by making such crucial decisions prematurely.

Subsequent to the end of financial year, we engaged Citigroup Global Markets Australia as the Company's Strategic Advisory Partner to assist us in assessing strategic partnering opportunities in the development of the Hawsons Iron Project. Citi's global network, corporate relationships and experienced team will be of great assistance as the Company moves toward completion of the BFS.

We've continued in the main, despite the headwinds, to deliver on our milestones and promises. Although we have no control over market responses to macro-economic developments, we've pleasingly seen our share price respond positively.

There is now much greater investor awareness and market interest in Hawsons Iron. We've scaled up the project, secured a site for our proposed deep-water port and teamed up with an experienced operator in Flinders Ports. We've also looked at much more innovative and ESG-friendly mining and logistics solutions, and taken an exploration company clearly towards becoming a project developer and, ultimately, a miner of significance.

The upscaling of the BFS to 20 Mtpa has of course necessitated a review of the project's schedule. However, by the end of FY2023 we expect planning around construction of the mine, pipeline and port and equipment procurement to be well underway utilising our Major Project status to ensure the smoothest transition of approvals possible. Ideally, we will also have our Mining Licence and be turning soil.

Hawsons will then be working closely with the communities in which we will be operating as a responsible, modern mining company focused on sustainability and our contribution to ESG outcomes.

I thank all members of the Hawsons Iron team, including our employees, consultants and contractors, for their effort and hard work. Our delivery performance is a testament to the tenacity and commitment of our highly skilled people. We were certainly tested during the year courtesy of extreme heat, torrential rains, flooding on site and COVID-19 impacts. The national workforce too is evidencing high levels of job mobility, prompted by the strong labour market and economic rebound post COVID. The resources sector, in particular, is witnessing demand for skilled labour outstrip supply and we expect this to be a challenge for the foreseeable future.

However, challenge does not daunt us. Resilience and agility are in our DNA. I am immensely proud of the team for their achievements in the face of adversity during the year and look forward to an exciting and transformational year ahead.

Bryan Granzien

> **"By the end of FY2023 we expect planning around construction of the mine, pipeline and port and equipment procurement to be well underway."**

Bankable Feasibility Study

Hawsons Iron has made significant advances during the year on the Hawsons Iron Project's Bankable Feasibility Study (BFS).

The BFS is now focused on development of a 20 Mtpa project with superior economics, sustainability outcomes and investor returns (relative to a 10 Mtpa project) and securing all regulatory approvals required to begin production.

The initial decision to extend the scope of the BFS to examine a 20 Mtpa option and transport solution was based on the strength of preliminary investigations after the Company announced a Mineral Resource upgrade to 400 million tonnes in October 2021. There has since been a further upgrade to 484 million tonnes of concentrate. (See World-class resources and prospects, opposite page)

Further in-depth analysis confirmed the advantages of the 20 Mtpa project's potential ESG outcomes and project economics, while the strength of customer and capital market feedback highlighted its enhanced investment appeal.

The decision to focus on a 20 Mtpa project was further underpinned by two important and related factors. The first was the negotiation and execution of a non-binding Memorandum of Understanding (MoU) with Flinders Ports, documenting plans to co-operate on the potential development and operation of a proposed new Myponie Point Port for the export of 20 Mtpa of magnetite concentrate.

The memorandum envisages that Flinders Ports would finance, construct, own and operate the Myponie Point Port, therefore reducing the Hawsons Iron Project's capital requirements. There is also an exciting opportunity for Hawsons to participate in the future growth of this port as its cornerstone customer.

The second was the successful negotiation and execution of a two-year Option Agreement with landholders to acquire, for $14 million, three contiguous parcels of land suitable for developing a deep-water export facility at Myponie Point on South Australia's eastern Spencer Gulf.

Significantly, securing the proposed port site has enabled the BFS team to undertake detailed engineering design and progress the project's estimated delivery timetable.

Key contracts were awarded to global specialists as part of the BFS to examine optimum infrastructure pathways, process engineering design, and decarbonisation opportunities for the Hawsons Iron Project.

High-quality global partners

Owners Team JukesTodd	**Energy** Incite Energy
EIS and approvals SLR Consulting	**Transport (ports)** Royal HaskoningDHV
Geology H&S Consultants Pty Ltd	**Transport (pipeline)** Fortin Pipelines Pty Ltd
Geotechnical PSM Consult Pty Ltd	**Financial** Mazars
Hydrogeography Geo-Eng Australia Pty Ltd	**Tailings** GHD Group Pty Ltd
Mining consultants Australian Mine Design and Development Pty Ltd	**Strategic Advisory Partner** Citigroup Global Markets Australia
Process Engineers Worley Group	

> **"Key contracts were awarded to global specialists as part of the BFS to examine optimum infrastructure pathways, process engineering design and decarbonisation opportunities for the Hawsons Iron Project."**

Worley Group is undertaking the metallurgical and process engineering for the process plant test work program and mine engineering design.

Pipeline specialist Fortin Pipelines Pty Ltd is examining the underground, cross country direct-to-port slurry pipeline, and water pipelines, while port infrastructure expert Royal HaskoningDHV is examining port options.

Global environmental advisory firm SLR Consulting, as Environmental Impact Statement (EIS) Consultant, is leading environmental approvals in NSW and managing the project's environmental approvals in South Australia.

Engineering group Australian Mine Design and Development Pty Ltd (AMDAD) joined the BFS team as the project's mining consultant to prepare a complete mine plan, including final pit design, mining sequence, implementation schedules, fleet composition, mine power requirements, costings and pathways to net zero emissions.

Hawsons has also received a comprehensive report from Advisian, detailing the ideal energy balance to optimise the Project's ESG and sustainability outcomes.

This report sets out three decarbonisation pathways for Scope 1 and 2 emissions abatement, the most comprehensive of which would enable the Hawsons Iron Project to achieve net zero emission status required for the production of "green steel" by 2035.

Importantly, an advisory committee of specialists is ensuring the BFS is fit-for-purpose to secure funds to develop the world-class mine. Committee members Nick Jukes, Genevieve Gregor and Richard Robinson bring decades of expertise in engineering, development and financing to enhance the success of the BFS.

Drilling our way to success

Hawsons Iron successfully completed its 2021-22 drilling program against a tide of rain that repeatedly inundated the region around the project site – not once, but three times.

The program of resource, geotechnical and large-diameter holes to inform detailed mine design studies began in October with clear skies.

But this was quickly followed by flooding that restricted access to our site and required three evacuations, including one by helicopter to ensure the safety of our crews.

Further trials followed when COVID caused staff shortages for logging and processing at the laboratories.

With fatigue management plans in place, five of the Hawsons rigs and the laboratories operated around the clock to keep our program safely on schedule.

The results of the drilling program enabled Hawsons to announce the Mineral Resource upgrade in late July, subsequent to the end of the financial year.

The increase in Mineral Resources was due to the infill drilling campaign completed in 21-22.

World-class resources and prospects

The Hawsons Iron Project comprises three tenements totalling 511 km² and one mining licence application.

Hawsons is the sole tenure holder for Exploration Licences 6979, 7208 and 7504. Conditions for all these licences have been met and are in good standing.

The Mining Lease Application (MLA) was lodged with the NSW Trade and Investment Department in October 2013 and Hawsons Iron is not aware of any impediments to obtaining a mining lease. MLA460 remains in force. (See page 83 for tenement schedule)

In July 2022 the Company announced a 21 per cent increase in the Hawsons Iron Project's Mineral Resources[8] estimate to 484 million tonnes (Mt) of concentrate. This included 54 Mt in the highest confidence Measured category. These maiden Measured Resources, combined with a 46.2 per cent uplift in Indicated Resources to 193 Mt, will support future reserve estimation and debt financing.

The increase in Mineral Resources was due to the infill drilling campaign completed in 2021-22.

Hawsons Iron upgraded its exploration target in July 2022 to between 5 billion tonnes and 18 billion tonnes at a recoverable magnetic fraction via Davis Tube Recovery (DTR) range of 7.5 per cent to 34 per cent and a potential iron concentrate grade range of 65.3 per cent to 70.6 per cent.[8,9]

Exploration activities, including ground-borne geophysical surveys and drilling to investigate the exploration target areas further, are expected to be undertaken between 2023 and 2025.

2022 Global Mineral Resources[8]

Category	Mt	DTR %	Concentrate Mt	Density t/m³
Measured	390	13.7	54	3.09
Indicated	1,600	12.0	193	3.05
Inferred	1,960	12.2	239	3.16
Total	**3,950**	**12.2**	**484**	**3.11**

(minor rounding errors)

Concentrate grades[8]

Category	Fe %	SiO_2 %	$A1_2O_3$ %	P %	S %	TiO_2 %	LOI %
Measured	69.6	2.8	0.22	0.004	0.001	0.042	-3.0
Indicated	69.0	3.3	0.27	0.007	0.003	0.051	-2.8
Inferred	68.6	3.8	0.31	0.008	0.002	0.052	-2.9
Total	**68.9**	**3.5**	**0.29**	**0.007**	**0.002**	**0.051**	**-2.8**

[8]See inside front cover for disclosure statement on data that relates to Mineral Resource estimates.

[8]See ASX Release Hawsons delivers Mineral Resource upgrade July 26, 2022.

[9]The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

A sustainable business

Hawsons Iron Ltd is committed to conducting its business activities in a responsible and sustainable manner.

We recognise the importance of environmental, social, and governance (ESG) factors and are committed to embedding ESG into every corporate, development and operational aspect of our business. We believe that effective identification and management of ESG-related risks and opportunities will maximise the benefits we deliver to our stakeholders and the broader community.

Hawsons is committed to maintaining honest and transparent reporting to our stakeholders and is developing a clear, measurable ESG strategy for the Hawsons Iron Project to operate and be assessed against. Please see the table overleaf, on page 15, for a summary of our policy framework.

The Company commenced development of this framework during the year with the intention of integrating these objectives into every aspect of the BFS structure to ensure sustainable design and aligned procurement values.

Embedding ESG within all phases of the project development cycle, Hawsons will be well placed to deliver high-standard ESG reporting in line with emerging international standards by the time the Company is in operations.

Overall, sustainability at Hawsons Iron is guided by our vision: to be a positive change in our industry, using our unique iron ore resource to create a more sustainable future.

The following pages provide a summary of our sustainability principles and performance in 2022.

The vision of Hawsons Iron is to be a positive change in our industry, using our unique iron ore resource to create a more sustainable future.

Hawsons Iron's guiding principles include being responsive and sensitive to needs and honouring commitments made.

Community engagement

Hawsons Iron understands that our long-term success is dependent on the strength of the role we play in minimising our impacts and enhancing the communities and regions that we are part of.

There are many stakeholder groups across our local communities and each has its own interests, priorities and needs. Our approach is to be a good and considerate neighbour and community member, taking the time to understand what's important to these communities and respond accordingly.

Communities should benefit as much as possible from our presence and we are focused on engaging with, and investing in, communities and maximising their involvement in our activities. We are taking steps to harness regional capacity, employing local people where they have the skills and capability, and buying goods and services from local businesses wherever possible.

As part of our commitment to provide information and transparency, Hawsons has begun a quarterly project newsletter to keep interested stakeholders up to date on key developments. The first edition was published in June 2022.

Corporate governance

Creating sustainable shareholder value relies on responsible operations conducted to the highest standards of behaviour and accountability.

As a company listed on the Australian Securities Exchange (ASX), Hawsons Iron is subject to, and conducts its business within, ASX Listing Rules and all relevant laws and regulatory requirements. Hawsons' corporate governance framework also guides the way we work and is essential to achieve our strategic objectives and sustainable business practices.

In 2022, our approach to corporate governance was modelled on recommendations in the ASX Corporate Governance Council's Principles and Recommendations (4th Edition).

The Company's corporate governance policy framework is available on our website at www.hawsons.com.au/corporate-governance/. Our corporate governance performance review is provided on pages 39 to 44 of this report.

Landholders

Hawsons works collaboratively with landholders as guests on their land, to manage the beneficial coexistence of our interests.

We are committed to meaningful community consultation to build trust by allowing people to interact and provide input on matters that affect them.

The Company aims to learn about and support the aspirations and goals of stakeholders, and works to minimise and mitigate any adverse impacts, and respect cultural connections, to the land.

Communicating openly and honestly, acting respectfully and incorporating feedback into the decision-making processes are key to our engagement approach.

Our guiding principles for engaging with landholders are to be proactive, respectful, factual, open, and honest in communications, inclusive, responsive and sensitive to needs and to honour commitments made.

Traditional Custodians

First Nations people have a rich and continuing connection to the land. Working with the Traditional Custodians of the land on which we operate, and developing and maintaining collaborative and mutually respectful and beneficial relationships, is key to our activities.

Environmental Impact Study update

The sustainability of Hawsons Iron's project relies on careful management of the natural environment. We acknowledge, and seek to minimise, any adverse impacts that our proposed activities may bring.

Leading planning consultancy SLR Consulting was appointed in January to manage our EIS approvals work in NSW and South Australia to support the BFS.

In NSW new Secretary's Environmental Assessment Requirements (SEARs), which specify EIS matters to be addressed, were issued in April and work on the bulk of outstanding environmental studies, including noise and air, is expected to be completed by early to mid-October 2022.

Autumn 2022 ecology and cultural heritage surveys were completed, allowing biodiversity heat maps to be developed to reduce our environmental impacts from mine and infrastructure footprints. Engineering requirements delayed some EIS studies due to earlier uncertainty regarding mine plan, equipment and processing options.

However, the proposed port, pipeline route and mine site draft footprints have now been finalised, including adequate buffer zoning to accommodate engineering design changes without the need for environmental reassessments.

A Biodiversity Offset Strategy has also been developed in line with the *Biodiversity Conservation Act 2016 (NSW)* and Hawsons' ESG guidelines for the project. An ecology consultant was engaged in June as part of this strategy to conduct a biodiversity assessment of potential Biodiversity Stewardship Sites surrounding the mine.

In South Australia, a Land Agent has been appointed to engage and negotiate access permissions with landholhders along the pipeline route.

Relevant ecological and heritage surveys for the EIS will be scheduled and undertaken once access to the pipeline route has been secured. The South Australian EIS will also assess potential impacts from, and mitigations to, surrounding coastal and marine ecosystems from construction and operation of the proposed deepwater bulk commodities export terminal at Myponie Point.

Hawsons also has a rehabilitation plan in place to remediate drill pads and drill holes created during the recent drilling program at the Broken Hill site.

Health, safety and wellbeing

At Hawsons we prioritise the health, safety and wellbeing of our staff, contractors and communities. We believe that all incidents are preventable and that everyone who works with us must finish their day without injury. Health and safety is everyone's responsibility.

We have implemented best-practice policies and systems to ensure a safe, healthy and incident-free workplace. There were no fatalities but, regrettably, the Company reported one Lost Time Injury (LTI).

The Broken Hill site operates under a comprehensive Mine Safety Management Plan, including an Emergency Management Plan, which is continually improved. Worker communication and involvement, risk assessments, safety inspections and audits are undertaken continuously regarding all activities and tasks, including behavioural-based safety assessments, regular toolbox safety talks, site inductions and training.

Illness and absenteeism due to COVID-19 also impacted operations on site at Broken Hill and in the Brisbane head office, particularly in light of quarantine regulations in place for most of the year under review.

Severe wet weather on site presented significant operational challenges. In mid-March, we evacuated 35 people by helicopter from the Burta and Wonga drilling camps when they became isolated by rising floodwaters.

A subsequent review of the 11-hour operation validated the controls and procedures which had been prepared in advance as part of the site risk assessment process.

Ecology and cultural heritage surveys were completed for mine and infrastructure footprints during the year.

Value chain

Our approach to sustainability is reflected in our commitment to ensure there is alignment of ESG considerations in the business processes and decision-making of our partners.

The ESG framework we are developing will include a Sustainable Procurement Statement, Supplier Code of Conduct and Sustainable Procurement Brief to ensure we are working together to deliver a more sustainable future.

These commitments will be mandatory and we seek to report transparently on our performance.

Building a strong ESG policy framework

Ensuring environmental sustainability

Focus area	Commitment	UN Sustainable Development Goal alignment
Climate change and energy use	▪ Understand climate-change risks and opportunities ▪ Incorporate today's innovations, without precluding technology of the future, towards our emissions and renewables targets	13 Climate Action
Water and resources	▪ Use design innovation and optimisation to minimise operational water consumption	6 Clean Water and Sanitation
Waste and pollution	▪ Incorporate best waste management practices to reduce waste, re-use, recycle and re-purpose by-products, where possible	12 Responsible Consumption and Production
Biodiversity	▪ Minimise impacts on land and biodiversity by designing lowest impact footprint and minimising offset requirements	14 Life Below Water; 15 Life On Land

Creating social capital

Focus area	Commitment	UN Sustainable Development Goal alignment
Respect and equality	▪ Build and engender a strong and unique ethics culture that aligns with Hawsons' Values that respect difference and diversity and promote equal opportunity and inclusion	5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities
Health, safety and wellbeing	▪ Provide a safe, zero harm workplace ▪ Foster culture and values which empower employees and deliver work-life balance	3 Good Health and Well-Being
Community and stakeholder engagement	▪ Authentically engage with communities and stakeholders with a focus on understanding the needs, aspirations and preferences of Traditional Custodians ▪ Source materials and services sustainably and locally wherever possible ▪ Partner with communities and stakeholders to create long-term sustainable economic and social benefits	9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities
Employment attraction, development and retention	▪ Create long-term, stable employment, provide competitive compensation, quality benefits, opportunities for training and professional development, and foster an inclusive work environment	8 Decent Work and Economic Growth

Delivering accountable governance

Focus area	Commitment	UN Sustainable Development Goal alignment
Corporate governance	▪ Introduce and comply with relevant policies and standards ▪ Conduct all activity with honesty, integrity and high ethical standards	16 Peace, Justice and Strong Institutions
Ethical behaviour and human rights	▪ Embed sustainable procurement in our "green steel" supply chain, evaluating alignment of partners against our ESG assessment criteria and ensuring supply partner compliance with our corporate governance policies and procedures	16 Peace, Justice and Strong Institutions
Data management	▪ Adopt an enterprise approach to cyber-security risk, maintaining a strong cyber security culture	16 Peace, Justice and Strong Institutions
Risk and compliance management	▪ Integrate sustainability and ESG-related issues into the decision-making processes regarding investments and the design and operation of facilities ▪ Maintain an enterprise-level risk management framework to ensure effective and coordinated approach to risk and assurance	8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure

Our Board

David (Dave) Woodall

Non-Executive Chairman

DipMechEng, MBA

Dave has more than 50 years' experience in both the commercial and not-for-profit sectors in diverse roles as a senior executive, director and chairman. He spent many years at MIM Holdings Limited culminating in the role of Executive General Manager in Marketing and Commercial, and also served as Managing Director at Grainco Australia Limited. He sat on the boards of Ergon Energy, Energex, Tarong Energy Corporation, Terra Gas Traders, Starfish Windfarm, TN Power and Tarong Renewable Energy. In addition, Dave has high-level China skills, having served several terms as Chairman of the Queensland-China Council as well as sitting as a member of the Australian-China Council.

Bryan Granzien

Managing Director

BBus, GAICD

Bryan has more than 30 years' experience in the resources sector, with extensive leadership experience and success in ASX-listed and unlisted environments across mining, agribusiness, information technology and steel manufacturing industries. Following a range of senior executive roles with MIM Holdings and Grainco Australia, he held General Manager positions at both Neumann Steel and NatSteel Australia from 2004 to 2011. Bryan was then CEO for Tata Steel Australia, representing the parent company Tata Steel Limited as a director and CEO on Australian subsidiaries Tata Steel Resources and Kalimati Coal. He has a Bachelor of Business degree and is a graduate of the Australian Institute of Company Directors and Fellow of the CEO Institute.

Paul Cholakos

Non-Executive Director

BEng(Mining), MBA

Paul has more than 30 years of resources industry experience, successfully managing complex development projects and operations for leading oil and gas and diversified mining companies, including through executive roles at major Australian oil and gas company Oil Search Limited (ASX: OSH) and Exeter Resources and a variety of operational and commercial roles at MIM Holdings. He has worked in North America, South America and Asia-Pacific with a focus on large projects and operations. He holds Master of Business Administration and Bachelor of Engineering (Mining) degrees.

Jon Parker

Non-Executive Director

BSc(Hons)(PhysChem), GradDipBusAdmin

Jon has more than 40 years' industry experience, including 26 years with leading iron ore producer Rio Tinto. He has a distinguished record in executive management and value creation across the resources sector for a range of ASX-listed companies, where he has overseen substantial growth in market capitalisation. Jon was the former Managing Director of Felix Resources and Norton Goldfields. He holds a Bachelor of Science (Honours) degree and a Graduate Diploma in Business Administration.

Our Leadership Team

Greg Khan

Chief Financial Officer, Company Secretary

BBus(Acctg), MIPA, FGIA, AFA, MIMC, JP (Qual)

As an experienced ASX CFO, Greg has more than 28 years in financial and management accounting, leadership, strategy, forecasting and financial reporting. He is experienced in corporate governance, financial control, financial modelling, operational excellence and supply chain optimisation across multiple industry sectors. Additionally, Greg has significant experience with implementing, maintaining and supporting Enterprise Resource Platforms (ERP) systems and integrated B2B/B2C/P2P E-Commerce Solutions along with the design and support of national ICT architecture frameworks. Greg has a Bachelor of Business degree majoring in Accounting.

Wes Nichols

Geology Manager

BA(Sc), MASc(Geophys)

Wes has spent more than 30 years working in mining and exploration geology, including more than 20 years in senior geology and exploration management roles with listed mining companies and more than seven years in mining and resource consulting. He is a Fellow of the Institute of Quarrying Australia and a member of the Australasian Institute of Mining and Metallurgy and Geological Society of Australia.

Kerry Bailey

Corporate Communications Lead

BBus(Comn)

Kerry brings 20-plus years of experience managing company reputations, issues, change and stakeholder relations. She has contributed across a wide range of sectors, including renewable energy, mining, agriculture, property, retail and manufacturing. Kerry held previous leadership roles combining expertise in communications and human resources for Grainco Australia and consultancy Three Plus.

Ray Koenig

Processing Plant Specialist

BSc, DipMet ASMB, FAusIMM CP

Ray has been Technical Director of the Hawsons Iron Project since 2010 and developed the initial scoping study for the project, which progressed to pilot testing and a Preliminary Feasibility Study. He is a former executive of Pickands Mather (now Cleveland Cliffs) and has experience in base metal and magnetite operations and engineering and design.

Paul Cassano

Project Director

BE(Min), MBA(Exec)

Paul is a mining engineer with more than 30 years' industry experience in general management, operations management and technical roles in the mining and resources sectors working with Downer, Thiess and BHP. His experience extends to large-scale mining operations management; strategy and business development; project and business-unit management; and professional consultancy services. He is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

Dean Roberts

Broken Hill Manager

GradCert(OrgSafety&HumanFactors) (Current), AdvDipWHS (Current), Investigation Management (CSU)

An experienced WHS Inspector of Mining for SafeWork SA, Dean has 20-plus years of experience in underground, opencut, exploration and surface operations. He has held senior roles with Uranium One, Nexgen Energy, Heathgate Resources and Thompson Drilling. Dean is an experienced project developer and manager, site manager and operations manager, as well as having expertise in work health and safety, environment, quality and as an engagement professional.

Peter Brennand

Commercial Manager

BBus, MBA

Peter has held leadership roles in oil and gas, mining, engineering and construction and senior roles with Lockheed Martin, Beach Energy, UTAS, Clough Engineering, Maersk Oil Qatar, BP Exploration (Iraq), Ausenco and Thiess. His skills include contract formulation, procurement strategies, transformation, stakeholder engagement and process improvement. He is a Member of the Chartered Institute of Procurement and Supply.

Annual Financial Report 2022

For the Year Ended 30 June 2022

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 year ended 30 June 2022.

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	Period of directorship
David Woodall	Non-executive Chairman	Appointed 20 May 2022
Bryan Granzien	Managing Director	Appointed 29 December 2020
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Jon Parker	Non-executive Director	Appointed 11 February 2021

David Woodall *Dip. Mechanical Engineering, MBA*
Non-executive Chairman

David has more than 50 years' experience in both the commercial and not-for-profit sectors in diverse roles as a senior executive, director and chairman. Mr. Woodall spent many years at MIM Holdings Limited culminating in the role of Executive General Manager in Marketing and Commercial, and also served as Managing Director at Grainco Australia Limited. Mr. Woodall sat on boards of Ergon Energy, Energex, Tarong Energy Corporation, Terra Gas Traders, Starfish Windfarm, TN Power and Tarong Renewable Energy.

In addition, Mr. Woodall has high level China skills, having served several terms as Chairman of the Queensland – China Council as well as sitting as a member of the Australian – China Council.

Special responsibilities: Chairman of the Company
Other current directorships: None
Former directorships (last 3 years): None

Bryan Granzien *B. Business, GAICD*
Managing Director

Bryan has more than 30 years' experience in the resources sector, with extensive leadership experience and success in ASX listed and unlisted environments across mining, agribusiness, information technology and steel manufacturing industries. Following a range of senior executive roles with MIM Holdings and Grainco Australia, Mr. Granzien held General Manager positions at both Neumann Steel and NatSteel Australia from 2004 to 2011. Mr. Granzien was then CEO for Tata Steel Australia, representing the parent company Tata Steel Limited as a director and CEO on Australian subsidiaries Tata Steel Resources and Kalimati Coal.

He has a Bachelor of Business degree and is a graduate of the Australian Institute of Company Directors and Fellow of the CEO Institute.

Special responsibilities: Chairman of the Hawsons Remuneration Committee. Non-executive Chairman of the company from 29 December 2020, then Executive Chairman from 29 January 2021 to 20 May 2022, role changed to Managing Director on 20 May 2022.
Other current directorships: None
Former directorships (last 3 years): None

Paul Cholakos *Bachelor of Engineering (Mining), MBA*
Non-executive Director

Paul has more than 30 years of resources industry experience, successfully managing complex development projects and operations for leading oil and gas and diversified mining companies, including through executive roles at major Australian oil and gas company Oil Search Limited (ASX: OSH) and Exeter Resources and a variety of operational and commercial roles at MIM Holdings. He has worked in North America, South America and Asia-Pacific with a focus on large projects and operations. He holds Master of Business Administration and Bachelor of Engineering (Mining) degrees.

Special responsibilities: Chairman of the Hawsons Audit Committee and a member of the Hawsons Remuneration Committee.
Other current directorships: None
Former directorships (last 3 years): None.

Jon Parker *BSc (Hons), Grad. Dip Business Management*
Non-executive Director

Jon has more than 40 years' industry experience, including 26 years with leading iron ore producer Rio Tinto. He has a distinguished record in executive management and value creation across the resources sector for a range of ASX-listed companies, where he has overseen substantial growth in market capitalisation. He was the former Managing Director of Felix Resources and Norton Goldfields.

Special responsibilities: Member of the Hawsons Audit Committee.
Other current directorships: None
Former directorships (last 3 years): None.

Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of Hawsons Iron Ltd are shown in the table below:

Director	Ordinary Shares	Non-Recourse Employee Shares	Options
David Woodall[1]	-	-	5,000,000
Bryan Granzien	2,000,000	-	6,000,000
Jon Parker	1,100,000	-	4,000,000
Paul Cholakos	2,822,042	-	5,000,000

[1] Granted as part of remuneration package however subject to shareholder approval at the Annual General Meeting, 2022.

Company Secretary

Greg Khan *B. Bus (Accounting), MIPA, FGIA, AFA, MIMC, MQJA, JP(Qual)*
Chief Financial Officer & Company Secretary

As an experienced ASX CFO, Greg has more than 28 years in financial and management accounting, leadership, strategy, forecasting and financial reporting. Experienced in corporate governance, financial control, financial modelling, operational excellence and supply chain optimization across multiple industry sectors. Additionally, Greg has significant experience with implementing, maintaining and supporting Enterprise Resource Platforms (ERP) systems and integrated B2B/B2C/P2P E-Commerce Solutions along with the design and support of national ICT architecture frameworks.

Greg has a Bachelor of Business degree majoring in Accounting and is a Member of the Institute of Public Accountants, Fellow of the Governance Institute of Australia, Associate of the Institute of Financial Accountants, Member of the Institute of Management Consultants and Member of the Queensland Justices Association. Mr. Khan is a Member of the Golden Key International Honour Society for Academic Excellence and former Associate of CPA Australia and former fellow of the Australian Institute of Management.

Greg was appointed as company secretary on the date Bob Hair retired as company secretary, being 23 September 2021.

Corporate Information

Corporate Structure

Hawsons Iron Limited is a company limited by shares and incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange (ASX). Hawsons Iron has prepared a consolidated financial report encompassing the entities that it controlled during the financial year.

Nature of Operations and Principal Activities

The principal activity of the Consolidated Entity during the course of the financial year was mineral exploration.

Following listing on the ASX on 17 November 2007, the Consolidated Entity has continued exploration activity on its projects in Queensland, New South Wales and South Australia. Its principal focus is completion of the bankable feasibility study **(BFS)** into the Hawsons Iron Project (**HIP**) and, if economically and technically viable, the financing, construction and operation of that project.

There was no significant change in the nature of the activity of the Consolidated Entity during the year.

Currency

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

Operating results

Commentary and comparison with prior year

For the year ended 30 June 2022, the loss for the Consolidated Entity after providing for income tax was $20,467,514 (2021: $2,537,840), as a result of increased operational expenses necessary to work towards a completed Bankable Feasibility Study (BFS) and net fair value loss on financial instruments measured at fair value. The difference of $17,929,674 is primarily attributed to:

- Increase in Net fair value loss on financial instruments measured at fair value through profit or loss ($17,042,489);
- Increase in Employment Expenses ($1,147,807);
- Decrease in Consultant Expenses $826,126;
- Increase in Operating Expenses ($595,206) and;
- Decrease in Other Expenses $29,702.

Cash Position

A total of $33,562,158 (after costs) was raised through share issues in the first quarter of the financial year. A total of $260,000 was raised through the exercise of options by Directors. The Consolidated Entity's cash position as at the end of the reporting period was $7,824,042.

Business Strategies and Prospects for Future Financial Years

Despite the economic downturn, supply chain constraints, issues caused by the COVID-19 pandemic and global market volatility, there continues to be significant interest in Hawsons Iron Project's potential product offering from buyers of steelmaking raw materials. In a world that is transitioning towards greener steelmaking, Hawsons Supergrade® product will be highly sought after to reduce carbon dioxide emissions and create green steel.

The Company carried out a fully underwritten capital raising of $35,596,890 (Gross Proceeds) through a fully underwritten placement and a 1 for 2.6 underwritten entitlements offer and private placement. The capital raising was executed at the offer price of $0.15 per share. The offer price represented a 1.3% premium to the 30-day volume-weighted average price (VWAP) the Company's shares up to Thursday 1 July 2021 and a 13.5% discount to the 20-day VWAP up to the same date.

The funds raised through the private placement and the entitlements offer are being used to progress the Hawsons Iron Project bankable feasibility study (BFS) including drilling, pilot plant run, engineering and design. The Company is focussed on completing a successful BFS which allows the Company to raise the necessary funding to initiate construction of the mine. The Company continues to be in discussions with end-users of the Hawsons Supergrade® product and others to secure Letters of Intent, offtake agreements and other rights. The cost of the BFS work programmes will be set to maximise the Company's ability to attract additional investment and to maintain a strong financial position.

The Company monitors Risk through an established Risk Management framework including a Risk Management Policy, regular reviews and an integrated reporting software solution. Risks, responses, classifications and mitigation strategies are maintained on a monthly basis and presented to the Board of the Company at each Board meeting.

The Company will continue to monitor commodity markets and review its strategy periodically and adjust as required. Upon successful completion of the BFS, the Company will look to finance and develop the Project. Discussions are already in progress with finance participants to ensure a seamless transition from BFS completion to initiating the mine build programme.

This strategy should result in the Consolidated Entity maintaining a strong financial position in future years.

Review of financial position

Liquidity and funding

As at 30 June 2022 the Consolidated Entity had cash reserves of $7,824,042, net current liabilities of $21,704,618 and net assets of $30,382,543. The net current liability position is a result of the recognition of the financial derivative liability of $22,451,000 relating to the LDA Put Option Agreement being entered into during the year. Because the exercise of the share options is at the discretion of LDA Capital (and the Company's share price has exceeded the exercise price), the financial derivative is required to be classified as a current liability.

The Consolidated Entity incurred a loss of $20,467,514 for the year ended 30 June 2022 (2021: loss of $2,537,840) and had an outflow of $3,290,380 (2021: $1,635,656) of cash from operating activities, $25,016,191 (2021: $113,735) of cash from investing activities and $33,781,162 (2021: $3,382,525) of cash from finance activities. Investing activities includes capitalisation of expenses such as: drilling; environmental; tenement; and resourcing management costs.

The Consolidated Entity required capital to fund the Bankable Feasibility Study and meet other necessary corporate expenditure. 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 can draw down funds during the term of the Agreement by issuing ordinary shares of the Company (Shares) for subscription to LDA Capital. The Agreement includes unlisted share options where the Company has issued 71,500,000 options to LDA Capital and when (or if) exercised by LDA Capital will inject up to a further A$50.05 million in equity capital into the Company.

The Company also announced on 24 March 2022 the agreement to purchase the 6.037 per cent interest in the Hawsons Iron Project Joint Venture from Starlight Investment Company Pty Ltd **(Starlight)** for $10 million. This acquisition provides the Company with full beneficial ownership and control of the Hawsons Iron Project. An initial $5 million was paid (24 March 2022) to Starlight and the second instalment of $3 million was paid on 23 June 2022 from existing funds, with a further payment of $2 million due to be paid by the 24 September 2022.

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 and/or drawdown on the POA; and

- The Directors believe there is sufficient cash available for the Consolidated Entity to continue operating based on the Company's cash in hand and cash flow forecast.

Capital structure

At 30 June 2022 the Company had 716,052,950 shares on issue (including 5,500,000 non-recourse employee shares) and 107,475,000 options on issue, including the 71,500,000 options issued to LDA Capital as part of the Put Option Agreement. Post 30 June 2022, the Company has issued 25,000,000 Collateral Shares to LDA Capital as part of the Capital Call Notice on the 12th of July 2022. Should the Call Notice, subsequent to adjusting events be completed at the 100% target, the share structure of the Company will be 741,052,950 shares on issue (including the 5,500,000 non-recourse employee shares). Note, 5,000,000 options to Non-executive Chairman Mr David Woodall are not yet issued and subject to Shareholder approval.

Treasury policy

The Board controls the funds, which are handled on a day-to-day basis through approvals provided by the Managing Director. The Company Accountant processes and makes payment to suppliers, and the Chief Financial Officer authorises payment of approved invoices.

Dividends

No dividends were paid during the financial year ended 30 June 2022 (2021: nil), and no dividend is recommended for the current year.

Significant Changes in the State of Affairs

The Company took controlling interest in the Hawsons Iron Project when an agreement was reached with the JV partner, Starlight Investment Company Pty Ltd, to buy-out their share of the project, 6.037%, for $10 million on 24 March 2022.

There was no other matter or circumstance during the financial year that has significantly affected the state of affairs of the Group.

Review of operations

Carpentaria Resources Limited (ASX: CAP) changed its name to Hawsons Iron Limited (ASX: HIO), which took effect 23 August 2021.

The Company raised $35,596,890 (before costs) through a fully underwritten private placement and an entitlements issue to shareholders. In addition, $260,000 of shares were issued on the exercise of share options. On 24 of September 2021 the Company announcement the retirement of Mr Bob Hair from the role of Company Secretary and the Company appointed Chief Financial Officer Mr Greg Khan to the role.

As announced on 19 October 2021, a report commissioned from geological experts H&S Consultants, using revised commercial cut-off grades, triggered a material Mineral Resource Upgrade, including a 9% increase in Indicated Resources to 132 Mt and an 18% increase in Inferred Resources to 268 Mt. *The Mineral Resources have been reported in accordance with the 2012 JORC Code and Guidelines.*

A pit optimisation study by KPS Innovation also confirmed the total resource boundary had not been fully identified, recommended and validated a reduction of the commercial cut-off grade from 9.5% recovered magnetic fraction (DTR) to 6%, significantly improving mining options. The report also determined the economic pit shell is significantly larger than the one that was used in the Prefeasibility Study (2017) and is being confirmed through the current Bankable Feasibility Study program (BFS).

The Company signed a A$200 million equity financing Put Option Agreement with United States investment group LDA Capital Limited to access additional funding to develop its high-grade iron ore project. The Company issued 71.5 million unlisted Options to LDA Capital pursuant to the terms of the A$200 million equity funding agreement announced on 22 December 2021 with potential to deliver up to a further $50.05 million if exercised.

The Company took controlling interest in the Hawsons Iron Project when an agreement was reached with the JV partner, Starlight Investment Company Pty Ltd, to buy-out their share of the project, 6.037%, for $10 million on 24th March 2022.

The Federal Government renewed the Hawsons Iron Project's Major Project Status for three more years in April 2022 and the new Non-executive Chairman Mr. David Woodall was appointed on the 20th of May 2022.

The company announced on the 16th of June 2022 that the Board has endorsed the BFS to focus solely on the development of a 20 million tonne per annum (Mtpa) project due to its expected superior economics and investment appeal relative to a 10 Mtpa project. Additionally, the Company signed a Memorandum of understanding (MoU) with Flinders Ports Pty Ltd to co-operate on the design, construction and operation of a greenfield Myponie Point Port for the export of 20 Mtpa of magnetite concentrate. Additionally, the Company has secured the right to purchase three blocks of land totaling 1,000 acres for $14 million at any time within two years of the execution date being 17th June 2022.

Hawsons Iron Project (HIP) Development Summary

The table below sets out the current range of agreements and/or non-binding Letters of Intent for Hawsons Supergrade® product, from blue-chip international companies across Asia and the Middle East.

Company	Volume	Market
Formosa Plastics	2.6 Mtpa	Concentrate/pellet feed
Bahrain Steel	3.0 Mtpa	Direct reduction (DR) pellet feed
Shagang	2.5 Mtpa	Pellet feed
Mitsubishi Corporation RtM	1.0 Mtpa	Pellet feed
Gunvor	1.0 Mtpa	Concentrate
Kuwait Steel	1.0 Mtpa	DR pellet feed
Emirates Steel	0.9 Mtpa	DR pellets
Total	12.0 Mtpa	

The world's largest steelmaking countries, China, Japan, Korea and Germany have all stated that they target net zero carbon emissions by 2050 or 2060. To meet these targets, material improvement in carbon dioxide reduction from steelmaking is required. Steelmaking contributes about 7% of global emissions and the use of highest iron content iron ore such as the 70% Fe Hawsons Supergrade® product will reduce emissions and increase efficiency.

The use of direct reduction iron (DRI) in steelmaking reduces carbon dioxide emissions by half compared to the use of blast furnaces and does so in part by relying on high grade ores. DRI-electric arc furnaces (EAF) are also the leading technology for the use of hydrogen in steelmaking.

Competent Person Statement: The information in this report that relates to Exploration Results is based on information reviewed by Mr Wesley Nichols, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Nichols has sufficient expertise which is 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'. Mr Nichols consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors and of the Audit and the Remuneration Committees held during the year ended 30 June 2022 and the number of meetings attended by each Director.

	Directors' Meetings		Audit		Remuneration	
	Attended	*Eligible to Attend*	*Attended*	*Eligible to Attend*	*Attended*	*Eligible to Attend*
David Woodall	2	3	1	Invited(i)	1	invited(i)
Bryan Granzien	15	15	1	invited(i)	1	1
Paul Cholakos	14	15	2	2	1	1
Jon Parker	15	15	2	2	1	invited(i)

(i) The director attended the meeting by invitation, but not as a member of the relevant committee.

Share Options

Issued Options

Details of options issued, exercised and expired during the financial year are set out below:

Tranche	Grant Date	Expiry Date	Exercise Price	1 Jul 2021	Granted in year	Exercised in year	Lapsed Cancelled	Modified	30 June 2022	Options issued post year end*
2	24-Nov-16	24-Nov-21	$0.20	1,625,000	-	-	1,625,000	-	-	-
7	2-Jan-18	1-Jan-23	$0.15	500,000	-	-	500,000	-	-	-
8	2-Jan-18	1-Jan-23	$0.25	625,000	-	-	625,000	-	-	-
9	2-Jan-18	1-Jan-23	$0.40	150,000	-	-	150,000	-	-	-
10	2-Jan-18	1-Jan-23	$0.50	200,000	-	-	200,000	-	-	-
11	15-Oct-18	14-Oct-23	$0.15	2,200,000	-	-	700,000	-	1,500,000	-
12	15-Oct-18	14-Oct-23	$0.25	2,500,000	-	-	700,000	-	1,800,000	-
13	15-Oct-18	14-Oct-23	$0.40	1,400,000	-	-	600,000	-	800,000	-
14	15-Oct-18	14-Oct-23	$0.50	3,400,000	-	-	2,000,000	-	1,400,000	-
15	17-Mar-21	17-Mar-24	$0.15	200,000	-	-	200,000	-	-	-
16	17-Mar-21	17-Mar-24	$0.25	260,000	-	-	260,000	-	-	-
17	17-Mar-21	17-Mar-24	$0.40	365,000	-	-	365,000	-	-	-
18	17-Mar-21	17-Mar-24	$0.50	650,000	-	-	650,000	-	-	-
19	12-Apr-21	12-Apr-26	$0.05	1,000,000		1,000,000	-	-	-	-
20	12-Apr-21	12-Apr-26	$0.06	1,000,000		1,000,000	-	-	-	-
21	14-Jun-21	12-Apr-26	$0.20	1,000,000		-	1,000,000	-	-	-
22	16-Aug-21	16-Aug-26	$0.25	-	250,000	-	-	-	250,000	-
23	16-Aug-21	16-Aug-26	$0.35	-	250,000	-	-	-	250,000	-
24	16-Aug-21	16-Aug-26	$0.50	-	500,000	-	-	-	500,000	-
25	20-Aug-21	20-Aug-26	$0.15	-	4,200,000	1,000,000	-	200,000	3,000,000	-
26	20-Aug-21	20-Aug-26	$0.25	-	6,260,000	-	-	260,000	6,000,000	-
27	20-Aug-21	20-Aug-26	$0.35	-	6,365,000	-	-	365,000	6,000,000	-
28	20-Aug-21	20-Aug-26	$0.50	-	9,150,000	-	-	650,000	8,500,000	-
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	-

Tranche	Grant Date	Expiry Date	Exercise Price	1 Jul 2021	Granted in year	Exercised in year	Lapsed Cancelled	Modified	30 June 2022	Options issued post year end*
46	4-Jan-22	4-Jan-27	$0.25	-	250,000	-	-	-	250,000	-
47	4-Jan-22	4-Jan-27	$0.35	-	250,000	-	-	-	250,000	-
48	4-Jan-22	4-Jan-27	$0.50	-	500,000	-	-	-	500,000	-
49 [1]	20-May-22	20-May-26	$0.80	-	1,250,000	-	-	-	1,250,000	-
50 [1]	20-May-22	20-May-26	$1.00	-	1,250,000	-	-	-	1,250,000	-
51 [1]	20-May-22	20-May-26	$1.00	-	1,250,000	-	-	-	1,250,000	-
52 [1]	20-May-22	20-May-26	$1.20	-	1,250,000	-	-	-	1,250,000	-
53 [2]	20-Sep-22	Completion of BFS	$0.50	-	-	-	-	-	-	1,000,000
54 [2]	20-Sep-22	20-Sep-25	$0.50	-	-	-	-	-	-	2,000,000
				17,075,000	37,950,000	3,000,000	9,575,000	1,475,000	40,975,000[1]	3,000,000 [2]

[1] 4 Tranches (49-52) of 1,250,000 each offered to the Chairman on 20 May 2022 are subject to shareholder approval but noted for accounting purposes.
[2] 2 Tranches (53-54) totalling 3,000,000 are contained in the contract with the Project Director and are scheduled to be approved by the Board on the 21 September 2022, following his appointment on 8 September 2022. Subject to approval the options will be issued within 7 days of the Grant Date.
There are no options used or shares issued as a result of exercise of options since the end of the financial year.

Tranches 22 – 44, 46-48 relates to the milestones below:

Milestone 1	The Company raising the funding to carry out the Hawsons Bankable Feasibility Study (BFS)
Milestone 2	Completion of the Hawsons Bankable Feasibility Study
Milestone 3	The raising of the capital cost, by the Company, to develop the Hawsons Iron Project
Milestone 4	The commencement of commercial production at the Hawsons Iron Project

Tranche 49-52 relates to the milestones below:

Milestone 1	Completion of the Hawsons Bankable Feasibility Study
Milestone 2	The raising of the capital cost, by the Company, to develop the Hawsons Iron Project
Milestone 3	Market capitalisation of the Company reaches AUD$1,000,000,000
Milestone 4	First commercial shipment of iron ore product of the Company

Tranche 53-54 relates to the milestones below:

Milestone 1	Sign-on entitlement
Milestone 2	Completion of the Hawsons Bankable Feasibility Study

Options issued to LDA Capital in accordance with Put Option Agreement (POA)

In accordance with the Put Option Agreement, the Company issued 71,500,000 unlisted options to LDA Capital, expiring on 21 December 2025. 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. Options exercised by LDA Capital will inject up to a further A$50.05 million in equity capital into HIO. Refer Note 12 for further details of the arrangement. Refer below to summary of movements during the period:

Tranche	Grant Date	Expiry Date	Exercise Price	30-Jun-21	Granted in year	Exercised in year	Lapsed Cancelled[1]	Modified	30-Jun-22	Options Issued Post Yr End
45	21-Dec-21	21-Dec-25	125% of 90 Day Vwap or .70c	-	71,500,000	-	-	-	71,500,000	-

Indemnification of Officers or Auditor

Each of the Directors, Chief Financial Officer and Company Secretary of the Company has entered into a deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnification.

During the financial year, the Company paid insurance premiums to insure the Directors and Officers of the Company against certain risks associated with their activities as officers of the Company. The terms of that policy prohibit disclosure of the nature of liability covered, the limit of such liability and the premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wrongful act by the officers. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The Company has not indemnified the auditor.

Environmental Regulation and Performance

Hawsons Iron Limited is committed to conducting its business activities in a responsible and sustainable manner, to produce socially and environmentally resilient outcomes which create long-term value for our people, clients, communities and supply chain. We recognize the importance of environmental, social, and governance (ESG) factors and are committed to embedding ESG into every corporate, development and operational aspect of our business. We believe that effective identification and management of ESG related risks and opportunities will maximise the benefits we deliver to our stakeholders and the broader community.

We are committed to maintaining honest and transparent reporting to our stakeholders and will initially be using the Minerals Council of Australia's (MCA) Towards Sustainable Mining (TSM) initiative to guide our performance and progress against an internationally recognised reporting standard.

The Company's operations are subject to environmental regulations in relation to its exploration activities. The Company is conducting its activities under conditions of approval within the exploration licenses and current legislation. The Company is progressing Environmental Impact Studies as it progresses its Bankable Feasibility Study (BFS). The Directors are not aware of any significant breaches during the period covered by this report.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

On the 19th of July 2022 Pure Metals Pty Ltd has commenced proceedings in the NSW Supreme Court Equity Division – Commercial List against Hawsons Iron LTD (First Defendant) and Shaw and Partners Limited (Second Defendant).

In May 2021, Hawsons completed the acquisition of Pure Metals' 24.149% interest in the Hawsons Iron Project in consideration for the issue by Hawsons of 90.8 million shares in the Company (**HIO Shares**) to Pure Metals (**Transaction**).

Shareholders of the Company approved the Transaction in November 2020. Following shareholder approval, a liquidator was appointed to Pure Metals' majority shareholder (**ASI Liquidator**), effectively acquiring a controlling interest in Pure Metals. As a consequence of this appointment, the parties agreed to issue the HIO Shares 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 that it has suffered loss resulting from the sale of the HIO Shares. The Company considers that the issue of the HIO Shares 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.

The Company considers that the claim by Pure Metals against the Company is entirely baseless and without any foundation.

The Company will vigorously defend the action.

Remuneration Report - Audited

This report outlines the remuneration arrangements in place for the directors and other key management personnel of Hawsons Iron Ltd (the Company).

Remuneration Policy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and value of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, equity and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of directors and executives are set out in this Remuneration Report.

The Company aims to reward the Managing Director and other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. With this in mind, a significant part of the remuneration package of executives is based on the performance of the Company, as set out in milestones contained in the relevant contracts, the achievement of which may result in the issue to them of options and securities in the Company and from time to time the payment of cash bonuses.

In accordance with best practice corporate governance, the structure of Non-executive Chairman, Non-executive Director, Managing Director and other key management personnel remuneration is separate and distinct except that Non-executive Chairman, Directors, as well as the Managing Director, participate in incentives involving the issue to them of securities in the Company and a rate of remuneration that rewards the achievement of corporate milestones.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cash cost that is acceptable to shareholders. The Company's specific policy for determining the nature and value of emoluments of board members of the Company is as follows;

In accordance with the Constitution, the existing shareholders of the Company have determined in general meeting the maximum Non-executive Director remuneration to be $450,000 per annum. This limit excludes the value of equity instruments provided to Non-executive Directors. (Note: the amount of $220,000 per annum has been incorrectly shown in previous annual reports. The $450,000 NED pool was approved by shareholders 30th November 2012.)

The Directors have resolved that each Non-executive Director is entitled to receive fees of $50,000 from 1 May 2022, previously $30,000, per annum plus superannuation and the Chairman of Directors, if he or she is a Non-executive Director, is entitled to receive $70,000 per annum plus superannuation. Payments of fees will be in addition to any payments to Directors in any employment capacity. A Director will not be entitled to receive directors' fees if he or she is employed by the Company in a full-time executive capacity.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

The remuneration of Non-executive Directors for the year ended 30 June 2022 is detailed below.

Executive Chairman and Other Key Management Personnel Remuneration

The Company aims to reward the Managing Director and other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company so to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks.

- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director (and former Executive Chairman) and other key management personnel for the period ended 30 June 2022 is detailed below.

Employment Contracts

Agreement with Managing Director (from 20 May 2022 onwards)

Mr Bryan Granzien is engaged as Managing Director of the Company under the following terms and conditions:

- annual salary of $350,000 plus superannuation at the higher of 9.5% or the mandatory rate in accordance with applicable regulations,
- reimbursement of all reasonable business expenses,
- entitled to receive options to acquire shares as outlined in the Milestones table below
- provision for six months' notice for termination,
- the contract is ongoing; and,
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Milestone #	Milestones	Options that vest if achieved
2	Completion of the Hawsons Bankable Feasibility Study	2,000,000 options $0.25 exercise price
3	The raising of the capital cost, by the Company, to develop the Hawsons Iron Project commercially	2,000,000 options $0.35 exercise price
4	The commencement of commercial production at the Hawsons Iron Project	2,000,000 options $0.50 exercise price

Agreement with Executive Chairman (from 29 January 2021 to 20 May 2022)

Mr Bryan Granzien was engaged as Executive Chairman of the Company under the following terms and conditions:

- annual salary of $250,000 plus superannuation at the higher of 9.5% or the mandatory rate in accordance with applicable regulations;
- reimbursement of all reasonable business expenses;
- entitled to receive options to acquire shares as outlined in the Milestones table below, subject to shareholder approval;
- provision for six months' notice for termination;
- the contract is ongoing; and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Milestone #	Milestones	Options that vest if achieved
1 - Any of the following:	Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or $31.6 million, whichever is the lesser.	1,000,000 options* $0.05 exercise price
2 - Either of the following:	Hawsons Iron market capitalisation of $100 million or more; or Hawsons Iron having cash or liquid assets of to the value of $100 million or more.	1,000,000 options* $0.06 exercise price

**These options were exercised during the year.*

The performance conditions detailed above were chosen as the Directors believe this appropriately aligns company performance with shareholder wealth.

Agreement with Chief Financial Officer and Company Secretary (agreement commenced 04 January 2022)

Mr Greg Khan is engaged as Chief Financial Officer and Company Secretary of the Company under the following terms and conditions:

- annual salary of $200,000 plus superannuation at the higher of 9.5% or the mandatory rate in accordance with applicable regulations;
- reimbursement of all reasonable business expenses;
- entitled to receive options to acquire shares as outlined in the Milestones table below;
- provision for three months' notice for termination;
- the contract is ongoing; and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.

Milestone #	Milestones	Options that vest if achieved
1	The Company raising the funding to carry out the Hawsons Bankable Feasibility Study (BFS).	1,000,000 options $0.15 exercise price
2	Completion of the Hawsons Bankable Feasibility Study	1,000,000 options $0.25 exercise price
3	The raising of the capital cost, by the Company, to develop the Hawsons Iron Project	1,000,000 options $0.35 exercise price
4	The commencement of commercial production at the Hawsons Iron Project	1,000,000 options $0.50 exercise price

Details of former Agreement with Chief Financial Officer

- annual salary of $185,000 plus 9.5% superannuation at the higher of 9.5% or the mandatory rate in accordance with applicable regulations;
- reimbursement of all reasonable business expenses;
- entitled to receive options to acquire shares as outlined in the Milestones table below and is entitled to receive options to acquire shares under the Hawsons Iron Option Plan;
- provision for three months' notice for termination;
- the contract is ongoing; and
- standard terms relating to leave, confidentiality, conflicts of interest and representations and warranties.
- Mr Khan received fees of $16,225 for contract accounting services provided to the Company, prior to his employment agreement being executed.

Milestone #	Milestones	Options that vest if achieved
1 - Either of the following:	The Company's market capitalisation reaches $250,000,000; or The Company has successfully raised the funds required in the Bankable Feasibility Raise. (BFS)	1,000,000 options $0.20 exercise price

Details of Directors and Other Key Management Personnel

Directors

Name	Position	Period of directorship
David Woodall	Non-executive Chairman	Appointed 20 May 2022
Bryan Granzien	Managing Director	Appointed 29 December 2020 as Non-executive Chairman, appointed Executive Chairman 29 January 2021, role changed to Managing Director on 20 May 2022
Paul Cholakos	Non-executive Director	Appointed 2 April 2012
Jon Parker	Non-executive Director	Appointed 11 February 2021

Other Key Management Personnel

Name	Position	Detail
Greg Khan	Chief Financial Officer | Company Secretary	CFO Appointed 14 June 2021 | Appointed Company Secretary 23 September 2021
Robert William Hair	Company Secretary	Appointed 1 October 2015, Retired 23 September 2021

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

2022	Short Term				Post-Employment	Share-based Payments			
	Salary & Fees	Consulting Fees	Accrued Salary*	Leave benefits	Super-annuation	Options	Total	Performance Related %	% consisting of equity
	$	$	$		$	$	$		
Directors									
David Woodall [1]	8,091				809	43,661	52,561	-	83.07%
Bryan Granzien	304,482	-	-	30,753	25,518	37,784	398,537	10.8%	9.48%
Paul Cholakos [2]	36,283	-	-	-	3,628	42,441	82,352	-	51.54%
Jon Parker [3]	36,283	-	-	-	3,628	32,473	72,384	-	44.86%
Key Management Personnel								-	
Greg Khan [4]	192,500	-	-	12,416	19,250	133,661	357,827	8.29%	27.16%
Robert Hair [5]	62,664	-	-	-	-	23,364	86,028	-	27.16%
	640,303	**-**	**-**	**-**	**52,833**	**313,384**	**1,049,690**		

(1) Appointed 20 May 2022
(2) Cancelled options expense included $7,034
(3) Cancelled options expense included $6,438
(4) Cancelled options expense included $103,981
(5) Cancelled options expense included $1,649. Retired 23 September 2021

2021	Short Term				Post-Employment	Share-based Payments			
	Salary & Fees	Consulting Fees	Accrued Salary*	Leave benefits	Super-annuation	Options	Total	Performance Related %	% consisting of equity
	$	$	$		$	$	$		
Directors									
Bryan Granzien	115,242	-	-	-	5,937	3,468	124,647	2.78%	2.78%
Paul Cholakos	30,000	-	-	-	-	9,062	39,062	-	23.20%
Jon Parker	11,518	3,000	-	-	-	8,195	22,713	-	36.08%
Quentin Hill [1]	306,948	-	-	80,564	29,416	3,573	420,501	-	0.85%
Peter Graham [2]	30,500	-	-	-	-	-	30,500	-	0.00%
Linda Lau [3]	13,131	-	-	-	-	-	13,131	-	0.00%
Key Management Personnel									
Greg Khan	10,020	16,225	-	-	952	919	28,116	3.27%	3.27%
Robert Hair [4]	93,917	-	-	-	-	2,696	96,613	-	2.79%
	611,276	**19,225**	**-**	**80,564**	**36,305**	**27,913**	**775,283**		

(1) Resigned 29 January 2021
(2) Resigned 29 December 2020
(3) Resigned 8 February 2021
(4) Retired 23 September 2021

Shares issued on exercise of remuneration options

2022	Opening Balance at 1 July 2021	Exercised Quantity	Exercised Price $	Exercised Value $	Closing Balance at 30 June 2022
Directors					
Bryan Granzien	8,000,000	1,000,000	0.05	50,000	
		1,000,000	0.06	60,000	6,000,000
Jon Parker	5,000,000	1,000,000	0.15	150,000	4,000,000
Total	13,000,000	3,000,000	-	260,000	10,000,000

Equity instruments issued as part of remuneration

Equity instruments are issued to Directors and executives as part of their remuneration. The equity instruments are not issued solely on performance criteria but are also issued to all Directors and executives of Hawsons Iron Limited to increase executive retention and goal congruence between executives, Directors and shareholders.

Director/Key Management Personnel shareholdings (number of shares, including NRE shares)

2022	Opening Balance at 1 July 2021	Acquired	Options exercised	Other / (retired)	Closing Balance at 30 June 2022
Directors					
David Woodall	-	-	-	-	-
Bryan Granzien	-	-	2,000,000	-	2,000,000
Paul Cholakos	2,038,141	783,901		-	2,822,042
Jon Parker [1]	-	100,000	1,000,000	-	1,100,000
Key Management Personnel					
Greg Khan [2]	1,450,000	935,000		-	2,385,000
Robert Hair [3]	2,752,521	748,408	-	(3,500,929)	-
Total	6,240,662	2,567,309	3,000,000	(3,500,929)	8,307,042

1. 30 June 2022 balance made up of 1,000,000 shares issued through the exercise of options to Jon Parker nominee Pamela Parker. 100,000 Shares purchased by Pamela Parker.
2. 30 June 2022 balance made up of 385,000 Shares purchased by Greg Khan and 2,000,000 shares purchased by Khan Super Pty Ltd atf GKK Super Fund.
3. 30 June 2022 balance made up of Robert Hair 30,000 shares. Robert hair partner Alison Hair 27,693 shares. Camcove Pty Ltd atf Hair Superannuation Fund 1,931,697 shares and 1,500,000 Escrowed NRE Shares. Retired 23 September 2021.

Director/Key Management Personnel option holdings (number of options)

2022	Opening Balance at 1 July 2021	Granted as remuneration	Options Exercised	Other / (retired)	Closing Balance at 30 June 2022	Vested and exercisable
Directors						
David Woodall[1]	-	5,000,000	-	-	5,000,000	-
Bryan Granzien [2]	2,000,000	6,000,000	(2,000,000)	-	6,000,000	-
Paul Cholakos [3]	2,200,000	5,000,000		(2,200,000)	5,000,000	1,000,000
Jon Parker [4]	2,000,000	5,000,000	(1,000,000)	(2,000,000)	4,000,000	-
Key Management Personnel						
Greg Khan [5]	1,000,000	4,000,000	-	(1,000,000)	4,000,000	1,000,000
Robert Hair [6]	1,675,000	3,500,000	-	(5,175,000)	-	1,000,000
Total	8,875,000	28,500,000	(3,000,000)	(10,375,000)	24,000,000	3,000,000

(1) Subject to shareholder approval
(2) A further 6,000,000 options granted, with 2,000,000 options vested and exercised in the year relating to tranches 19 and 20.

(3) 2,200,000 options cancelled. New grant of 5,000,000 options issued. 1,000,000 options Vested during the year and were not exercised relating to tranche 25.
(4) 2,000,000 options cancelled. New grant of 5,000,000 options issued. 1,000,000 options Vested and were exercised during the year relating to tranche 25.
(5) 1,000,000 options cancelled. New grant of 4,000,000 options issued. 1,000,000 options Vested during the year and were not exercised relating to tranche 25.
(6) 1,675,000 options cancelled. New grant of 3,500,000 options issued. 1,000,000 options Vested during the year and were not exercised relating to tranche 25. Retired 23 September 2021. Under the Hawsons Iron Option Plan, Robert Hair is entitled to exercise options that vest up to 12 months post retirement. The 3,500,000 options will be treated as forfeited after this time has surpassed.

Director/Key Management Personnel option holdings by Tranche

2022	Tranche 22	Tranche 23	Tranche 24	Tranche 25	Tranche 26	Tranche 27	Tranche 28	Tranche 29
Directors								
David Woodall[1]	-	-	-	-	1,250,000	1,250,000	1,250,000	1,250,000
Bryan Granzien	-	2,000,000	2,000,000	2,000,000	-	-	-	-
Paul Cholakos	1,000,000	1,000,000	1,000,000	2,000,000	-	-	-	-
Jon Parker	-	1,000,000	1,000,000	2,000,000	-	-	-	-
Key Management Personnel								
Greg Khan	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-
Robert Hair [2]	1,000,000	750,000	750,000	1,000,000	-	-	-	-

(1) Subject to shareholder approval
(2) Retired 23 September 2021

2021	Tranche 2	Tranche 11	Tranche 12	Tranche 13	Tranche 14	Tranche 19	Tranche 20	Tranche 21
Directors								
Bryan Granzien	-	-	-	-	-	1,000,000	1,000,000	-
Paul Cholakos	200,000	350,000	350,000	300,000	1,000,000	-	-	-
Jon Parker	-	350,000	350,000	300,000	1,000,000	-	-	-
Quentin Hill [1]	500,000	1,000,000	1,300,000	300,000	400,000	-	-	-
Key Management Personnel								
Greg Khan	-	-	-	-	-	-	-	1,000,000
Robert Hair [2]	200,000	500,000	625,000	150,000	200,000	-	-	-

(1) Resigned 29 January 2021
(2) Retired 23 September 2021

Option conditions:

Tranche #	Grant Date	Vesting and exercise date	Expiry Date	Exercise Price	Value per option at grant date	Vesting Conditions
2	24 Nov 2016	Per Vesting Conditions	24 Nov 2021	$0.20	$0.0216	*Any of the following:* ▪ ASX release of information that qualifies as DFS standard in relation to the Hawsons Iron Project; ▪ Market capitalisation of AUD$30 million or more; ▪ 20-day VWAP of not less than 30 cents; ▪ Secured binding offtake arrangements with one or more end users of the Hawsons Iron Project product or reputable trading houses, in respect of not less than 5 Mtpa.
11	15 Oct 2018	Per Vesting Conditions	14 Oct 2023	$0.15	$0.0463	*Any of the following:* ▪ Securing funding to complete the detailed feasibility study in relation to the Hawsons Iron Project or $25 million, whichever is the lesser;

Tranche #	Grant Date	Vesting and exercise date	Expiry Date	Exercise Price	Value per option at grant date	Vesting Conditions
						▪ Hawsons Iron having a 20-day VWAP of not less than 20 cents; ▪ Hawsons Iron having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 2 Mtpa.
12	15 Oct 2018	Per Vesting Conditions	14 Oct 2023	$0.25	$0.0384	*Any of the following:* ▪ ASX Release to the market of the results of a detailed feasibility study into an agreed production rate at the Hawsons Iron Project; ▪ Hawsons Iron having a 20-day VWAP of not less than 50 cents; ▪ Hawsons Iron having a market capitalisation of $100 million or more; ▪ Hawsons Iron having secured binding offtake arrangements with one or more end users of Hawsons product or reputable trading houses, in respect of not less than 5 Mtpa.
13	15 Oct 2018	Per Vesting Conditions	14 Oct 2023	$0.40	$0.0299	*Any of the following:* ▪ Hawsons Iron market capitalisation of $300 million or more; ▪ Completion of financing arrangements to construct the Hawsons Iron Project; ▪ Decision to carry out the Hawsons Iron Project.
14	15 Oct 2018	Per Vesting Conditions	14 Oct 2023	$0.50	$0.0261	*Any of the following:* ▪ Commencement of commercial production at Hawsons; ▪ Hawsons Iron market capitalisation of $500 million or more.
19	12 Apr 2021	Per Vesting Conditions	12 Apr 2026	$0.05	$0.0276	*The following:* Hawsons Iron has secured the required funding to carry out the bankable feasibility study in respect of the Hawsons Iron Project (~31.6million)
20	12 Apr 2021	Per Vesting Conditions	12 Apr 2026	$0.06	0.0224	*Any of the following:* ▪ Hawsons iron market capitalisation reaches $100,000,000; ▪ Hawsons Iron has cash or liquid assets to the value of $100,000,000 or more.
21	14 Jun 2021	Per Vesting Conditions	14 Jun 2026	$0.20	$0.1049	*Any of the following:* ▪ Hawsons iron market capitalisation reaches $250,000,000; ▪ Hawsons Iron has successfully raised the funds required in the bankable feasibility raise (BFS)
25	20 Aug 2021	Per Vesting Conditions	20 Aug 2026	$0.15	$0.0545	Hawsons Iron has secured the required funding to carry out the bankable feasibility study in respect of the Hawsons Iron Project.
26	20 Aug 2021	Per Vesting Conditions	20 Aug 2026	$0.25	$0.0454	Completion of the bankable feasibility study.
27	20 Aug 2021	Per Vesting Conditions	20 Aug 2026	$0.35	$0.0394	Hawsons Iron has secured the required funding to develop the project commercially.
28	20 Aug 2021	Per Vesting Conditions	20 Aug 2026	$0.50	$0.0333	The commencement of commercial production at the Hawsons Iron project.
49	20 May 2022	Per Vesting Conditions	20 May 2027	$0.80	$0.0454	Completion of the bankable feasibility study.

Tranche #	Grant Date	Vesting and exercise date	Expiry Date	Exercise Price	Value per option at grant date	Vesting Conditions
50	20 May 2022	Per Vesting Conditions	20 May 2027	$1.00	$0.0394	Hawsons Iron has secured the required funding to develop the project commercially.
51	20 May 2022	Per Vesting Conditions	20 May 2027	$1.00	$0.033	Hawsons Iron market capitalisation reaches AUD $1 billion.
52	20 May 2022	Per Vesting Conditions	20 May 2027	$1.20	$0.0370	The commencement of commercial production at the Hawsons Iron project.

Performance based remuneration granted and cancelled during the year:

	Long term incentive Options			Long term incentive Options		
	Value granted 2022 $	Value exercised 2022 $	Value cancelled 2022 $	Value granted 2021 $	Value exercised 2021 $	Value cancelled 2021 $
Directors						
Bryan Granzien	42,883	(5,099)	-	3,486	-	-
Key Management Personnel						
Greg Khan[1]	29,680	-	103,981	919	-	-

1 The value of cancelled options for Greg Khan relates to options previously granted under Tranche 21.

Director/Key Management Personnel Transactions and Loans

There were no other transactions or loans with key management personnel during the year.

Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return during the last 5 years are summarised below:

Measures	2022 $	2021 $	2020 $	2019 $	2018 $
Share price at end of financial year	0.50	0.177	0.020	0.055	0.071
Market capitalisation at end of financial year ($M)	358.027	83.23	5.50	15.13	14.14
Profit/(loss) for the financial year	(20,467,514)	(2,537,840)	(4,043,722)	(1,847,961)	(1,183,143)
Cash spend on exploration programmes	24,866,440	127,747	522,873	537,485	1,668,544
Director and other Key Management Personnel remuneration	1,049,690	775,283	721,320	801,260	620,220

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

No remuneration consultants were used in the 2022 financial year.

This is the end of the remuneration report- Audited.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd and its associated entities) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

BDO Services Pty Ltd	
Whistleblowing service	$3,000
Tax Compliance Services	$17,750
Total	$20,750

Auditor's Independence Declaration

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

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in another section of this report.

Events after reporting date

On the 12 July 2022, Hawsons Iron Ltd (**Hawsons** or **Company**) submitted a capital Call Notice to LDA Capital Limited (**LDA Capital**) targeting a $10 million equity draw-down under the terms of its strategic $200 million Put Option Agreement with the US-based financier (*see ASX Announcement dated 22 December, 2021: Hawsons secures A$200m equity funding package*).

Hawsons put 25,000,000 Collateral Shares to LDA Capital. Under the terms of the LDA Facility, Hawsons may, subject to certain conditions precedent, issue call notices to LDA Capital to subscribe for fully paid ordinary shares in Hawsons, up to a maximum of 10 times the average daily number of the Company's shares traded on the ASX during the 15 trading days before the issue of the Call Notice.

The issue price of the Shares will be 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. Under the terms of the Facility, LDA Capital must subscribe for a minimum of 50% and a maximum of 200% of the Shares put to LDA Capital.

The pricing period ended 23 August 2022, with LDA subscribing for 17,515,000 shares **(Subscription Shares)** of the 25,000,000 shares **(Collateral Shares)** put to LDA pursuant to the Call Notice for a total of $5,566,448 at a price per Subscription Share of $0.3178 (rounded). The Company intends to seek shareholder approval to buy-back for nominal consideration those remaining 7,485,000 Collateral Shares for which LDA has not subscribed, at its Annual General Meeting (AGM).

On 26 July 2022 the Company announced a Mineral Resource upgrade (*See ASX Announcement: Hawsons delivers Mineral Resource upgrade).* Total recovered magnetic fraction (DTR) Mineral Resource estimate increased by 21% from 400 Million tonnes (Mt) to 484 Mt. Measured and Indicated Mineral Resource of DTR increased 87% from 132 to 247 Mt, comprised of 54 Mt in Measured category and 193 Mt in Indicated category. A further Mineral Resource upgrade is planned for the September 2022 quarter.

The Exploration Target for the Hawsons Iron Project has a range of 5 to 18 billion tonnes at a DTR of 7.5% to 34% and concentrate Fe of 65.3% to 70.6%. The approximated quantity and grade of this Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. This statement applies specifically to the Exploration Target areas only.

	Mineral Resources Estimate 19 October 2021			Mineral Resources Estimate 25 July 2022		
Category	Mt	DTR %	Concentrate Mt	Mt	DTR %	Concentrate Mt
Measured	-	-	-	390	13.7	54
Indicated	960	13.7	132	1,600	12.0	193
Inferred	2100	12.9	268	1,960	12.2	239
Total	3060	13.1	400	3,950	12.2	484

As per H&SC Consultants Pty Ltd report dated 25th July 2022, the above table is subject to minor rounding errors.

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

David Woodall
Non-executive Chairman
Dated 21 September 2022

Auditor's independence declaration

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

As lead auditor of Hawsons Iron Ltd for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 21 September 2022

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Hawsons Iron Limited (HIO) aims to achieve appropriate standards of corporate governance and has established corporate governance policies and procedures, where practicable, consistent with the ASX Corporate Governance Council's *'Corporate Governance Principles and Recommendation – 4th Edition'* (**ASX Recommendations**), which were published in February 2019.

In ensuring appropriate standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical or provide the optimal result given the particular circumstances and structure of the Company. Nevertheless, the Board is committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which, unless otherwise stated, were in place during the whole of the period to the date of this statement.

Principle 1

Lay solid foundations for management and oversight

1.1 Roles and Responsibilities of the Board – followed

The Board is governed by the *Corporations Act 2001*, its formal constitution and by the ASX Listing Rules. The Board's primary role is to set policy regarding the affairs of the Company for the protection and enhancement of long-term Shareholder value.

The Board takes responsibility for the overall corporate governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting. In so doing, the Board acts in accordance with the Board Charter, which is published on the Company's website.

1.2 Director appointment – followed

HIO considers the character, experience and skillset as well as interests and associations of potential candidates for appointment to the Board and will conduct appropriate checks to verify the suitability of the candidate, prior to their election. HIO has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a Director, is disclosed in the notice of meeting provided to shareholders.

1.3 Written agreements of appointment – followed

The roles and responsibilities of Directors have been formalised in letters of appointment, which each Director has entered into. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, and insurance and indemnity entitlements.

1.4 Company Secretary – followed

The Company Secretary is accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board. All Directors have access to the Company Secretary.

The appointment or removal of the Company Secretary is a matter for the Board.

1.5 Diversity policy – partially followed

The Company is committed to creating a diverse working environment and culture and has a written diversity policy, published on the Company's website.

However, given the size of the Company and scale of its operations, the Company is yet to establish measurable objectives for achieving gender diversity at this time. Further, as the Company has not established measurable objectives for achieving gender diversity, the Company has not reported on progress towards achieving them.

1.6 Board Reviews – not followed

The Remuneration Committee meets at least annually, and the recommendations are made in line with the Company's present circumstances and goals to ensure maximum shareholder benefits from the attraction and retention of a high-quality Board and senior management team.

The Board recognises that as a result of the Company's size the assessment of the Board's overall performance and its own succession plan is conducted on an informal basis. Whilst this is at variance with the ASX Recommendations, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place. A more formal process of Board assessment will be considered in the future as the Company develops.

1.7 Management Reviews – followed

The Board evaluates the performance of the Managing Director, Chief Financial Officer and Company Secretary on a regular basis and encourages continuing professional development. A review is conducted in association with the annual audit.

Principle 2

Structure the Board to add value

2.1 Nomination committee – not followed

The Company did not have a Nomination Committee for the financial year ending 30 June 2022 and whilst this is at variance to ASX recommendations, the Directors considered there was an adequate process in place for the evaluation of Directors. However, at the date of this report a Nomination Committee has been established with the members being Mr David Woodall and Mr Paul Cholakos.

2.2 Board skills matrix – followed

The Company has a formal Board skills matrix.

The Board Charter provides that the Board will regularly review the appropriate mix of skills and expertise to facilitate successful strategic direction.

In appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgment, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The Company provides details of each Director, such as their skills, experience and expertise relevant to their position, in the Directors' Report in the Annual Report and also provides these details on its website.

2.3 Details of Independent Directors – followed

The Board for much of the 2021/2022 financial year consisted of three Directors, two of whom were independent Non-executive Directors. The names of the Directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of each Annual Report.

On 20 May 2022 the Company announced the appointment of Mr David Woodall as Non-executive Chairman. Mr Granzien pivoted into the role of Managing Director to focus on the delivery of the Hawsons Iron Project's Bankable Feasibility Study (BFS).

The Company has had no relationships with either of the independent Directors which the Company believes would compromise the independence of these Directors.

2.4 Composition of the Board – partially followed

The Company's constitution and the Corporations Act 2001 specify that the number of Directors must be at least three. The Board may at any time appoint a Director to fill a casual vacancy. Directors appointed by the Board are subject to election by Shareholders at the following annual general meeting and thereafter Directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for Executive Directors is linked to their holding of executive office.
The Board for much of the 2021/2022 financial year consisted of three directors, two of whom were independent Non-executive Directors.

The Company as at the date of this statement has two independent Non-executive Directors, one independent Non-executive Chairman and a Managing Director.

2.5 The Chairman – partially followed

The Chairman for most of the financial year was not an independent Director. The roles of Chairman of the Board and Chief Executive Officer were held by Mr Bryan Granzien who was responsible for the day-to-day management of the Company along with Board responsibilities. It is recommended by the ASX that these roles not be exercised by the same individual.

Whilst this is at variance with the ASX Recommendations, the Directors considered that structure of the Board was appropriate to carry out the Company's immediate plans; however, as the Company progressed on its Journey, the Board subsequently appointed Mr David Woodall as Non-executive Chairman on 20 May 2022 and Mr Granzien pivoted into the Managing Director role.

2.6 Board induction and professional development – followed

An induction process including appointment letters exists to promote early, active and relevant involvement of new members of the Board. All HIO Directors are encouraged to further their knowledge through ongoing professional development through professional industry, governance and government bodies.

Principle 3

Act ethically and responsibly

3.1 Articulate and disclose Company values - followed

The Company has articulated the values that it seeks to instil in its people, and a statement of its values is published on the Company's website.

3.2 Code of conduct – followed

The Company aims for a high standard of corporate governance and ethical conduct by Directors and employees.

All Directors have signed deeds with the Company, which require them to comply with all the obligations of a director under the Corporations Act 2001. Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with section 195 of the Corporations Act 2001, a Director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter, subject to the discretion of the Board.

All Directors are required to provide the Company with details of all securities registered in the Director's name or an entity in which the Director has a relevant interest.

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. The Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not generally available, and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available.

The Company has a code of conduct with which Directors, senior executives and employees must comply. The code of conduct is published on the Company's website.

3.3 Whistleblower policy – followed

The Company has a whistleblower policy, which is published on the Company's website.

3.4 Anti-bribery and corruption policy – followed

The Company has an anti-bribery and corruption policy, which is published on the Company's website.

Principle 4

Safeguard integrity in corporate reporting

4.1 Audit committee – partially followed

The Company has an Audit Committee, which was established to oversee corporate governance, internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

For the 2021-2022 financial year, the Audit Committee comprised two Non-executive Directors. Whilst having only two members is at variance with the ASX Recommendations, the Directors consider that at the date of this report the structure of the Board is appropriate to carry out the Company's immediate plans. The Board will review this situation in the coming months.

The Committee reports to the Board. The Non-executive Chairman, Managing Director, Company Secretary, Chief Financial Officer and external auditor may, by invitation, attend meetings at the discretion of the Committee.

The Audit Committee charter is published on the Company's website.

4.2 CEO and CFO financial statements declaration – followed

The Chief Executive Officer/Managing Director and Chief Financial Officer are required to provide written declarations under section *295A of the Corporations Act 2001* that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. Both the Managing Director and Chief Financial Officer provide said assurances at the time the section 295A declarations are provided to the Board.

4.3 External Auditor attends the Annual General Meeting - followed

The Company invites the Company auditor to each Annual General Meeting and the Audit partner and associates attend these meetings when required and are available to answer questions from security holders.

Principle 5

Making timely and balanced disclosure

5.1 Continuous disclosure policy – followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the *Corporations Act 2001*;
- the half yearly financial report lodged with the ASX and ASIC and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website; and
- disclosure of the Company's corporate governance practices and communications strategy on the Company website.

The Company has a formal continuous disclosure policy, which is published on the Company website.

5.2 Circulation of material market announcements to the board – followed

The Board receives a copy of all material market announcements made to the market.

5.3 Release to the market of new and substantive presentations – followed

Where the Company gives a new and substantive investor or analyst presentation it releases a copy of the presentation materials on the ASX platform ahead of the presentation.

Principle 6

Respect the rights of shareholders

6.1 Information on website – followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and aims to ensure that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

6.2 Investor relations programme – followed

The Company has an active investor relations program where the Company provides regular company updates on the ASX platform, conducts published media interviews, assists in the validation of published articles and maintains a dedicated webpage for consumers and shareholders to 'engage' with the Company. The Company actively engages with investors at the Annual General Meeting and responds to enquiries made verbally or through email on a regular basis. The Company has a Communications Strategy that is managed by a Communications Lead.

6.3 Security holder participation at meetings – followed

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

6.4 All Substantive resolutions at a meeting of security holders are decided by poll – followed

The Company ensures all resolutions presented at the Annual General Meeting or Extraordinary Meetings are decide by poll rather than by a show of hands. The outcomes of these polls are published on the ASX platform.

6.5 Facilitate security holder communications – followed

The Company provides its investors the option to receive communications from and send communications to the Company and the share registry electronically.

Principle 7

Recognise and manage risks

7.1 Risk committee – not followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title, native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

The Board does not at this point have a separately constituted risk committee. The Board considers that consideration of risk at this stage of the Company's development is dealt with effectively by the Audit Committee and the Board itself.

7.2 Risk assessment and management – followed

The Board with the assistance of the Audit Committee conducts a formal review of the risk profile of the Company annually and monitors risk formally and regularly throughout the year. A review was conducted in association with the annual audit. Furthermore, risk assessment is an agenda item for all regular Board meetings.

7.3 Internal Audit function – not followed

The Company does not have an internal audit function and does not believe that the size and nature of the Company warrants establishment of said function at this time. The Board with the assistance of the Audit Committee conducts a formal review of the risk profile of the Company annually and monitors risk informally throughout the year. A review was conducted in association with the annual audit.

7.4 Economic, environmental and social risks – followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, heritage and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. The Company has developed an Environmental, Social and Governance (ESG) framework, identified the Corporate Objectives, Project Objectives, Compliance Obligations, Emerging Opportunities and completed a Materiality assessment.

Principle 8

Remunerate fairly and responsibly

8.1 Remuneration committee – partially followed

For the 2021-2022 financial year, the Remuneration Committee comprised of one Non-executive Director and the Executive Chairman (who transitioned to the role of Managing Director in May 2022). At the time of this statement, it comprises of two members (Mr Cholakos – Chair of the Committee and Mr Granzien – Managing Director), and only one is independent. Whilst having only two members is at variance with the ASX Recommendations, the Directors consider that at the date of this report the structure of the Board is appropriate to carry out the Company's immediate plans. The Board will review this situation in the coming months.

The Committee has a formal charter which is published on the Company website.

8.2 Executive and Non-executive Director remuneration policy – followed

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors is to be fixed from time to time by a general meeting. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors.

The remuneration of the Chief Executive Officer/Managing Director is determined by the Board, taking into account the recommendations of the Remuneration Committee, as part of the terms and conditions of his/her employment, which are subject to review from time to time. The remuneration of employees is determined by the Managing Director, subject to the approval of the Board, where required.

8.3 Equity-based remuneration scheme – not followed

The Company does not have an equity-based remuneration scheme.

Principle 9

Additional Recommendations

9.1 A Director who does not speak the language in which security holder meetings are held – not applicable.

The Company does not have a Director in this position and this recommendation is therefore not applicable.

9.2 A Listed entity established outside Australia to ensure meetings held at a reasonable place/time – not applicable.

The Company is established in Australia and this recommendation is therefore not applicable.

9.3 A Listed entity established outside of Australia that has an AGM ensures the external auditor is available to answer questions relevant to the audit – not applicable.

The Company is established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Interest income		3,002	16,620
Net fair value loss on financial instruments measured at fair value through profit or loss	12	(17,010,651)	-
Day one loss on initial recognition of put option contract released to profit or loss	12	(31,838)	
Employment benefit expenses	4	(1,431,053)	(283,246)
Depreciation and amortisation expense		(53,455)	(1,827)
Consultants expense (change in fair value and share based payment)	12	(593,022)	(1,419,148)
Business development expenses		(41,451)	(448,209)
Corporate compliance		(534,442)	(129,020)
Corporate advisory		(522,965)	(145,833)
Computer, IT and telecommunications		(106,856)	-
Marketing		(23,903)	-
Other		(97,475)	(127,177)
Rent expense relating to short-term leases		(23,405)	-
Loss before income tax		(20,467,514)	(2,537,840)
Income tax expense/(benefit)	16	-	-
Loss after income tax expense		(20,467,514)	(2,537,840)
Other comprehensive income		-	-
Total comprehensive income		**(20,467,514)**	**(2,537,840)**

		Cents	Cents
Loss per share			
Basic and diluted loss per share	17	(2.95)	(0.67)

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

Consolidated Balance Sheet
As at 30 June 2022

	Note	2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	2	7,824,042	2,349,451
Trade and other receivables	5	726,606	32,928
Other current assets	6	101,887	14,951
Financial asset at fair value through profit or loss	12	2,188,720	-
TOTAL CURRENT ASSETS		10,841,255	2,397,330
NON-CURRENT ASSETS			
Trade and other receivables	5	151,499	48,409
Plant and equipment	7	368,065	3,240
Exploration and evaluation assets	8	44,566,121	15,895,346
Financial asset at fair value through profit or loss	12	7,219,791	-
TOTAL NON-CURRENT ASSETS		52,305,476	15,946,995
TOTAL ASSETS		**63,146,731**	**18,344,325**
CURRENT LIABILITIES			
Trade and other payables	9	8,817,126	62,814
Provisions	10	91,078	5,620
Lease liabilities	11	116,871	-
Financial liability at fair value through profit or loss	12	23,520,798	1,875,535
TOTAL CURRENT LIABILITIES		32,545,873	1,943,969
NON-CURRENT LIABILITIES			
Lease liabilities	11	218,315	-
TOTAL NON-CURRENT LIABILITIES		218,315	-
TOTAL LIABILITIES		32,764,188	1,943,969
NET ASSETS		**30,382,543**	**16,400,356**
EQUITY			
Share capital	13	76,669,474	42,878,633
Share based payment reserve	14	3,239,102	2,580,242
Accumulated losses		(49,526,033)	(29,058,519)
TOTAL EQUITY		**30,382,543**	**16,400,356**

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2022

Consolidated Entity	Share Capital $	Share based payment reserve $	Accumulated Losses $	Total $
Balance at 1 July 2020	28,166,109	2,389,011	(26,520,679)	4,034,441
Transactions with owners in their capacity as owners				
Issue of share capital	15,021,668	-	-	15,021,668
Costs of raising capital	(309,144)	-	-	(309,144)
Transfer of expired options	-	-	-	-
Consultants share-based payments (note 14)	-	152,129	-	152,129
Employee share options – value of employee services (note 14)	-	39,102	-	39,102
Total	**14,712,524**	**191,231**	**-**	**14,903,755**
Comprehensive income				
Loss after income tax	-	-	(2,537,840)	(2,537,840)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(2,537,840)**	**(2,537,840)**
Balance at 30 June 2021	**42,878,633**	**2,580,242**	**(29,058,519)**	**16,400,356**
Balance at 1 July 2021	42,878,633	2,580,242	(29,058,519)	16,400,356
Transactions with owners in their capacity as owners				
Issue of share capital	35,856,890	-	-	35,856,890
Costs of raising capital	(2,066,049)	-	-	(2,066,049)
Consultants share-based payments (note 14)	-	304,258	-	304,258
Employee share options – value of employee services (note 14)	-	354,602	-	354,602
Total	**33,790,841**	**658,860**	**-**	**34,449,701**
Comprehensive income				
Loss after income tax	-	-	(20,467,514)	(20,467,514)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(20,467,514)**	**(20,467,514)**
Balance at 30 June 2022	**76,669,474**	**3,239,102**	**(49,526,033)**	**30,382,543**

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 year ended 30 June 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,293,382)	(1,686,191)
COVID-19 wages subsidies received		-	50,000
Interest received		3,002	535
Net cash used in operating activities	2	(3,290,380)	(1,635,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(45,685)	(2,232)
Proceeds from sale of property, plant and equipment		-	16,244
Payments for security deposit		(104,066)	-
Payments for exploration and evaluation assets		(24,866,440)	(127,747)
Net cash used in investing activities		(25,016,191)	(113,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	13	35,856,890	3,691,668
Payment lease liability	2	(40,996)	-
Costs associated with the issue of shares		(2,034,732)	(309,143)
Net cash provided by financing activities		33,781,162	3,382,525
Net increase/(decrease) in cash and cash equivalents		5,474,591	1,633,134
Cash and cash equivalents at the beginning of the financial year		2,349,451	716,317
Cash and cash equivalents at the end of the financial period	**2**	**7,824,042**	**2,349,451**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of Hawsons Iron Limited (the "Company" or "Parent" or "Hawsons") and its controlled entities (together referred to as the "Consolidated Entity" or "Group"). Hawsons Iron Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal activity of the Consolidated Entity is mineral exploration.

Currency
The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Parent.

Authorisation of financial report
The financial report was authorised for issue on 21 September 2022.

COVID-19 Impacts
Hawsons Iron Limited was affected during the period by COVID-19 on site and within the corporate head office. Staff worked remotely when possible and followed enhanced social distancing and health and safety procedures when at the workplace. The Company did not receive any subsidies during the year (2021: $50,000).

The Company is not expecting any significant impacts in the coming year.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of the Hawsons Iron Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified by the measurement at fair value of other payables and derivative instruments.

Critical accounting estimates and judgements
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Management evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. The following estimates and judgements were used for the current financial year.

Employee share-based payments:
The Consolidated Entity initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent upon the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield, milestone achieved and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

Consultants' expenses:
The Consolidated Entity has made estimates for the deferred success fee that is to be paid to a strategic consultant if certain project milestones are met. Estimating the deferred success fee requires determination of the probability that the project milestones will be achieved. Refer to Note 12(b) for further details.

Accounting for LDA equity financing arrangement
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. This financing arrangement gave rise to a derivative liability and derivative asset held at fair value through profit or loss being recognised. Refer note 12(a) for further details of the transaction and key judgements and estimates.

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Monte Carlo Simulation Methodology (MCSM). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Refer to note 12 for further details.

Cessation / classification of joint arrangements
The joint agreement in relation to the Hawsons Iron Project required unanimous consent from all parties for specific relevant activities. Two parties had direct rights to the assets of the partnership and were jointly and severally liable for the liabilities incurred by the project. The joint arrangement was classified as a joint operation and the Group recognised its direct right to the jointly held assets, liabilities, revenues and expenses up until the date the Company bought out the other JV Partner's share in the project. From 24th March 2022, the Company acquired Starlight Investment Company Pty Ltd.'s share in Hawsons Iron Project, resulting in control of the project. From this date, the Hawsons Iron Project was no longer classified as a joint operation.

Accounting policies

(a) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(b) Impairment of Non-Financial Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(c) Financial Instruments

(i) Financial assets

The Consolidated Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Consolidated Entity has cash and cash equivalents and trade and other receivables as financial assets. Consequently, the measurement category most relevant to the group is as follows:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The consolidated entity subsequently measures all equity investments at fair value. The consolidated entity measures its investments in equity instruments at FVPL. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of other comprehensive income as applicable.

Impairment
The Consolidated Entity assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Consolidated Entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Financial Liabilities (excluding derivatives)

The Consolidated Entity's financial liabilities are measured at amortised cost and other payables (consulting fee payables) are measured at fair value through profit or loss. The group has trade payables and other payables as financial liabilities.

(iii) Financial derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are classified as current or non-current depending on the expected period of realisation.

k) Share based payments

Share-based compensation benefits are provided to employees via the HIO Employee Share Plan. Information relating to these schemes is set out in note 18.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is cumulative amount calculated at each reporting date less amounts already recognised in previous period.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

l) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity has assessed the impact of these new standards that are not yet effective and determined that they are not expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

Going Concern

The consolidated entity has a net current liabilities as at 30 June 2022 of $21,704,618 and has incurred losses of $20,467,514 ($2,537,840) the year ended 30 June 2022 and had a net cash outflow of $3,290,380 (2021: $1,635,656) used in operating activities, a net cash outflow used in investing activities of $25,016,191 (2021: $113,735). Investing activities includes payments for exploration and evaluation assets.

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

- As at 30 June 2022 the Consolidated Entity had cash reserves of $7,824,042;
- Included in current liabilities is a financial liability derivative – call option of $22,451,000 (representing the fair value of the 71,500,000 LDA options) and a commitment fee payable of $4,000,000 (representing the cost of entering into the LDA financial arrangement). Because the call option is at the discretion of LDA Capital, the financial derivative liability is required to be classified as a current liability. Once exercised however, the Group will receive a contribution of $50,500,000 in cash. The commitment fee payable is due to be settled in December 2022 of which $2,000,000 will be settled in cash and $2,000,000 will be paid in the form of shares. Refer notes 12 for details. By excluding the financial derivative liability and $2,000,000 payable in script, the consolidated entity's net current asset is $2,746,382;
- The Consolidated Entity has access to an equity facility with LDA Capital on which it can put Call Notices to the value of $200,000,000 to fund future exploration activity, feasibility studies, initial development works and meet other necessary corporate expenditure. As part of the financing facility, the Company also issued 71,500,000 options to LDA Capital and if exercised will contribute a further $50.05 million. The Consolidated Entity does not expect the COVID-19 pandemic to adversely impact its ability to raise further capital;
- The Directors believe there is sufficient cash available from the $200 million facility for the Consolidated Entity to continue operating based on the Company's cash flow forecast;
- 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.

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 CASH & CASH FLOW INFORMATION

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

Cash flows are presented in the consolidated cash flow statement on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

Reconciliation of loss after income tax to net cash outflow from operating activities

	2022 $	2021 $
Loss after income tax	(20,467,514)	(2,537,840)
Depreciation and amortisation	53,455	1,827
Share-based payments	354,602	39,102
(Gains)/Losses on sale of PPE	-	(14,876)
Other liability movement[1]	593,022	-
Fair value movement of financial instrument[2]	17,042,489	-

Reconciliation of loss after income tax to net cash outflow from operating activities (Continued)

	2022 $	2021 $
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(689,117)	6,207
(Increase)/decrease in other assets	(86,936)	(16,768)
(Decrease)/increase in trade payables and accruals	918,660	(64,325)
(Decrease)/increase in other payables	(1,094,500)	1,419,148
(Decrease)/increase in provisions	85,459	(468,131)
Net cash outflow from operating activities	(3,290,380)	(1,635,656)

[1] Consultant's expense – refer Note 12(b)
[2] LDA Capital – refer Note 12(a)

Reconciliation of cash

Cash at the end of the financial period as shown in the consolidated cash flow statement is reconciled to items in the consolidated balance sheet as follows:

	2022 $	2021 $
Cash on hand and at bank	7,824,042	2,333,556
Cash on deposit	-	15,895
	7,824,042	2,349,451

Non-Cash Investing activities

	2022 $	2021 $
Shares were issued as consideration for additional 24.149% interest in Hawsons Iron Project joint operation (representing increase in investment in Exploration and Evaluation assets).	-	11,330,000

Changes in liabilities arising from financing activities

	2022 $	2021 $
Lease liabilities		
Opening balance	376,182	-
Cash flows	(40,996)	-
Additions	-	-
Closing balance	335,186	-

NOTE 3 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 year. All assets are located in Australia.

NOTE 4 ITEMS INCLUDED IN PROFIT OR LOSS

	2022 $	2021 $
Included in profit/(loss) are the following specific expenses:		
Included in 'Employment benefit expenses':		
Share based payments	354,602	39,102
Company Secretarial services	99,170	93,917
Director Fees	80,658	137,891
Oncosts (Payroll tax, FBT, WorkCover)	94,290	635
Salaries and wages	2,061,584	385,762
Defined contribution superannuation expense	146,662	36,305
External CFO services	-	39,975
	2,836,966	733,587
Less:		
Reversal of accrued back pay	-	(386,170)
Cash Flow Boost Subsidy	-	(50,000)
Capitalised Salaries – Hawsons Iron Project	(1,405,913)	(14,171)
Total employee benefits expense	1,431,053	283,246

NOTE 5 TRADE AND OTHER RECEIVABLES

	2022 $	2021 $
CURRENT		
Accounts receivable	14,399	2,690
GST refund due	712,207	30,238
	726,606	32,928
NON-CURRENT		
Security deposits	151,499	48,409
	151,499	48,409

NOTE 6 OTHER CURRENT ASSETS

	2022 $	2021 $
Prepayments	101,887	14,951

NOTE 7 PLANT AND EQUIPMENT

	2022 $	2021 $
Computer equipment		
Opening balance	5,587	4,204
Additions	36,888	2,231

	2022 $	2021 $
Disposals	-	(1,368)
Less accumulated depreciation	(13,351)	(1,827)
Closing balance	29,124	3,240
Office equipment		
Opening balance	-	-
Additions	8,796	-
Less accumulated depreciation	(1,051)	-
Closing balance	7,745	-
Right of Use Asset – office premises[1]		
Opening balance	-	-
Additions	372,595	-
Less accumulated depreciation	(41,399)	-
Closing balance	331,196	-
TOTAL PLANT AND EQUIPMENT	368,065	3,240

[1]The present value of future lease payments is determined by discounting future lease payments using the interest rate of 3%which is the Company's incremental borrowing rate.

Accounting policy –plant and equipment

Each class of plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation and impairment costs. Costs include expenditure that is directly attributable to the asset.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Computer equipment	3 years	straight line
Office equipment	3 years	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Accounting policy - right-of-use assets

An assessment is made, at inception or when contract terms are changed, to determine whether the contract is, or contains, a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises all right-of-use assets, except for leases that are short-term (12 months or less) and low value leases, at the commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less (without extension option) and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTE 8 EXPLORATION AND EVALUATION ASSETS

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest.

Exploration costs are capitalised only when the Consolidated Entity has either a granted tenement in its name or an interest through a joint venture arrangement.

Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or sale of the respective area of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

Government grants relating to exploration and evaluation assets that have been capitalised are recognised by deducting the grant received from the carrying amount of the exploration and evaluation asset recognised on the consolidated balance sheet. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

	2022 $	2021 $
Opening balance	15,895,346	4,437,598
Additional share of operation – Hawsons Iron Project	10,000,000	11,330,000
Capitalised expenditure	18,670,775	127,748
	44,566,121	15,895,346

NOTE 9 TRADE AND OTHER PAYABLES

	2022 $	2021 $
Accounts payable	2,416,624	38,102
PAYG and Withholding tax owing	65,373	-
Accrued expenses	335,129	24,712
Deferred consideration – note 25	2,000,000	-
Commitment fee payable – note 12a	4,000,000	-
TOTAL TRADE AND OTHER PAYABLES	8,817,126	62,814

Trade payables are amounts due to suppliers for goods purchased or services provided in the ordinary course of business. Trade payables are generally due for settlement within 30 days and therefore are all classified as current.

Accrued expenses generally arise from normal transactions within the usual operating activities of the group and comprise items such as employee taxes, employee on costs and other recurring items.

NOTE 10 PROVISIONS

	2022 $	2021 $
Employee benefits	91,078	5,620

NOTE 11 LEASE LIABILITIES

	2022 $	2021 $
CURRENT		
Lease liability – office premises	116,871	-
NON-CURRENT		
Lease liability – office premises	218,315	-

During the 2022 financial year, the Company entered into a lease to occupy premises at Level 21, 12 Creek Street, Brisbane. The lease term is for a fixed period of 3 years with no option to extend. The Company is required to make significant judgements, estimates and assumptions in assessing the NPV of the office lease and has used an interest rate of 3%, which is the Company's incremental borrowing rate, the term of 3 years. Refer to note 7 for right-of-use assets disclosures relating to the office premises.

The maturity profile of lease liabilities over the lease term follows:

	2022 $	2021 $
Lease liabilities		
Due within 1 year	125,352	-
Between 1 and 3 years	224,165	-
	349,517	

Accounting policy for lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The present value of future lease payments is determined by discounting future leases payments using the interest rate implicit in the lease or, if that rate cannot be determined, then the Group's incremental borrowing rate, which is generally the case.

The present value of the lease liability is increased by the interest cost and decreased by the lease payment each period over the life of the lease.

NOTE 12 FINANCIAL ASSETS AND LIABILITIES

	2022 $	2021 $
Financial asset:		
Current – LDA Financial asset – put option (refer note 12a)	2,188,720	-
Non-current - LDA Financial asset – put option (refer note 12a)	7,219,791	-
	9,408,511	-
Financial liabilities:		
Current - LDA derivative liability (refer note 12a)	22,451,000	-
Current - Other payable – consultant fee (refer note 12b)	1,069,798	1,875,535
	23,520,798	1,875,535

a) Financial asset – LDA financial asset & Financial liability – 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 $0.70, expiring on 21 December 2023. The options were valued at $5,305,300 using a Monte Carlo Simulation Methodology and classified as a derivative liability. Refer to Note 18 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.

(iii) The Company is liable for a commitment fee of $4,000,000 comprising $2,000,000 due and payable in cash and $2,000,000 due to be 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. This payable is due within a period of 12 months from the date of the agreement. This has been included in trade and other payables – note 9.

(iv) The Company paid for legal fees of $21,259 incurred by LDA in preparation of the documentation under this agreement. This has been recognised as a trade payable.

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 subsequently released to profit or loss at reporting date 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. The re-measurement of the derivative liability resulted in fair value change amounting to $17,145,700.

Movement in LDA financial asset – put option

	2022 $	2021 $
As at 1 July 2021	-	-
Derivative Asset – put option premium recognised at inception	9,273,462	-
Fair value movement in financial asset – put option premium	135,049	-
Release of derivative assets on settlement	-	-
Revaluation of put option premium	-	-
LDA financial asset at reporting date	9,408,511	-

Movement in LDA derivative liability

	2022 $	2021 $
As at 1 July 2021	-	-
Derivative Liability – call option recognised at inception	5,305,300	-
Fair value movement in derivative liability – call option	17,145,700	-
Fair value of options exercised at each exercise date	-	-
LDA derivative liability at reporting date	22,451,000	-

Net fair value loss on financial instruments measured at fair value through profit or loss

	2022 $	2021 $
Fair value movement in financial asset – put option premium	135,049	-
Fair value movement in derivative liability – call option	(17,145,700)	-
Net fair value loss on financial instruments	(17,010,651)	-

b) Financial Liability - Other Payable

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:

- For the equity-settled share-based payment (the right to shares as noted above) the Company measures the fair value of the equity instruments granted at the grant date or the date the services are rendered taking the potential gross amount payable into account. The Company recognises the expense at grant date and/or as services are received, as appropriate, with a corresponding credit to the share-based payment reserves.
- 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 30 June 2022 were as follows:

	2022 $	2021 $
Fair value of liability recognised	1,069,798	1,875,535
Fair value share-based payment recognised in equity	608,517	304,259

	2022	2021
	$	$
Fair value loss recognised directly in Statement of Comprehensive Income:		
- Other payable	288,764	1,267,018
- Share-based payment reserve	304,258	152,130
Total recognised as consultant's expense in Statement of Comprehensive Income	593,022	1,419,148

The consultant was paid $1,094,500 plus GST on the 24th of August 2021. The break fee was payable upon the commitment to undertake a bankable feasibility study (or equivalent) for the Hawsons Iron Project.

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
	$	$	$	$
Assets				
LDA Derivative Asset – Put Option	-	-	9,408,511	9,408,511
Total Assets	-	-	9,408,511	9,408,511
Liabilities				
Other Payable – consultant fee	-	-	1,069,798	1,069,798
LDA Derivative Liability	-	-	22,451,000	22,451,000
Total liabilities	-	-	23,520,798	23,520,798
Consolidated - 2021				
Liabilities				
Other Payable – consultant fee	-	-	1,875,535	1,875,535
Total liabilities	-	-	1,875,535	1,875,535

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 liabilities during the current and previous financial year are set out in the following table:

Assets	2022 $	2021 $
Balance at 1 July 2021	-	-
Transfers out level 3	-	-
Initial recognition of financial asset – put option	9,273,462	-
Gain recognised in profit or loss of financial asset – put option	135,049	-
(Disposals/settlements)	-	-
Balance at 30 June 2022	9,408,511	-

Liabilities	2022 $	2021 $
Balance at 1 July 2021	1,875,535	608,517
Transfers out level 3	-	-
Initial recognition of financial derivative	5,305,300	-
Loss recognised in profit or loss of financial derivative	17,145,700	-
Loss recognised in profit or loss (consultants' expense)	288,763	1,267,018
Settlements – consultant's fee	(1,094,500)	-
Balance at 30 June 2022	23,520,798	1,875,535

The level 3 liabilities unobservable inputs are as follows:

Description	Unobservable inputs	Unobservable Inputs 2022	2021	Sensitivity
Other payable – consultant fee	First sale of ore/concentrate probability range	55%	40% - 100%	The estimated fair value would increase/(decrease) if probability % was higher/(lower)
LDA financial derivative asset – put option	Market placement discount	14.5%	n/a	The estimated fair value would increase/(decrease) if market placement discount rate was higher/(lower) – refer below for sensitivity analysis
	Discount rate	14%	n/a	The estimated fair value would increase/(decrease) if discount rate was lower/(higher)
LDA Financial derivative liability	Share price	$0.50	n/a	The estimated fair value would increase/(decrease) if share price was higher/(lower) – refer below for sensitivity analysis
	Exercise Price	125% of 90-day VWAP or $0.70	n/a	The estimated fair value would increase/(decrease) if exercise price was higher/(lower)
	Expected volatility	95%	n/a	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 30 June 2022 by the amounts shown in the following table:

	2022 Increase $	2022 Decrease $	2021 Increase $	2021 Decrease $
LDA financial derivative liability: Share Price +/- 10%	2,724,150	(2,674,100)	-	-
LDA financial derivative asset: Market placement discount +/- 2%	4,509,186	(4,300,257)	-	-

NOTE 13 SHARE CAPITAL

	2022 $	2021 $
Fully paid ordinary shares	76,669,474	42,878,633

Ordinary Shares

	2022 $	2021 $	2022 #	2021 #
At the beginning of the year	42,878,633	28,166,109	470,240,645	269,632,537
Shares issued during the period:				
- 8 Oct 2020 – $0.035 each	-	1,190,000	-	33,999,996
- 27 April 2021 - $0.033 each	-	2,501,668	-	75,808,112
- 18 May 2021 - $0.15 each[1]	-	6,750,000	-	45,000,000
- 24 May 2021 - $0.10 each[1]	-	4,580,000	-	45,800,000
- 12 July - 16 Aug 2021 - $0.15 each[2]	35,596,890	-	237,312,305	-
- 20 Oct 2021 – $0.055 each[3]	110,000	-	2,000,000	-
- 19 May 2022 - $0.15 each[4]	150,000	-	1,000,000	-
Share issue costs	(2,066,049)	(309,144)	-	-
At reporting date	76,669,474	42,878,633	710,552,950	470,240,645
Non-recourse employee shares (NRE)				
At the beginning of the year	-	-	5,500,000	5,500,000
NRE shares issued	-	-	-	-
Transfer to treasury shares	-	-	-	-
At reporting date	-	-	5,500,000	5,500,000
Total Ordinary and NRE Shares	**76,669,474**	**42,878,633**	**716,052,950**	**475,740,645**

[1] Shares were issued as consideration for additional 24.149% interest in Hawsons Iron Project joint operation.
[2] Share placement and entitlement offer.
[3] Exercise of options by Brian Granzien, Managing Director.
[4] Exercise of options by Jon Parker, Director.

Issued and paid-up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

The Company has issued shares to employees and Directors under the Company's employee share plan. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been valued as an option grant in accordance with AASB2 "Share Based Payment". The shares are disclosed in the financial statements as non-recourse employee shares (NRE Shares).

Non-recourse employee (NRE) shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. NRE shares will not qualify for participation in any dividend reinvestment plan of the Company until the loan amount in respect of those shares has been repaid. The Company has a lien over the NRE shares in respect of which the loan amount is outstanding. The Company is entitled to sell any unpaid NRE shares in accordance with the HIO share plan.

NOTE 14 RESERVES

The fair value of options issued to employees is recognised as an employment cost during the option vesting period with corresponding increase in equity recognised in this reserve.

	2022 $	2021 $
Share Based Payment Reserve – movements during the year		
Opening balance	2,580,242	2,389,011
Transfer to accumulated losses (expired options)	(39,849)	-
Share based payment expense	698,709	191,231
Closing balance	3,239,102	2,580,242

Share based payment reserve
The share-based payments reserve is used to record the value of share-based payments provided to employees and consultants as part of their remuneration.

NOTE 15 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There are no franking credits available to the shareholders of the Company.

NOTE 16 INCOME TAX

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, (except for a business combination) where there is no effect on accounting or taxable profit or loss.

	2022 $	2021 $
A reconciliation of income tax expense (benefit) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense (benefit) recognised for the years ended 30 June 2022 and 2021 is as follows:		
Accounting loss before income tax	(20,467,514)	(2,537,840)
Tax at the Australian tax rate of 30% (2021:26%)	(6,140,254)	(659,642)
Non-deductible expenses	106,380	9,970
Non-assessable non-exempt income (cash-flow boost)	-	(13,000)
Revaluation - LDA	5,112,747	23,481
Deferred tax assets not bought to account	921,127	639,191
Income tax	-	-
Recognised deferred tax assets		
Carried forward tax losses	6,970,836	1,139,875
Deductible temporary differences	-	1,461
	6,970,836	1,141,336
Recognised deferred tax liabilities		
Assessable temporary differences	6,970,836	1,141,336
	6,970,836	1,141,336
Net deferred tax recognised	-	-
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	6,062,293	5,047,219
Unused capital losses for which no deferred tax asset has been recognised	469,760	391,467

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise these benefits.

NOTE 17 LOSS PER SHARE

The Consolidated Entity presents basic and diluted loss per share (LPS) data for its ordinary shares. Basic LPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding NRE shares. Diluted LPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Earnings used to calculate basic and dilutive loss per share	(20,467,514)	(2,537,840)

	2022	2021
	#	#
Weighted average number of ordinary shares outstanding during the year	694,959,249	379,427,230
Adjustments for calculation of diluted loss per share - options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	694,959,249	379,427,230

Options, including in-substance options related to NRE shares, could potentially dilute basic loss per share in the future but were not included in the calculation of diluted earnings per share for 2022 or 2021 as they were anti-dilutive.

Subsequent to year end the Company submitted a capital Call Notice to LDA Capital totalling 25,000,000 Collateral Shares. The pricing period was for 30 Days and on completion of the pricing period, LDA agreed to subscribe 17,515,000 shares of the total 25,000,000 Collateral Shares, resulting in 17,515,000 ordinary shares being issued to LDA Capital on 23 August 2022. The Company intends to seek shareholder approval to buy-back for nominal consideration those remaining 7,485,000 Collateral Shares for which LDA has not subscribed, at its 2022 Annual General Meeting (AGM). The issue of shares has not been retrospectively adjusted in the calculation of earnings per share.

NOTE 18 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):

2022

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Modified	Balance at end of year	Vested and exercisable at end of year
2	24-Nov-16	24-Nov-21	$0.20	1,625,000	-	-	1,625,000	-	-	-
7	2-Jan-18	1-Jan-23	$0.15	500,000	-	-	500,000	-	-	-
8	2-Jan-18	1-Jan-23	$0.25	625,000	-	-	625,000	-	-	-
9	2-Jan-18	1-Jan-23	$0.40	150,000	-	-	150,000	-	-	-
10	2-Jan-18	1-Jan-23	$0.50	200,000	-	-	200,000	-	-	-
11	15-Oct-18	14-Oct-23	$0.15	2,200,000	-	-	700,000	-	1,500,000	-
12	15-Oct-18	14-Oct-23	$0.25	2,500,000	-	-	700,000	-	1,800,000	-
13	15-Oct-18	14-Oct-23	$0.40	1,400,000	-	-	600,000	-	800,000	-
14	15-Oct-18	14-Oct-23	$0.50	3,400,000	-	-	2,000,000	-	1,400,000	-
15	17-Mar-21	17-Mar-24	$0.15	200,000	-	-	200,000	-	-	-
16	17-Mar-21	17-Mar-24	$0.25	260,000	-	-	260,000	-	-	-
17	17-Mar-21	17-Mar-24	$0.40	365,000	-	-	365,000	-	-	-
18	17-Mar-21	17-Mar-24	$0.50	650,000	-	-	650,000	-	-	-
19	12-Apr-21	12-Apr-26	$0.05	1,000,000	-	1,000,000	-	-	-	-
20	12-Apr-21	12-Apr-26	$0.06	1,000,000	-	1,000,000	-	-	-	-

2022 Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Modified	Balance at end of year	Vested and exercisable at end of year
21	14-Jun-21	12-Apr-26	$0.20	1,000,000	-	-	1,000,000	-	-	-
22	16-Aug-21	16-Aug-26	$0.25	-	250,000	-	-		250,000	-
23	16-Aug-21	16-Aug-26	$0.35	-	250,000	-	-	-	250,000	-
24	16-Aug-21	16-Aug-26	$0.50	-	500,000	-	-	-	500,000	-
25	20-Aug-21	20-Aug-26	$0.15	-	4,200,000	1,000,000		200,000	3,000,000	3,000,000
26	20-Aug-21	20-Aug-26	$0.25	-	6,260,000	-	-	260,000	6,000,000	-
27	20-Aug-21	20-Aug-26	$0.35	-	6,365,000	-	-	365,000	6,000,000	-
28	20-Aug-21	20-Aug-26	$0.50	-	9,150,000	-	-	650,000	8,500,000	-
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	125% of 90 Day VWAP or $0.70	-	71,500,000	-	-	-	71,500,000	-
46	4-Jan-22	4-Jan-27	$0.25	-	250,000	-	-	-	250,000	-
47	4-Jan-22	4-Jan-27	$0.35	-	250,000	-	-	-	250,000	-
48	4-Jan-22	4-Jan-27	$0.50	-	500,000	-	-	-	500,000	-
49	20-May-22	20-May-26	$0.80	-	1,250,000	-	-	-	1,250,000	-
50	20-May-22	20-May-26	$1.00	-	1,250,000	-	-	-	1,250,000	-
51	20-May-22	20-May-26	$1.20	-	1,250,000	-	-	-	1,250,000	-
52	20-May-22	20-May-26	$1.00	-	1,250,000	-	-	-	1,250,000	-
				17,075,000		3,000,000	9,575,000	1,475,000	112,475,000	3,000,000
Weighted average exercise price				$0.28	$0.61	$0.09	$0.31	$0.37	$0.60	

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.58 years.

2021

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Modified	Balance at end of year	Vested and exercisable at end of year
2	24-Nov-16	24-Nov-21	$0.20	1,625,000	-	-	-	-	1,625,000	-
7	2-Jan-18	1-Jan-23	$0.15	500,000	-	-	-	-	500,000	-
8	2-Jan-18	1-Jan-23	$0.25	625,000	-	-	-	-	625,000	-
9	2-Jan-18	1-Jan-23	$0.40	150,000	-	-	-	-	150,000	-
10	2-Jan-18	1-Jan-23	$0.50	200,000	-	-	-	-	200,000	-
11	15-Oct-18	14-Oct-23	$0.15	2,200,000		-	-	-	2,200,000	-
12	15-Oct-18	14-Oct-23	$0.25	2,500,000		-	-	-	2,500,000	-
13	15-Oct-18	14-Oct-23	$0.40	1,400,000		-	-	-	1,400,000	-
14	15-Oct-18	14-Oct-23	$0.50	3,400,000		-	-	-	3,400,000	-
15	17-Mar-21	17-Mar-24	$0.15	-	200,000	-	-	-	200,000	-
16	17-Mar-21	17-Mar-24	$0.25	-	260,000	-	-	-	260,000	-
17	17-Mar-21	17-Mar-24	$0.40	-	365,000	-	-	-	365,000	-
18	17-Mar-21	17-Mar-24	$0.50	-	650,000	-	-	-	650,000	-
19	12-Apr-21	12-Apr-26	$0.05	-	1,000,000	-	-	-	1,000,000	-
20	12-Apr-21	12-Apr-26	$0.06	-	1,000,000	-	-	-	1,000,000	-
21	14-Jun-21	12-Apr-26	$0.20	-	1,000,000	-	-	-	1,000,000	-
				12,600,000	4,475,000	-	-	-	17,075,000	-
Weighted average exercise price				$0.31	$0.20			-	$0.28	

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.52 years.

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 per instrument
11	15-Oct-18	15-Oct-23	$ 0.088	$ 0.15	77%	nil	2.29%	$0.0463
12	15-Oct-18	15-Oct-23	$ 0.088	$ 0.25	77%	nil	2.29%	$0.0384
13	15-Oct-18	15-Oct-23	$ 0.088	$ 0.40	77%	nil	2.29%	$0.0299
14	15-Oct-18	15-Oct-23	$ 0.088	$ 0.50	77%	nil	2.29%	$0.0261
22	16-Aug-21	16-Aug-26	$ 0.120	$ 0.25	85%	nil	0.570%	$0.0636
23	16-Aug-21	16-Aug-26	$ 0.120	$ 0.35	85%	nil	0.570%	$0.0560
24	16-Aug-21	16-Aug-26	$ 0.120	$ 0.50	85%	nil	0.570%	$0.0479
25	20-Aug-21	20-Aug-26	$ 0.094	$ 0.15	85%	nil	0.502%	$0.0545
26	20-Aug-21	20-Aug-26	$ 0.094	$ 0.25	85%	nil	0.502%	$0.0454
27	20-Aug-21	20-Aug-26	$ 0.094	$ 0.35	85%	nil	0.502%	$0.0394

Tranche	Grant/valn Date	Expiry Date	Share Price	Exercise Price	Expected volatility	Expected Dividends	Risk free rate	Fair value per instrument
28	20-Aug-21	20-Aug-26	$ 0.094	$ 0.50	85%	nil	0.502%	$0.0333
29	06-Sep-21	06-Sep-26	$ 0.081	$ 0.25	85%	nil	0.651%	$0.0370
30	06-Sep-21	06-Sep-26	$ 0.081	$ 0.35	85%	nil	0.651%	$0.0318
31	06-Sep-21	06-Sep-26	$ 0.081	$ 0.50	85%	nil	0.651%	$0.0266
32	25-Oct-21	25-Oct-26	$ 0.076	$ 0.25	85%	nil	1.163%	$0.0330
33	25-Oct-21	25-Oct-26	$ 0.076	$ 0.35	85%	nil	1.163%	$0.0282
34	25-Oct-21	25-Oct-26	$ 0.076	$ 0.50	85%	nil	1.163%	$0.0233
35	29-Nov-21	29-Nov-26	$ 0.096	$ 0.25	85%	nil	1.348%	$0.0475
36	29-Nov-21	29-Nov-26	$ 0.096	$ 0.35	85%	nil	1.348%	$0.0414
37	29-Nov-21	29-Nov-26	$ 0.096	$ 0.50	85%	nil	1.348%	$0.0351
38	6-Dec-21	6-Dec-26	$ 0.105	$ 0.25	85%	nil	1.276%	$0.0537
39	6-Dec-21	6-Dec-26	$ 0.105	$ 0.35	85%	nil	1.276%	$0.0470
40	6-Dec-21	6-Dec-26	$ 0.105	$ 0.50	85%	nil	1.276%	$0.0400
41	13-Dec-21	13-Dec-26	$ 0.120	$ 0.15	85%	nil	1.319%	$0.0757
42	13-Dec-21	13-Dec-26	$ 0.120	$ 0.25	85%	nil	1.319%	$0.0645
43	13-Dec-21	13-Dec-26	$ 0.120	$ 0.35	85%	nil	1.319%	$0.0568
44	13-Dec-21	13-Dec-26	$ 0.120	$ 0.50	85%	nil	1.319%	$0.0487
46	04-Jan-22	04-Jan-27	$ 0.170	$ 0.25	85%	nil	1.402%	$0.1024
47	04-Jan-22	04-Jan-27	$ 0.170	$ 0.35	85%	nil	1.402%	$0.0918
48	04-Jan-22	04-Jan-27	$ 0.170	$ 0.50	85%	Nil	1.402%	$0.0803
49	20-May-22	20-May-27	$ 0.615	$ 0.80	90%	Nil	3.009%	$0.4107
50	20-May-22	20-May-27	$ 0.615	$ 1.00	90%	Nil	3.009%	$0.3880
51	20-May-22	20-May-27	$ 0.615	$ 1.00	90%	Nil	3.009%	$0.3689
52	20-May-22	20-May-27	$ 0.615	$ 1.20	90%	Nil	3.009%	$0.3380

The tranches have been valued using the following methods:
Tranches 11-14 – Binomial
Tranches 22-44 &46-51 – Black-Scholes
Tranche 45 – Monte Carlo (refer disclosure below)
Tranche 52 – Monte Carlo

Tranches 22 – 44 and 46-48 relates to the milestones below:

Milestone 1	The Company raising the funding to carry out the Hawsons Bankable Feasibility Study (BFS)
Milestone 2	Completion of the Hawsons BFS
Milestone 3	The raising of the capital cost, by the Company, to develop the Hawsons Iron Project
Milestone 4	The commencement of commercial production at the Hawsons Iron Project

Tranche 49-52 relates to the milestones below:

Milestone 1	Completion of the Hawsons BFS – forecast for completion in December 2022
Milestone 2	The raising of the capital cost, by the Company, to develop the Hawsons Iron Project – successful bankability equals capital raise for mine build
Milestone 3	Market capitalisation of the Company reaches AUD1,000,000,000
Milestone 4	First commercial shipment of iron ore product of the Company

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, exercisable at $0.70. 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. Options exercised by LDA Capital will inject up to a further A$50.05 million in equity capital into HIO. Refer Note 12 for further details of the arrangement.

In determining the fair value of Tranche 45, a Monte Carlo Simulation methodology was used because there are multiple sources of uncertainty and complicated features.

Valuation inputs at inception:

Tranche	Grant/Valn Date	Expiry Date	Fair value at measurement date	Share Price	Exercise Price	Expected volatility	Expected Dividends	Risk free rate
45	21/12/2021	21/12/2025	$0.0742	$ 0.155	125% of 90-day VWAP or 0.70	85%	nil	1.260%

Equity based instruments – Director and Employee Shares with Non-Recourse Loans

The Company has issued ordinary shares to Directors and employees pursuant to the HIO Employee Share Plan. The shares have been issued in return for an interest free loan from the Consolidated Entity whereby the Consolidated Entity only has recourse to the shares. This issue of shares has been treated as an *option* grant in accordance with AASB2 “Share Based Payment”. In line with AASB2 “Share Based Payment”, the related expense for the shares is recorded from the date that agreement with the employee is met. Information with respect to the number of Director and employee shares with non-recourse loans granted is as follows:

2022

Tranche	Grant Date	Escrow Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	$0.48	750,000	-	-	-	750,000	750,000
Director 2	31 May 2011	31 May 2013	$0.48	750,000	-	-	-	750,000	750,000
Employee 1	1 March 2011	2 March 2013	$0.60	2,100,000	-	-	-	2,100,000	2,100,000
Employee 2	5 July 2013	5 July 2013	$0.30	1,900,000	-	-	-	1,900,000	1,900,000
				5,500,000	-	-	-	5,500,000	5,500,000
Weighted average exercise price				0.47	-	-	-	0.47	0.47

2021

Tranche	Grant Date	Escrow Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed/ transferred during year	Balance at end of year	Exercisable at end of year
Director 1	31 May 2011	31 May 2012	$0.48	750,000	-	-	-	750,000	750,000
Director 2	31 May 2011	31 May 2013	$0.48	750,000	-	-	-	750,000	750,000
Employee 1	1 March 2011	2 March 2013	$0.60	2,100,000	-	-	-	2,100,000	2,100,000
Employee 2	5 July 2013	5 July 2013	$0.30	1,900,000	-	-	-	1,900,000	1,900,000
				5,500,000	-	-	-	5,500,000	5,500,000
Weighted average exercise price				0.47	-	-	-	0.47	0.47

The value of the Director and Employee Shares with Non-Recourse Loans was calculated by using the Black-Scholes pricing model applying the inputs shown in the following table:

Inputs into pricing model	Director 1	Director 2	Employee 1	Employee 2
Grant date	31 May 2011	31 May 2011	1 March 2011	5 July 2013
Vesting date	31 May 2011	31 May 2011	1 March 2011	5 July 2013
Exercise price	$0.48	$0.48	$0.60	$0.30
Share price at grant date	$0.51	$0.51	$0.66	$0.19
Life of the options	1 year	2 years	2 years	3 years
Underlying share price volatility	54%	54%	54%	88%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	4.68%	4.68%	4.68%	2.82%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Expenses arising from employee share-based payment transactions

Total expenses arising from employee share-based payment transactions recognised during the period as part of employment benefit expenses (refer note 4) were as follows:

	2022	2021
	$	$
Options	354,602	39,102

NOTE 19 RELATED PARTY and KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Key management personnel comprise Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

	2022	2021
Summary	$	$
Short-term employee benefits	683,473	711,065
Post-employment benefits	52,833	36,305
Share-based payments	313,384	27,913
	1,049,690	775,283

Detailed remuneration disclosures are provided in the remuneration report (within the Directors' Report).

Amounts Owed to Key Management Personnel and Other Related Parties

There were no amounts payable to Directors, key management personnel or other related parties at 30 June 2022 (2021: $Nil).

Transactions with Related Parties

There were no other transactions between the Consolidated Entity and its related parties during the year (2021: nil).

NOTE 20 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable, payable, financial derivative assets and financial derivative liabilities.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board is responsible for managing the Consolidated Entity's identification and control of financial risks and for evaluating treasury management strategies in the context of the most recent economic conditions and forecasts.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2022 (2021: nil).

Credit risk is reviewed regularly by the Board. It arises from deposits with financial institutions. The Consolidated Entity does not have any material credit risk exposure.

Maximum exposure to credit risk

	2022 $	2021 $
Non-trade receivables	151,499	71,337
Cash and cash equivalents	7,824,042	2,349,451
	7,975,541	2,420,788

Credit risk - Cash and cash equivalents

The counterparty to these financial assets is Westpac a large financial institution with a strong credit rating.

Credit risk - Receivables

Amounts owed to the Company comprise receivables in relation to security bonds for exploration tenements.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board. The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained.

The table below reflects the contractual maturity financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2022. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2022 $	2021 $
Less than one year		
Non-derivatives (non-interest bearing)		
Trade payables and accruals	2,933,997	62,814
Deferred consideration – note 25	2,000,000	-
Commitment fee payable – note 12a	4,000,000	-
Other payable – consultant fee	1,069,798	1,875,535
Total non-derivatives	10,003,795	1,938,349

Terms and conditions relating to the above financial instruments:

- Trade creditors are unsecured, non-interest bearing and are normally settled on 30-day terms
- Other creditors are unsecured and non-interest bearing
- Due to the short-term nature of the current payables the carrying value is assumed to approximate their fair value.

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The consolidated entity is not exposed to any significant foreign currency or price risk.

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity does not have any material interest rate exposure.

(d) Capital Risk Management

Management controls the capital of the Consolidated Entity in order to provide capital growth to shareholders and ensure the Consolidated Entity can fund its operations and continue as a going concern. The Consolidated Entity's capital includes ordinary share capital. Further detail on share capital can be found in Note 13. There are no externally imposed capital requirements. Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

(e) Fair Values

The fair values of financial assets and liabilities approximate their carrying value.

NOTE 21 AUDITOR'S REMUNERATION

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Limited, the auditor of the company, and its network firms:

	2022 $	2021 $
Audit services:		
Audit or review of the financial statements	123,800	63,500
Other services:		
Whistleblowing services	3,000	2,500
Tax compliance services	17,750	9,539
Independent experts' services	-	30,560
	20,750	42,599
Total remuneration - BDO	144,550	106,099

NOTE 22 PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is Hawsons Iron Limited.

	2022 $	2021 $
<u>Parent Entity Financial Information</u>		
Current assets	10,841,255	2,438,979
Non-current assets	52,305,476	15,895,346
Total assets	63,146,731	18,334,325
Current liabilities	32,545,873	1,943,969
Non-current liabilities	218,315	-
Total liabilities	32,764,188	1,943,969
Net assets	30,382,543	16,390,356
Issued capital	76,669,474	42,878,633
Share based payment reserve	3,239,102	2,580,242
Accumulated losses	(49,526,033)	(29,068,519)
Total equity	30,382,543	16,390,356
Loss after income tax	(20,467,514)	(2,537,840)
Other comprehensive income	-	-
Total comprehensive income	(20,467,514)	(2,537,840)

Controlled Entities of the Parent Entity

	Percentage Owned	
	2022	2021
	%	%
Willyama Prospecting Pty Ltd	100%	100%

Principles of Consolidation

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

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Commitments, Contingencies and Guarantees of the Parent Entity

The committed expenditure and contingent liabilities for future periods of the Parent Entity is the same as those for the Consolidated Entity. Refer to note 23 and 24 for details.

NOTE 23 COMMITMENTS

Lease Arrangements

The Consolidated Entity entered into a three-year lease for office space during the year. Commitments regarding future obligations are detailed in note 11.

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.

	2022	2021
	$	$
Exploration obligations to be undertaken:		
Payable within one year	267,045	226,197
Payable between one year and five years	635,326	474,715
	902,371	700,912

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 24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liability

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.

Contingent assets
There are no material contingent assets at 30 June 2022.

NOTE 25 INTERESTS IN JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Hawsons Iron Ltd had an interest in a joint operation, Hawsons Iron Project up until 24th March 2022. From this date, the Company took controlling interest in the Hawsons Iron Project when an agreement was reached with the joint venture partner, Starlight Investment Company Pty Ltd, to buy-out their share of the project, 6.037%, for $10 million on 24 March 2022. The payment is over three tranches;

$5,000,000	on the date of contract signing (24 March 2022 paid)
$3,000,000	three months after contract signing (23 June 2022 paid)
$2,000 000	six months after contract signing (23 September 2022 to be paid)

Name of Joint Venture	Principal activities	Principal place of business	Ownership interest	
			2022	2021
Hawsons Iron Project	Exploration and evaluation	Australia	100%	93.963%

The Hawsons Iron Project was no longer classified as a joint operation as at 30 June 2022.

Accounting policy – joint operations

Hawsons Iron Ltd recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

NOTE 26 EVENTS AFTER REPORTING DATE

On 12 July 2022, the Company submitted a capital Call Notice to LDA Capital Limited (LDA Capital) targeting a $10,000,000 equity draw-down under the terms of its strategic $200 million Put Option Agreement with the US-based financier.

Hawsons put 25,000,000 Collateral Shares to LDA Capital. Under the terms of the LDA Facility, Hawsons may, subject to certain conditions precedent, issue call notices to LDA Capital to subscribe for fully paid ordinary shares in Hawsons, up to a maximum of 10 times the average daily number of the Company's shares traded on the ASX during the 15 trading days before the issue of the Call Notice.

The issue price of the Shares will be 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. Under the terms of the Facility, LDA Capital must subscribe for a minimum of 50% and a maximum of 200% of the Shares put to LDA Capital.

The pricing period ended 23 August 2022, with LDA subscribing for 17,515,000 shares (Subscription Shares) of the 25,000,000 shares (Collateral Shares) put to LDA pursuant to the Call Notice for a total of $5,566,448 at a price per Subscription Share of $0.3178 (rounded). The Company intends to seek shareholder approval to buy-back for nominal consideration those remaining 7,485,000 Collateral Shares for which LDA has not subscribed, at its Annual General Meeting (AGM).

Directors' declaration

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 28 to 35 of the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2022, comply with section 300A of the *Corporations Act 2001.*
5. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

David Woodall
Non-executive Chairman

Dated 21 September 2022

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INDEPENDENT AUDITOR'S REPORT

To the members of Hawsons Iron Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hawsons Iron Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Carrying value of exploration and evaluation assets

Key audit matter	*How the matter was addressed in our audit*
The Group carries exploration and evaluation assets in accordance with the Group's accounting policy for exploration and evaluation expenditure, as set out in note 8. The recoverability of exploration and evaluation assets is a key audit matter due to: • The significance of the total balance; and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 Exploration for Evaluation of Mineral Resources ('AASB 6') in light of any indicators of impairment that may be present. In addition, there were changes during the year relating to the Hawsons Iron Project (HIP) joint venture arrangement, as disclosed in note 25. This has resulted in a $10 million increase in exploration and evaluation assets and deferred consideration being recognised as a liability.	Our Procedures included, but were not limited to the following: • Obtaining evidence that the Group has valid rights to explore the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and considering whether the Group maintains tenements in good standing. • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects and held discussions with directors of the Group as to their intentions and strategy. • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required. • Obtaining the sale agreement of the HIP joint venture to understand the key terms and conditions and evaluating the accounting treatment.

Financial assets and financial liabilities - LDA financial arrangement

Key audit matter	*How the matter was addressed in our audit*
The Group entered into a Put Option Agreement (POA) with LDA Capital Limited (LDA) to provide equity funding of up to A$200 million over a four year period. The key terms and conditions of the LDA financial arrangement have been disclosed in note 12 and are considered complex. As a result of entering into this financial arrangement, the Group has recognised a financial derivative asset, financial derivative liability and a commitment fee payable. The financial instruments are required to be carried at their fair value. Valuing these types of financial derivatives is complex and involves a number of unobservable inputs and estimates which have been disclosed in the financial statements.	Our audit procedures included, but were not limited to the following: • Evaluating the agreement to understand the key terms and conditions. • Evaluating the Group's accounting treatment of the financial instruments in accordance with the applicable Accounting Standards. • Engaging our internal IFRS specialists to review the Group's accounting treatment of the financial arrangement, including review of the independent accounting advice commissioned by management.

The audit of the accounting for the LDA financial arrangement is a key audit matter due to the significant judgment and complexity involved in assessing the accounting treatment and determination of the fair values of the derivative asset - put option premium and derivative liability - call option.	• Evaluating management's assessment of the fair values of the financial derivative asset and liabilities booked at inception and at reporting date, by obtaining external valuations prepared by management's specialist. • Engaging our internal corporate finance specialist to assess the reasonableness of the assumptions and methodology used in the derivative asset and liability valuations. • Reconciling the fair value movements on the financial derivatives and corresponding impact in profit or loss. • Assessing the adequacy of presentation and disclosures in the financial statements.

Share Based Payments

Key audit matter	*How the matter was addressed in our audit*
Share-based payments are a complex accounting area due and to the complex and judgemental estimates used in determining the fair value of the share-based payments. Share based payments include share options granted to employees and directors, as well as contractual arrangement with a former consultant. Accordingly we consider the Group's calculations of share-based payment expense to be a key audit matter.	Our procedures included, but were not limited to the following: • Enquiring of management, reviewing ASX announcements and directors' minutes to ensure completeness of the Group's share options and other contractual agreements. • Reviewing the relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of all share based payment arrangements. • Evaluating management's assessment of the fair value of the share options granted during the year, by obtaining external valuations prepared by management's specialist. • Engaging our internal corporate finance specialist to assess the reasonableness of the assumptions and methodology used in the share options valuations. • Evaluating management's assessment of the fair value of the share-based payment in relation to the consultant's fee arrangement.

Other information

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

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 35 of the directors' report for the year ended 30 June 2022.

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

Responsibilities

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

BDO Audit Pty Ltd

BDO

K L Colyer
Director

Brisbane, 21 September 2022

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 19 AUGUST 2022

Number of Securities Held	Ordinary shares fully paid	No. of holders
1 to 1,000	339,437	528
1,001 to 5,000	5,907,238	2,030
5,001 to 10,000	10,646,135	1,351
10,001 to 50,000	66,435,861	2,631
50,001 to 100,000	57,767,641	758
100,001 and over	594,456,638	1,167
	735,552,950	8,465

Number of shareholders holding less than a marketable parcel of shares	**924**

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	19 Aug 2022	%IC
1	BNP PARIBAS NOMINEES PTY LTD	13,147,929	1.79
2	MR LEMUEL CHERLOABA	11,750,000	1.60
3	DR EDMUND TEOW WONG EK	10,750,000	1.46
4	LDA CAPITAL LIMITED	9,554,375	1.30
5	CITICORP NOMINEES PTY LIMITED	9,096,590	1.24
6	JKS GROUP HOLDINGS PTY LTD	8,206,969	1.12
7	MR PETR TURCOVSKY	7,200,000	0.98
8	ARVADA PTY LTD	7,000,000	0.95
9	MR RUSSELL PHILLIP QUINN	6,050,000	0.82
10	MR DENNIS MICHAEL HURLEY	6,000,000	0.82
11	MR JAMES ANTHONY SUGGATE	5,919,148	0.80
12	V & F TRUDA PTY LTD	5,500,000	0.75
13	DEMETER INVESTMENTS PTY LTD	5,250,000	0.71
14	MR ROBERT VEITCH & MRS ELAINE VEITCH	5,089,391	0.69
15	SUGGATE HOLDINGS PTY LTD	4,726,079	0.64
16	MR JASON MAXWELL YU	4,260,000	0.58
17	MR DAVID TRAN & MRS THAO HANH HOANG	4,204,700	0.57
18	MR EMANUEL CUREA	4,000,000	0.54
19	MARIE INVESTMENTS PTY LIMITED	3,454,492	0.47
20	MR KOK LEONG WONG	3,425,000	0.47
	Total	**134,584,673**	**18.30**
	Balance of register	**600,968,277**	**81.70**
	Grand total	**735,552,950**	**100.00**

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

SUBSTANTIAL SHAREHOLDERS

There was no Substantial shareholders of the Company at 19 August 2022

SCHEDULE OF TENEMENTS

License	Notes	Name	Grant Date	Expiry Date	Equity	Units	Area – Km2
EL6979	1	Redan	11/12/2007	11/12/2026	100%	62	180
EL7208		Burta	22/09/2008	22/09/2025	100%	100	290
EL7504		Little Peak	08/04/2010	08/04/2023	100%	14	41
MLA460	2	Hawsons Iron	Under Application		100%		187

1. 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.
2. MLA made on 18 October 2013. Tenement application subject to unspecified grant date and conditions.

Disclosure

The data in this report that relates to Exploration Results and Exploration Targets for the Hawsons Magnetite Project is based on information evaluated by Mr Wesley Nichols who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and who 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 Nichols is a full-time employee of Hawsons Iron Ltd and he consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

The data in this report that relates to Mineral Resource estimates for the Hawsons Magnetite Project is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who 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 is a director of H & S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

Corporate directory

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Share Registry

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10 Eagle Street
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Facsimile:	02 9287 0303
Website:	www.linkmarketservices.com.au

Auditor

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