

Hawthorn Resources Corp.

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

For the nine months ended April 30, 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 | April 30, 2023 | July 31, 2022 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 339,710 | \$ 161,585 |
| Receivables | <u>15,150</u> | <u>4,713</u> |
| | 354,860 | 166,298 |
| Exploration and evaluation asset (Note 3) | 59,500 | 15,000 |
| Deferred financing costs | <u>-</u> | <u>30,831</u> |
| | <u>\$ 414,360</u> | <u>\$ 212,129</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 5) | <u>\$ 152,349</u> | <u>\$ 191,244</u> |
| Shareholders' equity | | |
| Share capital (Note 4) | 655,016 | 254,500 |
| Reserves (Note 4) | 18,804 | - |
| Deficit | <u>(411,809)</u> | <u>(233,615)</u> |
| | <u>262,011</u> | <u>20,885</u> |
| | <u>\$ 414,360</u> | <u>\$ 212,129</u> |

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on June 27, 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 April 30, 2023 | For the three months ended April 30, 2022 | For the nine months ended April 30, 2023 | For the nine months ended April 30, 2022 |
|---|---|---|--|--|
| EXPENSES | | | | |
| Exploration expenses | \$ - | \$ - | \$ 8,500 | \$ - |
| Management fees | 12,000 | 12,000 | 36,000 | 36,000 |
| Office and rent | 4,492 | 5,518 | 11,180 | 11,780 |
| Professional fees (Note 4) | 19,513 | 4,667 | 108,379 | 21,869 |
| Transfer agent, listing and filing fees | 14,135 | - | 14,135 | - |
| Loss and comprehensive loss for the period | \$ (50,140) | \$ (22,185) | \$ (178,194) | \$ (69,649) |
| Basic and diluted loss per common share | \$ (0.00) | \$ (0.00) | \$ (0.02) | \$ (0.01) |
| Weighted average number of common shares outstanding - basic and diluted | 14,401,667 | 10,610,000 | 11,860,000 | 10,420,110 |

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

Hawthorn Resources Corp.Condensed Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars - Unaudited)

| | Number of Shares | Share Capital | Reserves | Deficit | Total |
|---|---------------------|---------------|-----------|------------------|------------------|
| Balance, July 31, 2021 | 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>-</u> | <u>(69,649)</u> | <u>(69,649)</u> |
| Balance, April 30, 2022 | 10,610,000 | 254,500 | - | (137,817) | 116,683 |
| Loss for the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>(95,798)</u> | <u>(95,798)</u> |
| Balance, July 31, 2022 | 10,610,000 | 254,500 | - | (233,615) | 20,885 |
| Shares issued for cash | 5,000,000 | 500,000 | - | - | 500,000 |
| Share issue costs | 100,000 | (118,984) | 18,804 | - | (100,180) |
| Shares issued as property acquisition costs | 150,000 | 19,500 | - | - | 19,500 |
| Loss for the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>(178,194)</u> | <u>(178,194)</u> |
| Balance, April 30, 2023 | 15,860,000 | \$ 655,016 | \$ 18,804 | \$ (411,809) | \$ 262,011 |

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 nine months ended April 30, | 2023 | 2022 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the period | \$ (178,194) | \$ (69,649) |
| Changes in non-cash working capital items: | | |
| Receivables | (10,437) | (3,738) |
| Accounts payable and accrued liabilities | <u>(20,156)</u> | <u>52,462</u> |
| Net cash used in operating activities | <u>(208,787)</u> | <u>(20,925)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Exploration and evaluation assets | <u>(25,000)</u> | - |
| Net cash used in investing activities | <u>(25,000)</u> | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | 500,000 | 36,000 |
| Share issuance costs | (88,088) | - |
| Deferred financing costs | <u>-</u> | <u>(25,000)</u> |
| Net cash provided by financing activities | <u>411,912</u> | <u>11,000</u> |
| Change in cash for the period | 178,125 | (9,925) |
| Cash, beginning of period | <u>161,585</u> | <u>203,332</u> |
| Cash, end of period | <u>\$ 339,710</u> | <u>\$ 193,407</u> |

Note 8 – Supplemental disclosures with respect to cash flows.

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 4). 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 ASSETS

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);
 - iii. Issuing 200,000 shares on or before 12 months after the Exchange Approval Date;

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3 EXPLORATION AND EVALUATION ASSETS (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.

| | Broken Handle Project |
|---|------------------------------|
| Acquisition costs, July 31, 2021 and 2022 | \$ 15,000 |
| Additions – cash | 25,000 |
| Additions – shares | 19,500 |
| Acquisition costs, April 30, 2023 | \$ 59,500 |

4 SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the period ended April 30, 2023, the Company:

- closed its initial public offering of common shares of the Company (the “Offering”). A total of 5,000,000 Shares at a price of \$0.10 per common share were sold under for aggregate gross proceeds of \$500,000.

The Company paid a cash commission of \$35,000 equal to 7% of the gross proceeds of the Offering, a cash corporate finance fee of \$20,000 plus applicable taxes, legal fees and disbursements of \$33,088, issued 100,000 Shares with a fair value of \$10,000 plus paid applicable taxes, and issued 350,000 non-transferable agent options with a fair value of \$18,804, which were recorded as share issues costs. Each agent option is exercisable into one additional common share at a price of \$0.10 per Share for a period of 24 months from the closing of the Offering. The fair value of the agent options was determined using the Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 2 years, and a risk-free rate of 4.20%.

- issued 150,000 common shares as property acquisition costs (note 3).

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4 SHARE CAPITAL (cont'd...)

(b) Issued and outstanding (cont'd...)

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 April 30, 2023, the Company had 2,232,000 common shares subject to escrow release restrictions based on time such that 372,000 shares will be released on August 22, 2023 and every 6 months thereafter.

(d) Stock options

The Company has adopted an incentive stock option plan, which provides that the Company may grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Vesting of stock options is at the discretion of the Board of Directors. There are no stock options outstanding as of April 30, 2023.

(e) Agent Options

The following is a summary of the Company's agent options activity:

| | Number of agent options | Weighted average exercise price \$ |
|--|----------------------------|--|
| Balance, July 31, 2021 and 2022 | - | - |
| Granted | 350,000 | 0.10 |
| Balance, April 30, 2023 | 350,000 | 0.10 |

As of April 30, 2023, the Company has agent options outstanding and exercisable to acquire common shares of the Company as follows:

| Expiry date | Exercise Price \$ | Remaining life (years) | Number of options outstanding | Number of options exercisable |
|-------------------|----------------------|------------------------------|-------------------------------------|----------------------------------|
| February 23, 2025 | 0.10 | 1.82 | 350,000 | 350,000 |

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5 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 April 30, 2023 the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed interim financial statements:

| | April 30, 2023 | April 30, 2022 |
|-------------------|----------------|----------------|
| Professional fees | \$ 13,500 | \$ 13,500 |

As at April 30, 2023, \$3,150 (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.

6 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 April 30, 2023, the Company had working capital of \$202,511 (July 31, 2022 – working capital deficit of \$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.

Interest rate risk

The Company's financial asset exposed to interest rate risk consists of cash. As at April 30, 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 April 30, 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.

7 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.

8 SUPPLEMENT DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company's significant non-cash transactions during the period ended April 30, 2023 were as follows:

- (a) The Company recognized \$12,092 of share issuance costs in accounts payable and accrued liabilities.
- (b) The Company issued 100,000 common shares with a fair value of \$10,000 as share issue costs (note 4).
- (c) The Company issued 150,000 common shares with a fair value of \$19,500 as property acquisition costs (note 3).
- (d) The Company granted 350,000 agent options and recognized a fair value of \$18,804 to share issue costs.

The Company's significant non-cash transactions during the period ended April 30, 2022 were as follows:

- (a) The Company recognized \$58,307 of deferred financing costs in accounts payable and accrued liabilities.

9 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.