HAWTHORN RESOURCES LIMITED

ABN 44 009 157 439

(formerly Great Gold Mines NL)

FINANCIAL REPORT 2008

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Hawthorn Resources Limited
Chairman's Report

Dear Shareholder

This is the first Report to shareholders following the successful implementation of the Schemes of Arrangement between the Company and the security holders of Ellendale Resources NL ("Ellendale") as completed on 10 June 2008 with the issue by the Company of the 654,135,744 'Scheme' shares.

Arising from the merger of the Company and Ellendale, Hawthorn Resources Limited ("Hawthorn") is now an Australian diversified base metals, including iron ore, and gold explorer with strategic and significant tenement holdings throughout the Eastern Goldfields of Western Australia, South Australia and Queensland. As reported in the recently distributed Shareholder Update the combined entity now has a strong portfolio of managed and joint venture projects through Hawthorn itself and its subsidiary companies Ellendale and Northern Resources Australia Pty Ltd.

The September Shareholder Update is the forerunner of what will be a periodical report to shareholders and which will enable shareholders to receive information, on activities in a more detailed form, more quickly than in the Annual Report. In future, the Annual Report will concentrate on the circulation of the required statutory reporting detail whereas the periodic Shareholder Updates will provide regular 'field' activity information. In addition, the Company has upgraded its website which can be visited at www.hawthornresources.com

The Company has also put in place a facility whereby shareholders can register to receive electronic notification of announcements.

Exploration Activities

Since the merger with the Ellendale group the Company has accelerated the exploration programme for iron ore in the Mt Bevan Project in Western Australia with an RC drilling programme and ground gravity sampling survey. Details of this programme and the early assays can be found in the September Shareholder Update together with a summary of the Hawthorn group's other exploration areas.

Mark Kerr.

MARK KERR
Chairman
Melbourne, 30 September 2008

The Directors of Hawthorn Resources Limited present their report for the year ended 30 June 2008.

1. Directors

The Directors of the Company in office since 1 July 2007 and up to the date of this Report are:

Mr Mark G Kerr LL.B
Chairman and Non-Executive Director – Appointed 22 November 2007

Mr Mark Kerr is a director of Ellendale Resources Pty Ltd. He specializes in public relations and reputation management consultancy. Mr Kerr has served as a member of a number of public company boards.

Mr M E Elliott
Non-Executive Director – Appointed 22 November 2007

Mr Mark Elliott is a non-executive director of Spotless group Limited and of Ellendale Resources Pty Ltd. Mr Elliott is a former partner of the international law firm Minter Ellison specializing in corporate and securities law and a former director of E*trade Limited, Oakton Limited and Mineral Deposits Limited and a former director of legal counsel of Computershare Limited.

Dr David Tyrwhitt - PhD(Geology) BSc(Hons) FSEG(USA) FAusIMM CPGeo
Non-Executive Director

Dr Tyrwhitt has been a Director of the Company since 1996. He has more than 40 years experience in the mining industry. He is currently a Director of Astro Diamond Mines N.L. (November 1996 to current), Quantum Resources Limited (November 1999 to current), Golden River Resources Corporation (November 1996 to current) and Legend International Holdings Inc., (March 2005 to current). He worked for over 20 years with Newmont Mining Corporation in Australia, South East Asia and the United States. During this time, he was responsible for the discovery of the Telfer Gold Mine in Western Australia. He was Chief Executive of Newmont Australia Limited between 1984 and 1988 and Chief Executive Officer of Ashton Mining Limited between 1988 and 1991. He established his own consultancy in 1991 and worked with Normandy Mining Limited on a number of mining projects in South East Asia. Age 70

Directors since 1 July 2007 and up to the date of this Report who have resigned are:

Mr Joseph Gutnick FAusIMM FAIM MAICD – resigned 22 November 2007
Chairman and Managing Director

Mr Mordechai Gutnick – resigned 22 November 2007
Non-Executive Director

2. Principal Activities and Review and Results of Operations

Hawthorn Resources Limited ("Hawthorn") is now an Australian diversified base metals and gold explorer with strategic and significant tenement holdings throughout the Eastern Goldfields of Western Australia, South Australia and Queensland. As reported in the recently distributed Shareholder Update the combined entity now has a strong portfolio of managed and joint venture projects through Hawthorn itself and its subsidiary companies Ellendale and Northern Resources Australia Pty Ltd. This review includes comments up to the date of this report.

The principal activity of the Company during the financial year was mineral exploration. There has been no significant change in the nature of that activity during the financial year.

Objectives

The Company's objective is to increase shareholder wealth through successful exploration activities whilst providing a safe workplace and ensuring best practice in relation to its environmental obligations.

Income Statement

As an exploration company, the Company does not have an ongoing source of revenue. Its revenue stream is normally from ad-hoc tenement disposals and interest received on cash in bank. In the current year, revenue has increased from $89,991 in 2007 to $93,625 in 2008. In both years the revenue has been interest received. Other income in 2008 amounted to $57,023 being an amount received from a joint venture partner on entering into the joint venture. There was no comparable amount in 2007.

Costs and expenses totaled $1,197,355 in 2008 compared to $2,183,059 in 2007. Exploration expenditure written off in 2007 was $1,127,859 compared to $286,189 in 2008. A number of granted exploration licences and tenements were forfeited and reapplied for as mining leases, and the applications are pending and accordingly the exploration expenditure has been written off. Administration expenses increased from $799,413 in 2007 to $942,591 in 2008, primarily relating to the net of the increase in management fees and salaries charged by AXIS Consultants Pty Ltd and consultants. Other expenses decreased from $252,420 in 2007 to $27,096 in 2008, primarily relating to the decrease in the number of the shares and options issued to consultants for work undertaken on behalf of the Company in 2006. In 2008, financing costs reduced from $3,367 in 2007 to $nil in 2008 as the Company's interest bearing debt was repaid during the year.

Balance Sheet

The Company has cash in bank at 30 June 2008 of $3,749,723, receivables of $75,531 and available for sale securities of $26,734,350 and current liabilities of $197,309.

At 30 June 2008, the Company had working capital of $3,629,492 and net assets of $36,638,526.

Cash Flow

During the year, the Company used $229,616 in operating activities, paid $959,385 for exploration activities, and raised new equity capital of $4,255,312. As a result, the Company has cash in bank at 30 June 2008 of $3,749,723.

3. Significant Change in State of Affairs

The Directors are of the opinion that other than that disclosed in the Principal Activities section of the Directors' Report and the merger of the Company's exploration tenements with those of the Ellendale group following the Schemes of Arrangement, there has not been any significant change in the state of affairs of the Company during the year under review.

4. Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year and up to the date of this Annual Report.

5. Events After The End Of The Financial Year

In the interval between the end of the financial year and the date of this Report the Company has continued and accelerated its exploration activities, most noticeably in the Mt Bevan Project in Western Australia, save for the encouraging assay reports and the indicative potential of the area there are no items, transactions or events of a material and unusual nature which in the opinion of the Directors of the Company, has significantly affected or may significantly affect

- the operations of the Company
- the results of those operations, or
- the state of affairs of the Company

in financial years subsequent to this financial year.

6. Future Developments and Results

There are no likely developments of which the Directors are aware other than as disclosed in the Principal Activities section of the Annual Report which could be expected to significantly affect the results of the Company's operations in subsequent financial years.

7. Options

At the date of this Report the Company had on issue the following listed and unlisted options over fully paid ordinary shares.

(i) Listed

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
13,716,713	22 September 2010	No issue price	A$1.25	Anytime after 1 January 2001.

During the year and up to the date of this Report, no options over fully paid ordinary shares have been exercised and no options over fully paid ordinary shares were issued. Optionholders have no rights to participate in an issue of shares unless they exercise their options. The names of all the persons who currently hold options are entered on a register maintained for the Company, by Link Market Services Limited. In accordance with the Corporations Act 2001, this register may be inspected free of charge.

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
13,569,422	30 April 2012	No issue price	A$0.20	Anytime after 1 January 2003.

During the year and up to the date of this Report, no options over fully paid ordinary shares have been exercised and no options over fully paid ordinary shares were issued. Optionholders have no rights to participate in an issue of shares unless they exercise their options. The names of all the persons who currently hold options are entered on a register maintained for the Company by Link Market Services Limited. In accordance with the Corporations Act 2001, this register may be inspected free of charge.

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
165,084,231	28 February 2013	No issue price	A$0.10	Anytime after

During the year and up to the date of this Report, no options over fully paid ordinary shares have been exercised and no options over fully paid ordinary shares were issued. Optionholders have no rights to participate in an issue of shares unless they exercise their options. The names of all the persons who currently hold options are entered on a register maintained for the Company, by Link Market Services Limited. In accordance with the Corporations Act 2001, this register may be inspected free of charge.

(ii) Unlisted

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
0	19 October 2011	nil	A$0.10	Under Terms and Conditions of the employee share option plan

During the year under review 8,000,000 options over fully paid ordinary shares lapsed upon termination of employment.. Accordingly there are no holders of 19 October 2011 options

Number	Maturity Date	Issue Price	Exercise Price	Exercise Period
10,000,000	25 January 2018	nil	A$0.10	Under Terms and Conditions of the resolution of shareholder in General Meeting in January 2008employee share option plan

During the year and up to the date of this Report, the Company has issued 10,000,000 options over fully paid ordinary shares and 8,000,000 options lapsed upon termination of employment..

Options granted to Directors and Officers of the Company during the year and up to the date of this report are noted above and are set out in the Remuneration Report.

8. Directors' Interests in Shares and Options

The declared relevant interest of each Director in the number of fully paid ordinary shares and options over fully paid ordinary shares of the Company disclosed by that Director to the ASX Limited as at the date of this Report is:

Director	Relevant Interest				
	Ordinary Shares	Options 25/01/2018	Options	Options	Options
M G Kerr	109,300,906	5,000,000	9,428,000		
M E Elliott	93,855,406	5,000,000	-	-	-
D S Tyrwhitt	-	-	-	-	-

9. Meetings of Directors

The number of meetings of Directors held including meetings of Committees of the Board during the financial year including their attendance was as follows:

	Board		Audit Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
M G Kerr	7	7				
D S Tyrwhitt	9	7	1	1	-	-
M E Elliott	7	7				
J I Gutnick	3	3	-	-	-	-
M Z Gutnick	3	3	-	-	-	-

Note: Mr. M.Z. Gutnick was a member of the Audit Committee and Remuneration Committee during the year and up to the date of his resignation in November 2007.

10. Company Secretary

Mr M Garbutt, appointed in May 2008, is the Company Secretary of the Company and its subsidiaries. Mr Garbutt is a Member of the Australian Society of Accountants, a Fellow of Chartered Secretaries Australia Ltd. and is a Justice of the Peace in Victoria. He has over 30 years commercial experience and currently conducts a corporate compliance and company secretarial company providing such services to a number of public and listed companies Australia including Hawthorn Resources Limited group. As such, Mr Garbutt is not a direct employee of the Company and does not receive remuneration from the Company

11. Directors and Officers' Indemnity

The Company has entered into an Indemnity Deed with each of the Directors and with certain former Directors which will indemnify them against liability incurred to a third party (not being the Company or any related company) where the liability does not arise out of conduct including a breach of good faith. The Indemnity Deed will continue to apply for a period of 10 years after a Director ceases to hold office and a Director's Access and Insurance Deed with each of the Directors pursuant to which a Director can request access to copies of documents provided to the Director whilst serving the Company for a period of 10 years after the Director ceases to hold office. There will be certain restrictions on the Directors' entitlement to access under the deed.

12. Environment

The exploration activities of the Hawthorn group are conducted in accordance with and controlled principally by Australian state and territory government legislation. The group has extensive exploration land holdings in Australia. The Company employs a system for reporting environmental incidents, establishing and communicating accountability, and rating environmental performance. During the year data on environmental performance was reported as part of the monthly exploration reporting regime. In addition, as required under state legislation, procedures are in place to ensure that the relevant authorities are notified prior to the commencement of ground disturbing exploration activities.

The Company is committed to minimising the impact of its activities on the surrounding environment at the same time aiming to maximise the social, environmental and economic returns for the local community. To this end the environment is a key consideration in our exploration activities and during the rehabilitation of disturbed areas. Generally rehabilitation occurs immediately following the completion of a particular phase of exploration. In addition the Company continues to develop and maintain mutually beneficial relationships with the local communities affected by its activities.

13. Non- Audit Services

During the year PKF, the Company's auditor, has not performed other services in addition to their statutory duties.

A copy of the auditors independence declaration as required under Section 307C of the Corporations Act is attached to the Directors' Report.

Details of the amounts paid to the auditor of the Company, PKF, and its related practices for audit and non-audit services provided during the year are set out below.

	2008 $	2007 $
Statutory audit		
Auditors of the Company		
- audit and review of financial reports (PKF)	50,000	26,700
- Other services – PKF	-	-
- Auditors of Ellendale Group	-	-
- audit and review of financial reports (KPMG)	37,998	17,179
- Other services	1,500	7,359
Total fees paid	89,498	51,238

14. Remuneration Report

(i) **Overview of Remuneration Policies – audited**

Up to 31 March 2008 the Company was, as in past years, managed by AXIS Consultants Pty Ltd ("AXIS Consultants") pursuant to a Service Deed dated 25 November 1988. In accordance with the arrangement with AXIS Consultants, it provides company secretarial, finance, geology, exploration, IT and other services to the Company. As a result, the Company had no employees.

Key management personnel had authority and responsibility for planning, directing and controlling the activities of the Company, including Directors of the Company and other Executives. Key management personnel included the five most highly remunerated S300A Directors and Executives of the Company.

Remuneration levels for Directors of the Company were competitively set to attract and retain appropriately qualified and experienced Directors. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy, when appropriate.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors;
- the Directors ability to control the Company's performance;
- the Company's performance including:
  - the Company's earnings
  - the growth in share price and returns on shareholder wealth

For the period July 2007 to March 2008 Axis Consultants Pty Ltd was paid a total of $775,132 before GST.

The Company entered in to a service arrangement with Berkeley Consultants Pty Ltd ("Berkeley Consultants") effective from 1 April 2008 to replace the AXIS Consultants Pty Ltd agreed services described above, on substantially the same terms and conditions.

Berkeley Consultants Pty Ltd now provides to all group companies the services previously provided by AXIS Consultants Pty Ltd.

This arrangement with Berkeley Consultants represented a related party transaction with both Mr Elliott and Mr M Kerr having a material personal interest in the transactions through their prescribed interests in Berkeley Consultants Pty Ltd.

Given the nature of the related party interest in this matter Mr D Tyrwhitt, as a non-related non-executive director reviewed and approved the provision of serviced office facilities and executive functions offered to the Hawthorn Resources group of companies by Berkeley Consultants Pty Ltd noting the terms and procedures set out in Section 195 of the Corporations Act.

In considering the services to be provided Mr Tyrwhitt noted the following:

(i) an initial proposed term from 1 April 2008 to 30 September 2009 and thereafter on a month to month basis

(ii) the terms proposed are similar to the previous AXIS Consultants arrangement being on arms length commercial terms

(iii) the proposal includes provision of serviced offices with reception, boardroom and other facilities as required

(iv) the arrangement of executive functions but excluding audit and corporate secretarial functions, for a ten (10) per cent management fee

(v) fees will be payable quarterly in arrears

(vi) the NRA fee arrangement will cease and there will be no further payment of Ellendale Resources directors fees beyond 30 June 2008.

Pursuant to the above arrangement, fees paid to Berkeley Consultants for the period ended June 2008 amounted to $99,956 before GST.

The Company's performance during the current year and over the past four years has been as follows:

	2008 $	2007 $	2006 $	2005 $	2004 $
Revenue	93,625	89,991	53,259	362,235	55,575
Net profit (loss)	(1,212,932)	(1,983,866)	(2,289,961)	(1,851,289)	(2,343,332
Basic earnings per share	(0.26)	(0.53)	(0.85)	(0.91)	(2.06)
Diluted earnings per share	(0.26)	(0.53)	(0.85)	(0.91)	(2.06)
Net assets (deficiency)	36,638,526	7,759,009	9,407,276	4,665,974	289,890

The Directors do not believe the financial or share price performance of the Company is an accurate measure when considering remuneration structures as the Company is in the mineral exploration industry. Companies in this industry do not have an ongoing source of revenue, as revenue is normally from ad-hoc transactions.

The more appropriate measure is the identification of exploration targets, identification and/or increase of mineral resources and reserves and the ultimate conversion of the Company from explorer status to mining status.

(ii) Service Agreements with AXIS Consultants Pty Ltd - audited

Up to November 2007 Messrs JI Gutnick and MZ Gutnick and Dr DS Tyrwhitt did not have a contract for their services as Directors. Their remuneration and fees were paid to them by AXIS Consultants Pty Ltd, based on amounts agreed by the Company.

Similarly, Mr. Peter Lee, Company Secretary, did not have a contract of employment with the Company. His services are provided to the Company through the service arrangements with AXIS Consultants Pty Ltd. This service contract with AXIS Consultants Pty Ltd is for an unlimited term and was capable of termination on two months notice.

Mr K Washburn Exploration Manager also does not have a contract of employment with the Company. His services were also provided to the Company through the service arrangements with AXIS Consultants Pty Ltd

(iii) Management Services – Berkeley Consultants Pty Ltd

As described in Note (i) above.

(iv) Non-Executive Directors - audited

Total remuneration for all Non-Executive Directors, last voted upon by shareholders at the 1999 AGM, is not to exceed $200,000 per annum. The aggregate of current Directors' base fees is $100,000 per annum. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of board committee. Non-Executive Directors do not receive any benefits on retirement.

(v) Performance-Linked Remuneration - audited

Performance linked remuneration focuses on long-term incentives and was designed to reward key management personnel for meeting or exceeding their objectives.

Long-Term Incentive

2005 Employee Share Option Plan

At the Annual General Meeting of the Company held in November 2005, shareholders of the Company approved the introduction of the Hawthorn Resources Limited 2005 Share Option Plan ("the Plan) and the issue of options under the Plan to the Directors at the time.

The Plan was introduced to assist in the reward, retention and motivation of eligible persons.

The key components of the Plan and conditions imposed by the Board for the initial issue of options were that the options will have no issue price; the exercise price of the options will be an amount as determined by the Board and will be not less than the market price for one share on the date the Board decides to invite a participant to apply for options; the Board can determine the exercise conditions (if any) to apply prior to a participant being able to exercise the options; if the exercise condition is met, the participant (subject to continuing to be an eligible participant) is able to exercise the options at any time for a period of 3 years after the vesting period; the number of options that can be on issue under the Plan is 5% of the issued number of shares in the Company at the date of an invitation or grant of an option (for this purpose, the 5% is calculated as the number of shares the subject of options the Board proposes to issue an invitation or proposes to grant; the number of shares which would be issued if all offers or options to acquire unissued shares pursuant to this Plan or any other employee share option plan were accepted or exercised; the number of shares issued pursuant to the Plan in the last 5 years; and the number of shares issued during the last 5 years pursuant to any other employee share scheme of the Company); if the employment of a participant is terminated before the end of the vesting period, the options held by that participant will lapse, except where a participant has ceased to be employed due to death or mental incapacity (in such circumstances the Board has the ability to allow the legal personal representative of the participant to exercise the option on the terms set by the Board at the time). In the case of termination after the vesting period, the participant has one month to exercise the option otherwise it lapses; the Board will also have the discretion to have the options expire if it determines that a participant has acted fraudulently, dishonestly or in a manner which is in breach of his or her obligations to the Company or a subsidiary of the Company; participants will have their entitlements in respect of options held adjusted to take account of capital reconstructions and bonus issues as if the option has been exercised before the determination of entitlement in respect of these issues. If the Company makes a pro rata rights issue to shareholders, the exercise price of an option will be reduced according to the formula specified in the Australian Securities Exchange ("ASX") Listing Rules; and in the case of a change of control, options are immediately exercisable notwithstanding exercise conditions or the vesting period.

For the initial grant of options, the Directors resolved that the exercise price will be the weighted average closing price of shares sold on ASX on the 5 trading days immediately preceding the offer of options to a Participant (but if no shares were sold on ASX during that 5 day period the exercise price of an option is to be determined by the Board to be equal to the closing price of shares sold on ASX on the last trading day on which the shares were traded) multiplied by up to 200 percent; the options cannot be exercised for 2 years from grant. The options were issued without a specific performance hurdle given the current conditions for attracting and retaining staff in the highly competitive resources market. However a share price hurdle has effectively been built into the options to align shareholders interests with participants' interests.

The options were valued by an external consultant as at grant date using the binomial option pricing model and the following inputs:

Grant date	19 October 2006
Grant date share price	$0.06
Vesting date	19 October 2008
Expected life in years	3.5
Risk-free rate	5.91%
Volatility	75%
Exercise price	$0.10
Fair value of option	$0.027

The following table discusses options that have been issued to key management personnel under the Plan.

MZ Gutnick – Non-Executive Director Resigned 22 November 2007	2008	2007
Date of issue	19 October 2006	19 October 2006
Number of options	2,000,000	2,000,000
Issue price	Nil	Nil
Exercise price	$0.10	$0.10
Value of options	$54,000	$54,000
Expiry date	19 October 2011	19 October 2011
Number of options vested during the year	Nil	Nil
% vested in year	0%	0%
% forfeited in year	100%	0%
Value yet to vest (unaudited)		
- minimum	Nil	Nil
- maximum	Nil	$126,000
Number of options on issue		
- at 1 July	2,000,000	Nil
- at 30 June	Nil	2,000,000

PJ Lee – General Manager Corporate & Company Secretary	2008	2007
Date of issue	19 October 2006	19 October 2006
Number of options	2,500,000	2,500,000
Issue price	Nil	Nil
Exercise price	$0.10	$0.10
Value of options	$67,500	$67,500
Expiry date	19 October 2011	19 October 2011
Number of options vested during the year	Nil	Nil
% vested in year	0%	0%
% forfeited in year	100%	0%
Value yet to vest (unaudited)		
- minimum	Nil	Nil
- maximum	Nil	$157,500
Number of options on issue		
- at 1 July	2,500,000	Nil
- at 30 June	nil	2,500,000

K Washburn – Manager Exploration (resigned February 2007)	2008	2007
Date of issue	Nil	19 October 2006
Number of options	Nil	1,500,000
Issue price	Nil	Nil
Exercise price	Nil	$0.10
Value of options	Nil	$40,500
Expiry date	Nil	19 October 2011
Number of options vested during the year	Nil	Nil
% vested in year	Nil	0%
% forfeited in year	Nil	100%
Value of options at date of forfeiture	Nil	Nil
Value yet to vest (unaudited)	Nil	
- minimum	Nil	N/A
- maximum	Nil	N/A
Number of options on issue	Nil	
- at 1 July	Nil	Nil
- at 30 June	Nil	Nil

M G Kerr – Chairman Appointed 22 November 2007	2008	2007
Date of issue	25 January 2008	Nil
Number of options	5,000,000	Nil
Issue price	Nil	Nil
Exercise price	$0.10	Nil
Value of options	$126,000	Nil
Expiry date	25 January 2018	Nil
Number of options vested during the year	Nil	Nil
% vested in year	0%	Nil
% forfeited in year	0%	Nil
Value yet to vest (unaudited)		Nil
- minimum	Nil	Nil
- maximum	Nil	Nil
Number of options on issue		Nil
- at 1 July	Nil	Nil
- at 30 June	5,000,000	Nil

M E Elliott– Non-Executive Director Appointed 22 November 2007	2008	2007
Date of issue	25 January 2008	Nil
Number of options	5,000,000	Nil
Issue price	Nil	Nil
Exercise price	$0.10	Nil
Value of options	$126,000	Nil
Expiry date	25 January 2018	Nil
Number of options vested during the year	Nil	Nil
% vested in year	0%	Nil
% forfeited in year	0%	Nil
Value yet to vest (unaudited)		Nil
- minimum	Nil	Nil
- maximum	Nil	Nil
Number of options on issue		Nil
- at 1 July	Nil	Nil
- at 30 June	5,000,000	Nil

1. Details concerning the valuation methodology and key assumptions made in the option valuations are set out on the preceding pages.
2. The minimum value of options yet to vest is $nil as the vesting conditions have not been met and consequently the option may not vest.
3. The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company at the date the options are exercised, and whether the price hurdles are met during the vesting period. The maximum value shown are based on the assumptions that the share price on the date the option is exercised does not exceed $0.063 for the grants issued on 19 0ctober 2006. These share prices represent a maximum price included in the volatility assumptions within the valuation of the options.
4. Unless otherwise disclosed, no options were exercised and no options lapsed in the year.

During the year, 2,000,000 and 2,500,000 non-vested options granted to Messrs J I Gutnick and P J Lee respectively on 19 October 2006, under the 2005 Employee Share Option Plan lapsed and were cancelled following their resignations and cessation of their executive positions with the Company.

Details of Directors, Executives and Remuneration - audited

As noted in section (i), management services are provided to the Company by AXIS Consultants Pty Ltd. AXIS Consultants Pty Ltd pays the Chairman and Managing Director's remuneration and Non-Executive Directors' fees on behalf of the Company, based on pre-agreed amounts. AXIS Consultants invoices the Company for remuneration paid to the Company's Executives (not being Directors) based on the time the Executive spends in servicing the requirements of the Company. AXIS Consultants has provided the following information in regard to the amounts invoiced to the Company for the Directors and Executives in respect of all remuneration (as that term is defined in the *Corporations Act* 2001) received by the Directors and/or Executives in connection with the management of the affairs of the Company.

The names of the Directors and Executives in office during the year are as follows:-

(a) Directors

M G Kerr – Chairman and Non-Executive Directors (appointed 22 November 2007)
M E Elliott – Non-Executive Director (appointed 22 November 2007)
J I Gutnick – Chairman and Managing Director (resigned 22 November 2007)
D S Tyrwhitt – Non Executive Director
M Z Gutnick – Non Executive Director (resigned 22 November 2007)

(b) Executives

P J Lee – General Manager Corporate & Company Secretary(resigned 5 May 2008)
M Garbutt – Company Secretary (appointed 5 May 2008)

Details of the nature and amount of each major element of remuneration of each Director of the Company and of each Executive of the Company are:

		Primary		**Post-employment**	**Equity compensation**	Total $	s300A (1)(e)(i) Proportion of remuneration performance related %	s300A (1)(e)(vi) Value of options as proportion of remuneration %
		Salary & fees $	Non-monetary benefits $	Super-annuation $	Value of options $			
Directors								
M G Kerr	2008	70,000	-		52,500	122,500	43.03	43.03
	2007	-	-	-	-	-	-	-
M E Elliott	2008	70,000	-		52,500	122,500	43.03	43.03
	2007	-	-	-	-	-	-	-
J I Gutnick	2008							
	2007	*95,083*	*2,287*	*13,915*	-	*111,285*	-	-
D S Tyrwhitt	2008							
	2007	*15,000*	-	*1,350*	-	*16,530*	-	-
M Z Gutnick	2008							
	2007	*15,000*	*113*	*1,350*	*18,789*	*35,252*	*53.3*	*53.3*
Total all Directors	2008	140,000	-	-	105,000	245,000		
	2007	*125,083*	*2,400*	*16,615*	*18,789*	*163,067*		
Executives								
P J Lee	2008							
	2007	*33,712*	*2,700*	*6,666*	*23,486*	*66,564*	*35.3*	*35.3*
K Washburn	2008	-	-	-	-	-	-	-
	2007	*45,575*	*2,034*	*4,183*	-	*51,792*	-	-
M Garbutt	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
Total, all Executives	2008	-	-	-	-	-	-	-
	2007	79,287	4,734	*12,849*	*23,486*	*118,356*		
Total all Directors & Executives	2008	140,000	-	-	105,000	245,000		
	2007	*204,370*	*7,134*	*27,464*	*42,275*	*281,243*		

There were no short term cash bonuses, post employment prescribed benefits, termination benefits or insurance premiums paid during 2007 or 2008.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 30th day of September 2008.

Mark Kerr

Mark Kerr
Chairman

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Hawthorn Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Hawthorn Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Hawthorn Resources Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Hawthorn Resources Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Hawthorn Resources Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF
Chartered Accountants

30 September 2008, Melbourne

Michael Phillips

M J Phillips
Partner

DIRECTORS' DECLARATION

The directors of Hawthorn Resources Limited declare that:

(a) in the directors' opinion the financial statements and notes and the remuneration disclosures that are contained in the Remuneration report in the Directors' Report are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the notes and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and

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

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the Corporations Act 200.

Signed in accordance with a resolution of the directors.

Dated at Melbourne 30th September 2008

Mark Kerr.

Mark Kerr
Chairman

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Hawthorn Resources Ltd for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hawthorn Resources Ltd and the entities it controlled during the year.

Michael Phillips

M J Phillips
Partner
PKF
Chartered Accountants

30 September 2008
Melbourne

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The main corporate governance practices that the Board of Hawthorn Resources Limited had in place during the year were:

1. Board of Directors

i. Board Responsibilities

The Board's role is to maximize wealth creation and shareholder value in the Company. It assumes responsibility for overseeing the affairs of the Company by ensuring that they are carried out in a professional and ethical manner and that business risks are effectively managed. The primary responsibilities of the Board include the following:

- To oversee the Company, including its control and accountability systems
- To appoint and remove the Chief Executive Officer (or equivalent)
- To ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary
- To have input into and final approval of management's development of corporate strategy and performance objectives
- To review and ratify systems of risk management and internal compliance and control, codes of conduct, legal compliance and any other regulatory compliance
- To monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available
- To approve and monitor the progress of major capital expenditure, capital management, and acquisitions and divestitures
- To approve and monitor financial and other reporting to shareholders and the market
- To monitor the Board composition, Director selection, Board processes and performance and ensure Directors have an understanding of the Company's business
- To monitor and influence the key standards of the Company including ethical standards, reputation and culture
- To review and approve executive remuneration
- To approve annual budgets

ii. Board Composition

While the Company's Constitution fixes the maximum number of Directors at twelve, the Board currently comprises three Non-Executive Directors. The Company does not have a majority of independent Directors. The Chairman of the Company has declared a substantial shareholding of the Company's shares and is not independent in accordance with the ASX Corporate Governance Council definitions and recommendations. In considering the best interests of the Company and its shareholders, the background and experience of the Chairman should not preclude him from the office of Chairman of the Board on the grounds of him being a substantial shareholder. The Board believes the experience in the industry that the Company operates in that Mr M G Kerr brings to the Company is invaluable and is in the best interests of all shareholders.

Similarly, Mr M E Elliott is a substantial holder of the Company's shares and is, accordingly, not considered to be an independent director.

To ensure that it has the right mix of management skills and technical expertise to meet the challenges of its business, the Board regularly reviews its composition. The Board believes that at the current stage of the Company's development, the composition is adequate. However, it continues to assess the need to enhance the membership of the Board and is cognisant of the ASX Corporate Governance Council definitions and recommendations.

iii. Appointment/retirement of Directors

The Company's Constitution requires that all Directors other than the Managing Director submit themselves for re-election every three years with not less than one third of the Board retiring by rotation. Directors appointed during the period since the last Annual General Meeting of the Company must submit themselves for election at the next Annual General Meeting.

iv. Board Meetings

The full Board meets formally to conduct appropriate business. The Board uses resolutions in writing signed by all Directors to deal with matters requiring decisions between meetings. Such resolutions are then ratified at the next Board meeting.

v. Directors' Remuneration

Where applicable, total remuneration for the Executive Director includes an annual salary and other entitlements. Attendance at and participation in Board and Committee meetings are considered among the duties of the Executive Director. Non-Executive Directors receive fees for attending Board and Committee meetings. Pro-rata fees are paid to Non-Executive Directors who serve for less than a full year. None of the Directors or the Company Secretary have letters of appointment. However, the Company is in the process of preparing appropriate letters of appointment.

vi. External Advice to Directors

The Company recognises that in the exercise of their responsibilities there may be occasions when Directors may wish to seek independent professional advice. With the prior consent of the Chairman, advice can be obtained at the Company's expense and is to be made available to the whole Board.

2. Board Committees

The Board has Committees to address the areas of remuneration and audit.

i. Remuneration Committee

The Company has a Remuneration Committee and has an independent Chairperson, who is not Chairperson of the Board. It does not have at least three members all of whom are independent for the reasons set out above. The Company currently only has one independent Director and he is a Chairman of the Remuneration Committee. The Company's does not use short-term incentives as part of an executive's remuneration package however; it does use long-term incentives as part of an executive's remuneration package. The Remuneration Committee meets to review remuneration policies and practices of the Company, to ensure that they meet current market conditions. The Committee draws on the experience of Senior Management and where appropriate, seeks the advice of external consultants. The Remuneration Committee has a formal charter.

ii. Audit Committee

The Audit Committee comprises only non-executive Directors and has an independent Chairperson, who is not Chairperson of the Board. It does not have at least three members all of whom are independent, for the reasons set out above. The Company currently only has one independent Director and he is a Chairman of the Audit Committee.

The Audit Committee meets to plan and review annual and half-yearly financial statements and reports prior to their release to the Australian Securities Exchange. The Committee also monitors the performance of the Company's Auditors and for evaluation of the adequacy and effectiveness of internal controls. The external Auditor is invited to attend and speak at these meetings. The Audit Committee has a formal charter.

iii. Nomination Committee

The Company does not have a Nomination Committee. The Board believes that with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function.

3. Role of Management

Day to day management of the Company's activities and the implementation of Board strategy, policy and decisions is delegated to management. This includes the following:

- To develop and recommend internal control and accountability systems for the Company and if approved, ensure compliance with such systems.
- To prepare mission systems, corporate strategy and performance objectives for approval by the Board of Directors.
- To prepare systems of risk management and internal compliance and controls, codes of conduct, legal compliance and any other regulatory compliance and if approved, ensure compliance with such systems.
- To monitor employees' performance, recommend appropriate resources and review and approve remuneration.
- To prepare all required financial reports, tax returns, budgets and any other appropriate financial reports, meet all statutory deadlines, monitor performance against budgets.
- Prepare recommendations on acquisitions and divestments of assets.
- To implement decisions of the Board of Directors on key standards of the Company covering such areas as ethical standards, reputation and culture of the Company and influence and provide guidance for employees on these areas.
- To protect the assets of the Company.

4. Risk Management

The Company continues to monitor its operations to identify the greatest areas of potential risk to minimise any adverse effects on the Company's strategic, operational and financial activities.

i. Environment

Details of the environmental policy and other related matters are provided in the Environment section of the Directors' Report.

ii. Occupational Health and Safety

The Company is committed to providing a safe and healthy working environment for all staff. It considers that safety is a collective responsibility and ensures that regular training in safe working methods is undertaken and encourages participation and involvement in the development of workplace safety programs. Individual employees and employees of contractors are required to practice safe working habits, to take all reasonable care to prevent injury to themselves and their colleagues and to report all hazards and accidents.

New staff and contractors (where appropriate) are required to undergo an induction program to familiarise themselves with policies, procedures and work practices prior to commencing work. All staff are covered against injury under the various Workers' Compensation Acts.

iii. Financial Reporting

The Chairman and Company Secretary sign off to the Board of Directors in respect to the annual financial statements and risk management policies as required by law and the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations".

5. Code of Conduct

i. Ethical Standards

The Company operates under a code of conduct that sets out the ethical standards under which the Company operates when dealing with internal and external parties. This code requires parties to act with integrity, fairness and honesty in all dealings and to treat other parties with dignity at all times. They are required to:

- not discriminate against any staff member or potential employee;
- carry out their duties in respect to the law at all times;
- to use the Company's assets responsibly;
- to respect the confidentiality of the Company's business dealings; and
- take responsibility for their own actions and for the consequences surrounding their own actions.

ii. Share Trading

It is the Company's policy to encourage Directors, employees and related parties to own Shares in the Company. The trading in shares policy strongly reinforces the obligations of Directors and employees, both of the Company and AXIS Consultants Pty Ltd, under the Corporations Act 2001 and the Australian Securities Exchange Listing Rules in relation to trading in Company shares. The acquisition and sale of Company shares by Directors and employees is restricted to periods of fourteen (14) days immediately following announcements of the Company's periodically, half yearly and full year reports to the Australian Securities Exchange. Directors, employees and related parties can seek permission from the Chairman to purchase or sell shares outside this 14-day period. Directors and employees are required to report share trading to the Company Secretary.

6. Continuous Disclosure Compliance

The Company's continuous disclosure compliance procedure enables it to meet its obligations and to ensure that all matters, which may require announcement to the Australian Securities Exchange, are brought to the attention of Directors immediately.

7. Communicating with Shareholders

The Board ensures that shareholders are kept informed of all major developments that affect their shareholding or the Company's state of affairs through periodical, half-yearly, annual and ad hoc reports. All shareholders are encouraged to attend the Annual General Meeting to meet the Chairman and Directors and to receive the most updated report on Company activities. The auditors of the Company attend the annual general meeting for the purpose of answering any questions on the annual financial statements and audit thereof, properly brought before the meeting.

The Company maintains a website at www.hawthornresources.com provide shareholders with up to date information on the Company's activities. Shareholders may also communicate with the Company through its e-mail address info@hawthornresources.com

The Company does not web-cast shareholder meetings and does not believe that at this stage the cost-benefit of web casting is worthwhile to a Company of its size.

Hawthorn Resources Limited
Income Statement
For the Year Ended 30 June 2008

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Revenue					
Finance revenue	3	104,558	32,248	93,625	89,991
Gain on Consolidation	3	404,131	-	-	-
Gain on Disposal of Assets		-	-	1,498	-
Other income	3	665	67,780	57,023	-
		509,354	100,028	152,146	89,991
Exploration expenditure written off		-	(6,803)	(286,189)	(1,127,859)
Administration expenses		(894,776)	(452,092)	(942,591)	(799,413)
Other expenses	3	(555)	(38,681)	(27,096)	(252,420)
Finance costs	3	(60)	-	-	(3,367)
Loss before income tax		(386,037)	(397,548)	(1,103,730)	(2,093,068)
Income tax benefit	4	-	-	(109,202)	109,202
Loss for the period after tax from continuing operations		(386,037)	(397,548)	(1,212,932)	(1,983,866)
Loss attributable to members		(386,037)	(397,548)	(1,212,932)	(1,983,866)
Earnings per share	5	Cents	Cents		
Basic loss per share for the year attributable to ordinary equity holders		(0.057)	(0.061)		
Diluted loss per share for the year attributable to ordinary equity holders		(0.057)	(0.061)		

The income statements are to be read in conjunction with the accompanying notes to the attached financial statements.

Hawthorn Resources Limited
Balance Sheet as at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
ASSETS					
Current Assets					
Cash and cash equivalents	6	3,761,907	2,082,301	3,749,723	551,841
Receivables	7	100,235	164,359	75,531	310,179
Other current assets	8	9,318	1,907	1,547	2,022
Total Current Assets		3,871,460	2,248,567	3,826,801	864,042
Non-Current Assets					
Other Financial Assets	9	601,278	70,619	26,734,350	1,031,048
Exploration expenditure	10	23,103,916	15,549,706	6,916,943	5,957,558
Plant and equipment	11	49,301	691	48,790	31,133
Total Non-Current Assets		23,754,495	15,621,016	33,700,083	7,019,739
TOTAL ASSETS		27,625,955	17,869,583	37,526,884	7,883,781
LIABILITIES					
Current Liabilities					
Trade and other payables	12	300,224	308,983	197,309	124,772
Provision for employee benefits		-	12,698	-	-
Total Current Liabilities		300,224	321,681	197,309	124,772
Non-Current Liabilities					
Interest bearing borrowings	13	-	-	691,049	-
Total Non-Current Liabilities		-	-	691,049	-
TOTAL LIABILITIES		300,224	321,681	888,358	124,772
NET ASSETS		27,325,731	17,547,902	36,638,526	7,759,009
EQUITY					
Share capital	14	34,057,764	23,855,637	85,792,054	55,371,312
Reserves	15	1,420,587	1,458,849	1,393,858	1,722,151
Retained losses		(8,152,620)	(7,766,584)	(50,547,386)	(49,334,454)
TOTAL EQUITY		27,325,731	17,547,902	36,638,526	7,759,009

The balance sheet is to be read in conjunction with the accompanying notes to the attached financial statements

Hawthorn Resources Limited
Cash Flow Statement for the Year Ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Cash flows from operating activities					
Payments in the course of operations		(982,101)	(286,455)	(1,064,291)	(944,723)
Interest received		104,558	32,248	92,625	89,106
Borrowing costs paid		-	-	-	(3,367)
Net cash (used in) operating activities	18	(877,543)	(254,207)	(920,666)	(858,984)
Cash flows from investing activities					
Payments for exploration expenditure		(705,210)	(130,355)	(959,385)	(1,695,175)
Recovery from joint venture partner/refunds		-	862	-	17,816
Acquisition of plant and equipment		(9,284)	-	(26,863)	(3,011)
Loans to other entity		-	341,635	-	(210,822)
Proceeds from sale of investments			-	158,434	-
Acquisition of Hawthorn Resources – net of cash required	18	3,271,163	-	-	-
Net cash (used in) investing activities		2,556,669	212,142	(827,814)	(1,891,192)
Cash flows from financing activities					
Proceeds from issue of shares		480	1,460,955	4,255,312	-
Payment of share issue costs			(136,099)	-	(16,458)
Proceeds from borrowings		-	-	691,049	400,000
Repayment of borrowings		-	-	-	(1,080,395)
Net cash provided by financing activities		480	1,324,856	4,065,347	(696,853)
Net increase in cash and cash equivalents		1,679,606	1,282,791	3,197,882	(3,447,029)
Cash and cash equivalents at beginning of period		2,082,301	799,510	551,841	3,998,870
Cash and cash equivalents at end of period	6	3,761,907	2,082,301	3,749,723	551,841

The cash flow statement is to be read in conjunction with the accompanying notes to the attached financial statements.

Hawthorn Resources Limited
Statement of Changes in Equity for the Year Ended 30 June 2008

	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
CONSOLIDATED				
At 30 June 2006	8,655,637	(7,369,036)	-	1,286,601
Loss for the period	-	(397,548)	-	(397,548)
Net gain on available-for-sale investments	-	-	(500)	(500)
Shares Issued through NRA acquisition	15,200,000	-	-	15,200,000
Options Granted			1,595,448	1,595,448
Capital raising costs - options	-	-	(136,099)	(136,099)
At 30 June 2007	23,855,637	(7,766,584)	1,458,849	17,547,902
Loss for the period	-	(386,037)	-	(386,037)
Issue of share capital	481	-	-	481
Net gain on available-for-sale investments	-	-	(38,262)	(38,262)
Shares deemed to be issued as a result of scheme of arrangement	10,201,646	-	-	10,201,646
At 30 June 2008	34,057,764	(8,152,621)	1,420,587	27,325.730
COMPANY				
At 30 June 2006	55,371,312	(47,350,588)	1,386,552	9,407,276
Loss for the period	-	(1,983,866)	-	(1,983,866)
Net gain on available-for-sale investments	-	-	364,008	364,008
Share-based payments charge	-	-	80,793	80,793
Income tax	-	-	(109,202)	(109,202)
At 30 June 2007	55,371,312	(49,334,454)	1,722,151	7,759,009
Loss for the period	-	(1,212,932)	-	(1,212,932)
Issue of share capital	30,665,429	-	-	30,665,429
Share issue costs	(244,687)			(244,687)
Net gain on available-for-sale investments	-	-	(461,702)	(461,702)
Share-based payments charge	-	-	24,207	24,207
Income tax	-	-	109,202	109,202
At 30 June 2008	85,792,054	(50,547,386)	1,393,858	36,638,526

The statement of changes in equity is to be read in conjunction with the accompanying notes to the attached financial statements.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Reporting Entity

Hawthorn Resources Limited (the "Company") is a company domiciled in Australia.
The financial report includes separate financial statements for Hawthorn Resources Limited as an individual entity and the consolidated entity of consisting of Hawthorn Resources Limited and its controlled entities.

The financial report was authorised for issue by the Directors on 30 September 2008.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on a historical cost basis, except for the revaluation of available-for-sale financial assets that have been measured at fair value in accordance with Australian Accounting Standards.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(d)(xix).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(c) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the consolidated and parent financial statements and notes comply with International Financial Reporting Standards (IFRSs).

(d) Summary of significant accounting policies

(i) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

(d) Summary of significant accounting policies (Cont'd)

(ii) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Finance Interest
Interest revenue is recognised as the interest accrues.

(iii) Finance costs
Financing costs comprise interest payable on other payables and borrowings. Interest is recognised as an expense when incurred.

(iv) Leases
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(v) Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(vi) Other receivables
Other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables from other entities are recognised and carried at nominal amount due. Interest is taken up as revenue on an accrual basis.

(vii) Impairment of assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset of a cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in income statement unless the asset is carried at revalued amount, in which case the reversal is

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

(d) Summary of significant accounting policies (Cont'd)

(vii) Impairment of assets (Cont'd)

treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(viii) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current tax is the expected tax payable on the taxable income for the period. The Company has not derived taxable income in either the current or previous periods.

Deferred income tax is determined using the balance sheet method which calculates temporary differences on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities to the same taxable entity and the same taxation authority.

(ix) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(x) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

(d) Summary of significant accounting policies (Cont'd)

(x) Investments (Cont'd)

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

(xi) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses (see accounting policy (vii)).

Depreciation is charged to the income statement on a straight line basis over the estimated useful life of the assets. The estimated useful life of motor vehicles is between 3 and 5 years.

The asset's residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

When an asset's carrying value is increased as a result of a revaluation, the increase is, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, credited directly to revaluation reserve.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is, except to the extent of any credit balance existing in the revaluation reserve in respect of that asset, recognised in the income statement.

The revaluation surplus is transferred directly to retained earnings when the asset is derecognised.

(xii) Exploration

Exploration expenditure is capitalised for each separate area of interest where rights to tenure are current and:

(a) such costs are expected to be recovered through successful development and exploitation or by sale; or

(b) where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

1. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)**

(d) Summary of significant accounting policies (Cont'd)

(xii) Exploration (Cont'd)

The carrying values of expenditures carried forward are reviewed for impairment at each reporting date when the facts, events or changes in circumstances indicate that the carrying value may be impaired. Accumulated expenditures are written off to the income statement to the extent to which they are considered to be impaired.

The key points that are considered in this review include:

- planned drilling programs and data evaluation
- environmental issues that may impact the underlying tenements
- the estimated market value of assets at the review date.

Information used in the review process is rigorously tested to externally available information as appropriate.

(xiii) Joint venture operations

The interest of the Company in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs and the expenses it incurs in relation to the joint venture.

(xiv) Trade and other payables

Trade and other payables are stated at cost. Payables due to Other Entity are recognised at cost. Interest incurred is taken up as a finance cost.

(xv) Interest-bearing borrowings

Interest-bearing borrowings are recognised at cost. After initial recognition interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value, if any, being recognised in the income statement over the period of the borrowings on an effective interest basis.

(xvi) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

(xvii) Share-based payments

Share-based compensation benefits are provided to employees, Directors, officers or consultants of the Company or an associated body corporate and such other persons nominated by the Directors under the Hawthorn Resources Limited 2005 Share Option Plan which allows participants to acquire shares of the Company.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the participants become unconditionally entitled to the options. The fair value of the options granted is measured using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest at each balance sheet date.

(xviii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

(d) Summary of significant accounting policies (Cont'd)

(xix) Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below

Key sources of estimation uncertainty

Note 1(d)(xii) contains information about the assumptions and their risk factors relating to exploration expenditure impairment.

(xx) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise those of the Company, and the entities it controlled at the end of, or during, the financial year. The company and its controlled entities together are referred to in this financial report as the consolidated entity.

The balances and effects of transactions between entities in the consolidated entity included in the financial statements have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the consolidated entity.

The acquisition of Ellendale Resources NL ("Ellendale") on 10 June 2008 was treated as a reverse acquisition in accordance with AASB 3 "Business Combinations" whereby Ellendale is considered the accounting acquirer on the basis that Ellendale is the controlling entity in the transaction. As a result, Ellendale is the continuing entity for consolidated accounting purposes and the legal parent Hawthorn Resources Limited is the accounting subsidiary.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Hawthorn Resources Limited.

(xxi) New and Revised Accounting Standards and Interpretations

Adoption of new accounting standard

The Group has adopted AASB 7 Financial Instruments; Disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company's 30 June 2010 financial statements. These amendments are only expected to affect the presentation of the Company's financial report.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB will become mandatory for the Company's 30 June 2010 financial statements. The Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

(d) Summary of significant accounting policies (Cont'd)

(xxi) New and Revised Accounting Standards and Interpretations (Cont'd)

- AASB 2208-1 Amendments to Australian Accounting Standards – Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

(e) Financial risk management

The Company's principal financial instruments comprise receivables, payables and cash. These activities expose the Company to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Although the Company does not have documented policies and procedures, Management manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through general business budgets and forecasts.

(f) Capital Management

The Company's policy in relation to capital management is for management to regularly and consistently monitor future cash flows against expected expenditures. The Board determines the Company's need for additional funding by way of either share placements or loan funds depending on market conditions at the time. Management defines working capital in such circumstances as its excess liquid funds over liabilities, and defines capital as being the ordinary share capital of the Company.

There were no changes in the Company's approach to capital management during the year.

2. SEGMENT INFORMATION

The principal business and geographical segment of the Company is mineral exploration within Australia.

3. REVENUE AND EXPENSES

Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the Company:

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(i) Finance revenue					
Interest		104,558	32,248	-	-
Other Entity	20	-	-	3,143	28,992
Other		-	-	90,482	60,999
Total finance revenue		104,558	32,248	93,625	89,991
(ii) Other income					
Sale of Securities		-	-	57,440	-
Rates refunds		-	861	-	-
Foreign Currency Gain		-	3,440	-	-
Shares issued pursuant to farm-in arrangement		-	63,479	-	-
Sundry income		665	-	(417)	-

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $

3. REVENUE AND EXPENSES (Cont'd)

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Total other income		665	67,780	57,023	-
(iii) Finance Costs					
Related parties	20	-	-	-	865
Other		60	-	-	2,502
Total other income		60	-	-	3,367
(iv) Gain on Disposal of Assets					
Profit on sale of office eqt.		-	-	1,498	-
Total gain on Disposal of Assets		-	-	1,498	-
(v) Gain on Acquisition via Scheme of Arrangement		404,131	-	-	-
(vi) Other expenses					
Listing expenses in Canada – Toronto Venture Exchange		775	-	2,465	19,647
Reversal of sale of available-for-sale assets		-	-	-	151,200
Employee share option plan amortisation		-	-	24,207	80,793
Impairment of available-for-sale assets		(220)	-	424	780
Total expenses		555	-	27,096	252,420
(vii) Auditor's remuneration					
PKF		38,000	-	50,000	26,700
Other services		1,500	-	-	-
KPMG		37,998	43,879	-	-
Other services		-	7,359	-	-
Total auditor's remuneration		77,498	51,238	50,000	26,700

4. TAXATION

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(a) Income tax expense				
Prima facie income tax benefit calculated at 30% on the loss	237,050	119,264	331,119	627,920
(Decrease) increase in income tax benefit due to:				
Deferred tax asset not recognised	(219,189)	(119,264)	-	(283,364)
Consultants overseas fees & expenses	(227)	-	-	(5,894)
Exploration expenditure	-	-	(85,857)	(158,120)
Interest expense	-	-	-	(751)
Capital – consultants	-	-	-	(48,000)
Legal expenses	(15,131)	-	-	(228)
Employee benefits	(2,503)	-	-	(24,238)
Capital Diminution	-	-	(127)	-
Reversal of prior year tax benefit	-	-	(354,337)	-
Other sundry items	-	-	-	1,877
Income tax benefit/(expense)	-	-	(109,202)	109,202

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $

4. TAXATION (Cont'd)

(b) Amounts charged or credited directly to equity

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Deferred income tax related to items				
Available-for-sale investments			(109,202)	109,202
Income tax expense reported in equity			-	109,202

(c) Recognised deferred tax assets and liabilities

Deferred tax liabilities

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Available-for-sale investments			-	109,202
Set-off of deferred tax losses			-	109,202

(d) Deferred tax asset not recognised

The deferred tax asset in respect of tax losses of the Company for the year has not been recognised as an asset in the financial statements as the realisation of the benefit is not probable.

Deferred tax asset has been calculated at 30%.

The potential deferred tax asset not recognised is as follows:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Revenue losses	7,978,566	7,128,798	16,909,905	15,519,563
Capital losses	2,399	2,399	1,089,095	1,089,095

5. EARNINGS PER SHARE

Basic earnings per share

The calculations of basic earnings per share is calculated as follows:

	Consolidated 2008 $	Consolidated 2007 $		
Profit/(Loss) for the year	(386,037)	(397,458)		

	Consolidated 2008 Number of shares	Consolidated 2007 Number of shares		
Weighted average number of ordinary shares at the end of the financial period	681,748,406	654,135,744		
Earnings Per Share (cents)	(0.057)	(0.061)		

Diluted earnings per share

202,370,366 (year ended 30 June 2007: 200,970,366) options at reporting date were not dilutive as the conversion would result in a reduced loss per share.

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
6. CASH AND CASH EQUIVALENTS					
Cash at bank		3,761,907	2,082,301	3,749,723	551,481
7. RECEIVABLES					
CURRENT					
Non-trade receivables					
Other Entity		-	-	-	211,501
Other		100,235	164,359	75,531	98,678
		100,235	164,359	75,531	310,179
8. OTHER CURRENT ASSETS					
CURRENT					
Prepayments		9,318	1,907	1,548	2,022
9. OTHER FINANCIAL ASSETS					
Listed shares at fair value					
Available for sale investments					
At fair value	20	600,440	70,619	568,083	1,029,785
Investments at fair value through the Income Statement	20	1,773,137	-	1,773,137	1,773,562
Less impairment write-down	20	(1,772,299)	-	(1,772,299)	(1,772,299)
Unlisted shares					
Other cost		1	-	1	1
less Impairment Write-Down		(1)	-	(1)	(1)
Investment in subsidiary		-	-	26,165,429	-
		601,278	70,619	26,734,350	1,031,048
10. EXPLORATION EXPENDITURE					
Areas in the exploration phase					
At cost		23,103,916	15,549,706	6,916,943	5,957,558
11. PLANT AND EQUIPMENT					
Plant and equipment					
Cost Balance at 1 July		917	917	40,912	38,252
Other Acquisitions		67,775	-	26,863	2,660
Balance at 30 June		68,692	917	67,775	40,912

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
11. PLANT AND EQUIPMENT (Cont'd)					
Depreciation					
Balance at 1 July		406	43	9,779	1,068
Depreciation/adjustment charge for the year		18,985	183	9,206	8,711
Balance at 30 June		19,391	226	18,985	9,779
Carrying Amounts					
At 1 July		511	874	31,133	37,184
At 30 June		49,301	691	48,790	31,133
12. TRADE AND OTHER PAYABLES					
Other trade payables and accrued expenses	20	300,224	308,983	197,309	124,772
		300,224	308,983	197,309	124,772
13. INTEREST BEARING BORROWINGS					
NON-CURRENT					
Unsecured borrowing Related Party	20		-	691,049	-
14. SHARE CAPITAL					
Opening Balance		23,855,637	8,655,637	55,371,312	55,371,312
Issued via exercise of options July 2007		481	-	-	-
Issued via acquisition of Northern Resources Australia at fair value		-	15,200,000	-	-
Issued December 2007for cash pursuant to share placement (3.5c per share)		-	-	1,960,000	-
Issued January 2008 for cash pursuant to share placement (3.5c per share)		-	-	2,540,000	-
Issued June 2008 per the scheme of Arrangement		-	-	26,165,429	-
Reverse Acquisition adjustment		10,201,646	-	-	-
Transaction costs on share issue		-	-	(244,687)	-
Balance at Year End		34,057,764	23,855,637	85,792,054	55,371,312

	Consolidated		Company	
	2008 No. of Shares	2007 No. of Shares	2008 No. of Shares	2007 No. of Shares

14. SHARE CAPITAL (Cont'd)

	Consolidated 2008 No. of Shares	Consolidated 2007 No. of Shares	Company 2008 No. of Shares	Company 2007 No. of Shares
Opening Balance	159,544,683	79,544,683	375,359,658	375,359,658
Issued via exercise of options July 2007	3,288	-	-	-
Issued via acquisition of Northern Resources Australia at fair value	-	80,000,000	-	-
Issued December 2007for cash pursuant to share placement (3.5c per share)	-	-	56,000,000	-
Issued January 2008 for cash pursuant to share placement (3.5c per share)	-	-	72,571,428	-
Issued June 2008 per the scheme of Arrangement	-	-	654,135,744	-
Reverse Acquisition adjustment	998,518,859	-	-	-
Balance at Year End	1,158,066,830	159,544,683	1,158,066,830	375,359,658

Terms and Conditions of Issued Capital

Ordinary Shares:
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Options:
13,716,713 options are on issue at an exercise price of $1.25 which, if exercised, will entitle the option holders to 1 fully paid share in the Company for each option. Options not exercised by 22 September 2010 will lapse.

13,569,422 options are on issue at an exercise price of $0.20 per option which, if exercised, will entitle the option holders to 1 fully paid share in the Company for each option. Options not exercised by 30 April 2012 will lapse.

165,084,231 options are on issue at an exercise price of $0.10 per option which if exercised, will entitle the option holders to 1 fully paid share in the Company for each option. Options not exercised by 28 February 2013 will lapse.

Movement in options expiring 28 February 2013	No. of Options
At 1 July 2006	165,084,231
At 30 June 2007	165,084,231
At 30 June 2008	165,084,231

8,600,000 non-vested employee options on issue at 30 June 2008 at an exercise price of $0.10 per option have lapsed. Refer Note 16 for details.

In January 2008, pursuant to a resolution of shareholders, 10,000,000 options were issued at an exercise price of $0.10 per option to directors M. Kerr and M. Elliott.

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $

15. RESERVES

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Option premium reserve	1,459,349	1,459,349	720,775	720,775
Fair value reserve	(38,762)	(500)	568,083	920,583
Share option based payment reserve	-	-	105,000	80,793
	1,420,587	1,458,849	1,393,858	1,722,151
Movement in reserves				
Share option reserve at 1 July 2007	-	-	80,793	-
Fair value share options lapsed	-	-	(80,793)	-
Amortisation of fair value of employee share options	-	-	105,000	80,793
At 30 June 2008	-	-	105,000	80,793
Fair Value reserve at 1 July 2007	(500)	-	920,583	665,777
Net gain on available-for-sale financial assets	(38,262)	(500)	(461,702)	364,008
Income tax	-	-	109,202	(109,202)
At 30 June 2008	(38,762)	(500)	568,083	920,583

Option premium reserve
The option premium reserve represents the amounts contributed for the future right to acquire shares at a pre-determined price. The options have an exercise price of 10 cents and a latest expiry date of 28 February 2013.

Fair value reserve
The fair value reserve represents the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Share based payment reserve
The share option reserve represents the accumulated amortisation of the fair value of services provided with respect to employee share options issued. Details of the share option plan are outlined in Note 16.

16. EMPLOYEE BENEFITS

Share based payments

At the 2005 annual general meeting, the Company established the Hawthorn Resources Limited 2005 Share Option Plan which allows employees, Directors, officers or consultants of the Company or an associated body corporate and such other persons nominated by the Directors to participate in the plan.

Grants of options made under this plan are as follows:

On 19 October 2006, 10,100,000 options were issued at an exercise price of $0.10. Option holders must remain eligible (which would usually mean remaining eligible person although the Board has some discretion to allow continued participation in the event of an eligible person's death, mental incapacity, ill health, accident or redundancy) to participate in the plan throughout the two (2) year vesting period and

16. EMPLOYEE BENEFITS (Cont'd)

can be exercised at any time following vesting up to 19 October 2011. All options, if exercised, will be settled by physical delivery of the shares.

The number and weighted average exercise price of share options is as follows:

	2008		2007	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	$0.100	8,600,000	N/A	N/A
Granted during the period	$0.100	10,000,000	$0.100	10,100,000
Forfeited during the period	$0.100	8,600,000	$0.100	1,500,000
Outstanding at the end of the period	$0.100	10,000,000	$0.100	8,600,000
Exercisable at the end of the period	-	-	-	-

The options outstanding at 30 June 2008 have an exercise price of $0.10 and a remaining contractual life of 9.5 years to January 2018.

The value of services received in return for employee share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial option pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

	Consolidated		Company	
	2008	2007	2008	2007
Fair value of shares, options and assumptions				
Fair value at grant date	-	-	2.5 cents	2.7 cents
Share price at grant date	-	-	3.7 cents	6.0 cents
Exercise price	-	-	10.0 cents	10.0 cents
Expected volatility (estimated average volatility used in the modelling under binomial option pricing model)	-	-	146%	75%
Option life (expressed as weighted average life used in the modelling under binomial option pricing model)	-	-	10 years	3.5 years
Expected dividends	-	-	Nil	Nil
Risk-free interest rate (based on Australian Government five-year bond rate at grant date)	-	-	6.19%	5.91%

The expected volatility is based on the recent historic volatility of comparable listed companies (calculated based on the mid point remaining life of the share options) adjusted for any expected changes to future volatility due to publicly available information.

Employee share options are granted under service conditions. No market or non-market performance conditions are taken into account in the grant date fair value measurement of the services received.

16. EMPLOYEE BENEFITS (Cont'd)

	2008 $	2007 $
Employee expenses		
Share options granted		
Total expense recognised as employee cost	105,000	80,793

In the reporting period 8,600,000 options issued under the 1999 employee share option plan at an exercise price of $0.100 per option were cancelled with the consent of the holders.

17. INTEREST IN JOINT VENTURES

The Company has an interest in the following joint ventures:

Edjudina – Pinjin (Avoca Resources Limited)	80%	80%
Trouser Legs (Gel Resources Pty Limited)	70%	70%

The principal activity of the joint ventures is mineral exploration.

Avoca Resources Limited has a 20% interest that is free carried to decision to mine.

Included in the assets and liabilities of the Company are the following assets and liabilities employed in the joint ventures:

	Note	Consolidated		Company	
		2008 **$**	**2007** **$**	**2008** **$**	**2007** **$**
Non-Current Assets					
Exploration expenditure		-	-	1,210,363	976,716
Total Non-Current Assets		-	-	1,210,363	976,716
Total Assets		-	-	1,210,363	976,716
Current Liabilities					
Trade and other payables		-	-	-	459
Total Non-Current Assets		-	-	-	459
Total Liabilities		-	-	-	459

Included in the Company commitments (note 19) are the following commitments in relation to the joint ventures:

Exploration				
Not later than 1 year	-	-	312,010	351,130
Later than one year but not later than five years	-	-	696,240	1,069,860
Later than five years but not later than twenty one years	-	-	63,950	78,820

18. CASH FLOW STATEMENTS

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(a) Reconciliation of loss after tax to net cash used in operating activities					
Loss for the period after tax		(386,037)	(397,548)	(1,212,932)	(1,983,866)
Adjustment for:					
Foreign exchange gain		-	(3,440)	-	-
(Profit) on disposal of non-current assets		-	-	(57,440)	151,200
Impairment of available-for-sale assets		-	-	-	780
Depreciation		2,928	183	9,206	4,046
Share and option based payments		-	(63,479)	-	-
Employee share option plan amortisation		-	-	(24,600)	80,793
Exploration expenditure previously capitalised		-	6,803	-	1,127,859
Gain on Consolidation		(404,131)	-	-	-
Net cash used in operating activities before change in assets and liabilities		(787,240)	(457,481)	(1,285,766)	(619,188)
Change in assets and liabilities:					
Decrease/(increase) in exploration		-	(137,035)	-	-
Decrease/(increase) in receivables		100,419	(683)	235,122	(124,064)
(Decrease)/increase in trade and other payables		(190,722)	211,499	129,978	(115,732)
Net cash used in operating activities		(877,543)	(383,700)	(920,666)	(858,984)

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $

18. CASH FLOW STATEMENTS (Cont'd)

(b) Acquisition of Entities
During the year a reverse acquisition was deemed to have occurred. Details of this transaction are:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Deemed Purchase consideration	10,201,646	-	-	-
		-	-	-
	-	-	-	-
	-	-	-	-
Assets and liabilities held at acquisition date:				
Cash	3,271,163	-	-	-
Receivables	49,608	-	-	-
Investments	550,972	-	-	-
Other	12,046	-	-	-
Property, plant and equipment	42,253	-	-	-
Capitalised tenement expenditure	6,849,000	-	-	-
Payables	(169,265)	-	-	-
Total purchase consideration	10,605,777	-	-	-
Less cash	(3,271,163)	-	-	-
Net assets acquired	7,334,614	-	-	-
Gain on Acquisition	(404,131)	-	-	-
Cash flow on acquisition net of cash acquired	3,271,163	-	-	-
Deemed consideration	10,201,646	-	-	-

(c) Non-cash financing and investing activities

Proceeds from borrowings does not include interest of $865 (2007: $115,560) that was capitalised into borrowings for the year.

(d) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash on hand and in banks.

19. COMMITMENTS

(a) Exploration

The Company has to perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Company's tenement portfolio management through expenditure exemption approvals and expenditure reductions through relinquishment of parts or the whole of tenements deemed non prospective.

Should the Company wish to preserve interests in its current tenements the amount which may be required to be expended is as follows:

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $

19. COMMITMENTS (Cont'd)

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Not later than one year	2,105070	262,260	1,571,370	1,850,130
Later than one year but not later than five years	4,855,480	72,788	3,686,680	7,065,240
Later than five years but not later than twenty one years	2,396,410	-	63,910	93,730
	9,356,960	335,048	5,321,960	9,009,100

The terms and conditions under which the Company has title to its various mining tenements oblige it to meet tenement rentals and minimum levels of exploration expenditure as gazetted by the Department of Industry and Resources of Western Australia, as well as Local Government rates and taxes.

The "Later than five years but not later than twenty one years" component represents commitments of up to sixteen years in respect of mining licences which are granted for a period of twenty one years, but in common with prospecting licences and exploration licences may be relinquished or sold by the Company before the expiry of the full term of the licence.

20. RELATED PARTIES

(a) Key Management Personnel Disclosures

The key management personnel for the Company during the year are set out as follows:-

Directors

M Kerr – Chairman and Non Executive Director
D S Tyrwhitt – Non Executive Director
M Elliott – Non Executive Director
J Gutnick (retired 22 November 2007)
M Gutnick (retired 22 November 2007)

Executives

P J Lee – General Manager Corporate & Company Secretary (Agreement expired April 2008)

Pursuant to the Corporations Act Regulation 2M.3.03 and 2M.6.04, Directors and Executives remuneration is disclosed in the Remuneration Report in the Directors' Report of the Annual Report.

The key management personnel compensation are as follows:

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Short-term employee benefits		211,667	137,876	71,667	211,504
Other long-term benefits		5,062	12,056	-	-
Post-employment benefits		-	10,741	-	27,464
Termination benefits		-	-	-	-
Share-based benefits		105,000	-	105,000	42,275
		321,729	160,673	176,667	281,243

20. RELATED PARTIES (Cont'd)

(b) Equity Holdings and Transactions

The number of options over ordinary shares in the company held during the financial year by each director of Hawthorn Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2008

	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Mark Kerr	-	5,000,000	-	9,428,000	14,428,000	9,428,000	5,000,000
Mark Elliott	-	5,000,000	-	-	5,000,000	-	5,000,000
D S Tyrwhitt	-	-	-	-	-	-	-
J I Gutnick	72,847,106			(72,847,106)	-		
M Z Gutnick	2,102,069			(2,102,069)	-		
P J Lee	2,516,000			(2,516,000)	-		
K Washburn	16,000			(16,000)			

2007

	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
D S Tyrwhitt	-	-	-	-	-	-	-
J I Gutnick	71,047,106	2,000,000		(200,000)	72,847,106	70,847,106	2,000,000
M Z Gutnick	102,069	2,000,000		-	2,102,069-	102,069	2,000,000
P J Lee	78,000	2,500,000		(62,000)	2,516,000	16,000	2,500,000
K Washburn*	16,000	1,500,000		(1,500,000)	16,000		16,000

Fully paid ordinary shares issued by Hawthorn Resources Limited

2008

	Held at 1 July 2007 No.	Granted as compensation No.	Received on exercise of options No.	Other change No.	Held at 30 June 2008
Mark Kerr	-	-	-	109,300,906	109,300,906
Mark Elliott	-	-	-	93,855,406	93,855,406
D S Tyrwhitt	-	-	-	-	-
J I Gutnick	65,893,110	-	-	(65,893,110)	-
M Z Gutnick	5,247,026	-	-	(5,247,026)	-
P J Lee	-	-	-	-	-
K Washburn*	-	-	-	-	-

2007

	Held at 1 July 2006 No.	Granted as compensation No.	Received on exercise of options No.	Other change No.	Held at 30 June 2007
D S Tyrwhitt	-	-	-	-	-
J I Gutnick	105,404,554	-	-	(39,511,444)	65,893,110
M Z Gutnick	5,247,026	-	-	-	5,247,026
P J Lee	-	-	-	-	-
K Washburn		-			-

20. RELATED PARTIES (Cont'd)

(c) Other Key Management Personnel Transactions

(i) Certain of the Directors of the Company are also Directors of the following entities
AXIS Consultants Pty Ltd ("AXIS")
Quantum Resources Limited ("QUR")
Golden River Resources Corporation ("GRR")
Berkeley Consultants Pty Ltd. ("BERKELEY")

Details of transactions with AXIS are as follows:

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
At year end					
Receivable (current)		-	-	-	211,501
Payable (current)		-	-	-	-
During the year					
Fees for management services		-	-	432,039	560,106
Fees for geological services		-	-	343,093	484,385
Borrowing costs (receivable)		-	-	(3,143)	(28,992)
Payments to AXIS		-	-	(771,989)	(1,263,625)

(ii) Details of transactions with Berkeley are as follows:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
At year end				
Receivable (current)	-	-	-	-
Payable (current)	-	-	-	-
During the year				
Fees for management services	124,957	50,000	99,956	-

21. CONSOLIDATED ENTITIES

Name	Country of Incorporation	Ordinary Share Consolidated Equity Interest 2008 %	2007 %
Parent entity			
Hawthorn Resources Limited	Australia		
Controlled entities			
Ellendale Resources Pty Limited	Australia	100%	-
Sunderland Pty Limited	Australia	100%	-
Northern Resources Australia Pty Limited	Australia	100%	-

22. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to various financial risks including market, credit, liquidity and cash flow risks. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

Financial risk management is carried out by the Board on a regular basis by reviewing current and potential sources of funding, cashflow and operating/capital expenditure forecasts, to manage credit, liquidity and cash flow risk.

(a) Market risk

Foreign exchange risk

The Group's operations are currently solely within Australia, and therefore are not exposed to any foreign exchange risk.

Cash flow and fair value interest rate risk

The Group currently has minimal exposure to interest rate risk.

As at the reporting date, the Group had no variable rate borrowings, as such the 2008 and 2007 reports would not be impacted by changes in interest rates.

Fluctuations in interest rates will not have any material risk exposure to the cash held in bank deposits at variable rates.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as exposures to customers, including outstanding receivables. For banks and financial institutions, on major Australian banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on Note 9, page 35. The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available to meet the Groups needs.

23. MATURITIES OF FINANCIAL LIABILITIES

The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – 30 June 2008

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(300,224)				(300,224)

23. MATURITIES OF FINANCIAL LIABILITIES (Cont'd)

Group 30 June 2007

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(308,983)				(308,983)

Parent – 30 June 2008

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(197,309)				(197,309)
Interest bearing loan			(691,049)		(691,049)

Parent – 30 June 2007

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(124,772)				(124,772)

24. FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

25. FINANCIAL INSTRUMENTS

(a) Financial Risk Management objective and policies

The group's financial instruments consist mainly of fair valuation of net assets and interest rate risks.

(b) Sensitivity analysis

(i) Interest rate sensitivity risk
The group's Interest rate risk is deemed not to have a material effect on operations.

(ii) Liquidity risk sensitivity risk
The Group has no significant exposure to liquidity risk.
The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

(iii) Credit risk sensitivity risk
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.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

25. FINANCIAL INSTRUMENTS (Cont'd)

(b) Sensitivity analysis (Cont'd)

(iv) Foreign currency sensitivity risk

Foreign currency risk is the risk of exposure to transactions that are denominated in a currency other than the Australian dollar. At 30 June 2008, the group had only a very small exposure to foreign currencies, and therefore no sensitivity analysis has been performed.

(v) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market

(vi) Net Fair Values

The net fair values of:
The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

(vii)Price Risk Sensitivity Analysis

As the company does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mining projects will be impacted by commodity price changes (predominantly iron ore, nickel and uranium) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

26. AASB 3 – BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL REPORTS

In June 2008, Hawthorn Resources Limited and Ellendale Resources Limited entered into a scheme of arrangement. The result of the scheme was a reverse takeover by Ellendale Resources of Hawthorn Resources Limited.

The whole reporting profit/(loss) of the consolidated entity was ($1,998,448), but as a result of the merger, a gain on acquisition of the fair value assets was $1,103,057. The group therefore reported a consolidated group loss before taxes of ($386,037).

******************** End of Report ********************