

# **Hawthorn Resources Corp.**

Condensed Interim Financial Statements  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

For the six months ended January 31, 2023

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Hawthorn Resources Corp.**  
Condensed Interim Statement of Financial Position  
(Expressed in Canadian dollars - Unaudited)

As at	January 31, 2023	July 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 140,897	\$ 161,585
Receivables	<u>9,974</u>	<u>4,713</u>
	150,871	166,298
<b>Exploration and evaluation asset</b> (Note 3)	15,000	15,000
<b>Deferred financing costs</b> (Note 9)	<u>36,716</u>	<u>30,831</u>
	<u>\$ 202,587</u>	<u>\$ 212,129</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	<u>\$ 309,756</u>	<u>\$ 191,244</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 4)	254,500	254,500
Deficit	<u>(361,669)</u>	<u>(233,615)</u>
	<u>(107,169)</u>	<u>20,885</u>
	<u>\$ 202,587</u>	<u>\$ 212,129</u>

Nature and continuance of operations (Note 1)  
Subsequent events (Notes 1 and 9)

Approved on Behalf of the Board on March 29, 2023

"Daniel Joyce"  
Daniel Joyce - Director

"Samantha Shorter"  
Samantha Shorter - Director

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Hawthorn Resources Corp.****Condensed Interim Statement of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars - Unaudited)

	For the three months ended January 31, 2023	For the three months ended January 31, 2022	For the six months ended January 31, 2023	For the six months ended January 31, 2022
<b>EXPENSES</b>				
Exploration expenses	\$ -	\$ -	\$ 8,500	\$ -
Management fees	12,000	12,000	24,000	24,000
Office and rent	3,187	3,244	6,688	6,262
Professional fees (Note 5)	<u>35,464</u>	<u>8,702</u>	<u>88,866</u>	<u>17,202</u>
<b>Loss and comprehensive loss for the period</b>	\$ (50,651)	\$ (23,946)	\$ (128,054)	\$ (47,464)
<b>Basic and diluted loss per common share</b>	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	10,610,000	10,328,261	10,610,000	6,512,117

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Hawthorn Resources Corp.**

## Condensed Interim Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars - Unaudited)

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, July 31, 2021</b>	10,250,000	\$ 218,500	\$ (68,168)	\$ 150,332
Shares issued for cash	360,000	36,000	-	36,000
Loss for the period	<u>-</u>	<u>-</u>	<u>(47,464)</u>	<u>(47,464)</u>
<b>Balance, January 31, 2022</b>	10,610,000	254,500	(115,632)	138,868
Loss for the period	<u>-</u>	<u>-</u>	<u>(117,983)</u>	<u>(117,983)</u>
<b>Balance, July 31, 2022</b>	10,610,000	254,500	(233,615)	20,885
Loss for the period	<u>-</u>	<u>-</u>	<u>(128,054)</u>	<u>(128,054)</u>
<b>Balance, January 31, 2023</b>	10,610,000	\$ 254,500	\$ (361,669)	\$ (107,169)

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Hawthorn Resources Corp.**  
Condensed Interim Statement of Cash Flows  
(Expressed in Canadian dollars - Unaudited)

For the six months ended January 31,	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (128,054)	\$ (47,464)
Changes in non-cash working capital items:		
Receivables	(5,261)	(1,690)
Accounts payable and accrued liabilities	<u>112,627</u>	<u>30,851</u>
Net cash used in operating activities	<u>(20,688)</u>	<u>(18,303)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	36,000
Deferred financing costs	<u>-</u>	<u>(24,979)</u>
Net cash provided by financing activities	<u>-</u>	<u>11,021</u>
<b>Change in cash for the period</b>	(20,688)	(7,282)
<b>Cash, beginning of period</b>	<u>161,585</u>	<u>203,332</u>
<b>Cash, end of period</b>	<u>\$ 140,897</u>	<u>\$ 196,050</u>

The Company's non-cash transactions are as follows:

In the six months ended January 31, 2023, the Company incurred deferred financing costs of \$5,885 (2022 - \$2,315) through accounts payable and accrued liabilities.

*The accompanying notes are an integral part of these condensed interim financial statements.*

## **1 NATURE AND CONTINUANCE OF OPERATIONS**

Hawthorn Resources Corp., (the “Company”) was incorporated under the Business Corporations Act (British Columbia) (“BCBCA”) on September 8, 2020.

The address of its head office is located at Suite 420-625 Howe Street, Vancouver, British Columbia, Canada V6C 2T6 3V7. The Company’s registered and records office is Suite 420-625 Howe Street, Vancouver, British Columbia, Canada V6C 2T6 3V7.

On February 22, 2023, the Company completed an initial public offering (“IPO”) for gross proceeds of \$500,000 (Note 9). The Company’s shares commenced trading on the Canadian Securities Exchange (the “CSE”) under the symbol HWTN.

These condensed interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## **2 BASIS OF PREPARATION**

### **Statement of compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended July 31, 2022 and for the period from incorporation on September 8, 2020 to July 31, 2021.

### **Basis of presentation**

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## **2 BASIS OF PREPARATION (cont'd...)**

### **Use of judgments and estimates**

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

The key areas of judgment applied in the preparation of the consolidated condensed interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise additional funding to cover its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances (Note 1).

- **Valuation of exploration and evaluation assets**

The recognition of exploration and evaluation assets requires judgment regarding future recoverability and carrying cost. The cost model is utilized and the value of the exploration and evaluation assets is based on the acquisition expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

## **3 Exploration and evaluation asset**

### ***Broken Handle Property***

The Company entered into an option agreement (the "**Broken Handle Agreement**") with Origen Resources Inc. (the "**Optionor**") on December 15, 2020, subsequently amended, to acquire a 75% right, title and interest (the "**Acquired Interest**") to certain claims (the "**Broken Handle Project**") subject to a 1.5% net smelter return ("**NSR**") royalty on the Acquired Interest (the "**Optionor 1.5% NSR**").

Under the terms of the option agreement, the Company may acquire the interest by:

- a) paying an aggregate of \$250,000 and issuing an aggregate of 1,000,000 shares to Origen as follows:
  - i. \$15,000 upon signing of the Broken Handle Agreement (paid);
  - ii. \$25,000 and issuing 150,000 shares within 15 days of acceptance of the National Instrument ("NI") 43-101 report by a recognised Canadian Stock Exchange and approval to list the shares to trade ("Exchange Approval Date")(paid and issued subsequent to January 31, 2023);
  - iii. Issuing 200,000 shares on or before 12 months after the Exchange Approval Date;



### **3 Exploration and evaluation asset (Cont'd...)**

#### ***Broken Handle Property*** (Cont'd...)

- iv. \$60,000 on or before 18 months of the Exchange or Approval Date;
  - v. \$70,000 and issuing 250,000 shares on or before the second anniversary of the Exchange Approval Date;
  - vi. \$80,000 and issuing 400,000 shares on the third anniversary of the Exchange Approval Date.
- b) incurring \$500,000 in exploration expenditures as follows:
- i. \$100,000 on or before the first anniversary of the Exchange Approval Date.
  - ii. \$400,000 on or before the third anniversary of the Exchange Approval Date

The Company will have the right to purchase from Origen 1% of the Optionor 1.5% NSR within one year of commencement of commercial production, at a cost of \$1,000,000.

The Broken Handle Project is also subject to a 1% NSR (“1% NSR”) payable to an arm’s-length private company.

### **4 SHARE CAPITAL**

#### **(a) Authorized**

Unlimited number of common shares without par value.

#### **(b) Issued and outstanding**

During the period ended January 31, 2023, the Company did not issue any common shares.

During the year ended July 31, 2022, the Company closed a non-brokered private placement financing and issued 360,000 common shares for proceeds of \$36,000.

#### **(c) Escrowed shares**

As at January 31, 2022, the Company had 2,480,000 common shares subject to escrow release restrictions based on time such that 248,000 shares were released on February 22, 2023, and 372,000 shares will be released every 6 months thereafter.

### **4 RELATED PARTY TRANSACTIONS**

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company’s Chief Executive Officer and Chief Financial Officer.

During the period ended January 31, 2023 the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed interim financial statements:

## Hawthorn Resources Corp.

### Notes to the Condensed Interim Financial Statements

For the six months ended January 31, 2023

(Expressed in Canadian dollars - Unaudited)

#### 4 RELATED PARTY TRANSACTIONS (Cont'd...)

	January 31, 2023	January 31, 2022
Professional fees	\$ 9,000	\$ 9,000

As at January 31, 2023, \$31,500 (July 31, 2022 - \$22,050) was included in accounts payable and accrued liabilities owing to officers and directors of the Company in relation to professional fees and reimbursement of expenses.

#### 5 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Financial instruments

Cash and accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

##### *Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash in a major Canadian bank.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at January 31, 2023, the Company had working capital deficit of \$158,885 (July 31, 2022 – \$24,946). The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year. Subsequent to the period ended January 31, 2023, the Company completed an IPO financing (Note 9).

##### *Interest rate risk*

The Company's financial asset exposed to interest rate risk consists of cash. As at January 31, 2023, the Company maintained all of its cash balance on deposit with a major Canadian bank. The Company does not have interest-bearing debt and does not rely on interest income for its operational forecast.

##### *Foreign currency risk*

The Company may at times be exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at January 31, 2023, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

##### *Price risk*

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

## **6 CAPITAL MANAGEMENT**

The Company's capital management objective is to maintain financial capacity that is strong to sustain the future development of the business.

The Company's capital structure includes shareholders' equity. The Company manages its capital structure to maximize its financial flexibility to adjust to changes in economic conditions. The Company is not subject to externally imposed capital requirements.

## **7 SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of resource properties in British Columbia, as described in Note 3.

## **8 SUBSEQUENT EVENT**

On February 23, 2023, the Company closed its initial public offering (the "Offering") of common shares of the Company (the "Shares") under the Company's final prospectus dated November 30, 2022 (the "Prospectus"), pursuant to the agency agreement dated November 30, 2022 (the "Agency Agreement") between the Company and Haywood Securities Inc. ("Haywood"). A total of 5,000,000 Shares at a price of \$0.10 per Share were sold under the Offering, for aggregate gross proceeds of \$500,000.

The Shares were listed on the CSE effective February 22, 2023 under the symbol "HWTN".

Pursuant to the Agency Agreement, the Company paid Haywood a cash commission equal to 7% of the gross proceeds of the Offering, a cash corporate finance fee of \$20,000 plus applicable taxes, issued 100,000 Shares to Haywood plus paid applicable taxes, and issued to Haywood and its selling group members, non-transferable share purchase options to acquire an aggregate of 350,000 Shares with an exercise price of \$0.10 per Share for a period of 24 months from the closing of the Offering.

As at January 31, 2023, the Company has incurred \$36,716 in deferred financing costs.