
Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2010

**THIS REPORT SHOULD BE READ IN CONJUNCTION WITH THE JUNE 2010
ANNUAL FINANCIAL REPORT AND THE SEPTEMBER AND DECEMBER 2010
QUARTERLY ACTIVITY STATEMENTS**

These reports can viewed on the Company's website at:
www.hawthornresources.com

Hawthorn Resources Limited

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Hawthorn Resources Limited

Corporate Directory

Directors

Mark Kerr (Chairman and Non-Executive Director)
Mark Elliott (Managing Director & CEO)
David Tyrwhitt (Non-Executive Director)

Company Secretary

Mourice Garbutt

Exploration Manager

Ian Moody

Financial Officer

Tony Amato

Registered Office and Domicile

Level 2, 90 William St
Melbourne, Victoria 3000 Australia
Telephone: +61 3 9605 5901
Facsimile: +61 3 9605 5999
E-mail: info@hawthornresources.com
Internet: <http://www.hawthornresources.com>

Legal Form

A public company. Liability Limited by Shares

Country of Incorporation

Australia

Share Registry

Link Market Services Ltd
Level 1, 333 Collins Street
Melbourne Victoria 3000 Australia
Telephone: 1300 554 474 or +61 3 9615 9999
Facsimile: +61 3 8614 2903

Auditors

PKF
Level 14, 140 William Street
Melbourne Victoria 3000 Australia

Australian Securities Exchange Listing Code

HAW	Ordinary shares
HAWO	Options expiring 30 April 2012 exercise price \$0.20
HAWOB	Options expiring 28 February 2013 exercise price \$0.10

Bankers

National Australia Bank Limited
Level 1, 99 Bell St
Preston Victoria 3072 Australia

Solicitors

Minter Ellison Lawyers
Rialto Towers, 525 Collins Street
Melbourne Victoria 3000 Australia

Hawthorn Resources Limited
Chairman's Report
for the Half-Year Ended 31 December 2010

CHAIRMAN'S REPORT

4th March 2011

As reported in the September and December Quarterly Activity statements the Company has moved significantly forward in its exploration activities.

Through an agreement with Legacy Iron Ore Limited (Legacy) the Company has caused a \$3.5 million exploration programme to be undertaken on the Mt Bevan Iron ore Project in Western Australia. The programme is designed to develop the Mt Bevan Iron Ore assets through to pre-feasibility. In January 2011 Legacy announced the commencement of its initial drilling programme. Upon completion of its earning of interest Legacy will hold a 60 per cent interest in this project.

In addition to negotiating the joint venture with Legacy the Company was also successful in concluding with Legacy a share subscription agreement which resulted in the raising of a gross amount of \$1.5 million in new equity funds.

Together with the then existing funds in hand and the new equity raising the Company has been able to concentrate on the exploration of its Western Australian gold projects. In particular, the projects at Deep South and Yundamindera. Initial results from the Deep South project drilling programme carried out in December 2010 were released to the market on 27 January 2011; further results will be released to the market as they become available.

Shareholders are reminded that the Company has established a facility whereby they can register to receive electronic notification of announcements. Registration can be made by completing the form on the Company's website: www.hawthornresources.com



M G Kerr
Chairman

The technical information in this report has been reviewed and approved by Mr I Moody who is Member of the Australasian Institute of Mining & Metallurgy and who has over 20 years experience in the exploration field.

Hawthorn Resources Limited

Directors' Report for the Half-Year ended 31 December 2010

DIRECTORS' REPORT

The Directors of Hawthorn Resources Limited present their report for the half year ended 31 December 2010.

1 Directors

The Directors of the Company in office since 1 July 2010 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 specializes in public relations and reputation management consultancy and is a director of the Hawthorn group of companies controlled entities including Ellendale Resources Pty Ltd. Mr Kerr is also a director of the ASX listed entity – Contango Microcap Limited

Mr M E Elliott

Executive Director & CEO – 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. With the increased exploration and corporate activities the Board of Directors appointed Mr Elliott as the Company's Managing Director and CEO effective 29 May 2009.

Dr David S 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 50 years experience in the mining industry. He is currently the Chairman of Bassari Resources Limited (November 2010 to current) and a Director of Quantum Resources Limited (November 1999 to current), Golden River Resources Corporation (November 1996 to current) and Legend International Holdings Inc., (March 2005 to current) and a former director of Astro Mines NL. 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.

Directorships

Other than the directorships noted above there have been no other directorships of listed entities held in the past three year

Hawthorn Resources Limited

Directors' Report for the Half-Year ended 31 December 2010

2 Review and Results of Operations

After allowing for the write-off of prior years exploration expenditures of \$202,282 (2009: \$489,804) the Company recorded a consolidated net loss of \$729,939 for the half-year ended 31 December 2010 (2009: loss \$327,893).

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.

Statement of Comprehensive Income

As an exploration company, the Company does not have an ongoing source of revenue. Its revenue stream is normally from ad-hoc tenement/plant and equipment disposals and interest received on cash in bank and other entity loan. In the 2010 half-year, revenue has decreased from \$598,024 in 2009 to \$62,616 in 2010.

Total consolidated expenses for the period amounted to \$792,555 (2009: \$925,917) inclusive of exploration expenditure written-off of \$202,282 in 2010 (2009: \$489,804), administration expenses were \$590,273 (2009: \$430,921); finance costs were \$nil (2009: \$nil); and there were no 'other expenses' (2009: \$nil); amortization of employee share options in 2010 was \$nil (2009:\$4,740).

As a result, the consolidated loss for the period from continuing activities after income tax expense was \$729,939 in the 2010 half-year compared to a loss of \$327,893 in 2009.

Statement of Financial Position

At 31 December 2010, the consolidated entity had working capital of \$2,138,069 (30 June 2010: \$2,252,907) made up of cash at bank of \$2,554,974 (30 June 2010:\$2,841,076), receivables of \$174,303 (30 June 2010: \$135,606), other current assets of \$8,997 (30 June 2010: \$2,240) and payables of \$600,205 (30 June 2010: \$726,015).

Non-current assets totalled \$8,994,187 (30 June 2010: \$8,109,774) primarily made up of carried forward exploration expenditure of \$8,952,466 (30 June 2010: \$8,067,078).

Net assets at 31 December 2010 amounted to \$11,132,256 (30 June 2010: \$10,362,681).

Hawthorn Resources Limited

Directors' Report for the Half-Year ended 31 December 2010

Cash Flow

During the half-year, the consolidated entity's cash and cash equivalents decreased by \$286,102 (2009: increased \$1,729,548) having paid \$755,347 (2009: \$560,843) in the normal course of operations and \$1,087,671 (2009: \$834,165) for exploration expenditure. Capital raising activities in the half-year consisted of a Placement of new shares to raise gross funds of \$1,500,000 (2009: \$2,634,781). Cash and cash equivalents in hand at the 31 December 2010 totalled \$2,554,974 (2009: \$3,627,459).

3 Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this Report.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 4th day of March 2011.



M G Kerr
Director



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Hawthorn Resources Limited for the half-year ended 31 December 2010, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hawthorn Resources Limited and the entities it controlled during the half year ended 31 December 2010..

D J Garvey
Partner
PKF

4 March 2011
Melbourne

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

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Hawthorn Resources Limited

ABN 44 009 157 439

FINANCIAL STATEMENTS OF THE REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

THIS REPORT SHOULD BE READ IN CONJUNCTION WITH THE
2010 ANNUAL FINANCIAL REPORT

Hawthorn Resources Limited
Statement of Comprehensive Income
For the Half-Year Ended 31 December 2010

	Note	Consolidated	
		2010 \$	2009 \$
Revenue	2	62,616	598,024
Expenses	2	(792,555)	(925,917)
Loss before income tax		(729,939)	(327,893)
Income tax expense		-	-
Loss for the period from continuing operations after income tax		(729,939)	(327,893)
Other comprehensive income			
Movements in available-for-sale financial assets		5,214	(223,983)
Other comprehensive income/(loss) for the period, net of tax		5,214	(223,983)
Total comprehensive loss for the period		(724,725)	(551,876)
Earnings per share		Cents	Cents
Basic loss per share for the period attributable to ordinary equity holders		(0.045)	(0.024)
Diluted loss per share for the period attributable to ordinary equity holders		(0.045)	(0.024)

The statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Hawthorn Resources Limited
Statement of Financial Position as at 31 December 2010

	Note	Consolidated	
		31 Dec 2010 \$	30 Jun 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,554,974	2,841,076
Receivables		174,303	135,606
Other current assets		8,997	2,240
Total Current Assets		2,738,274	2,978,922
Non-Current Assets			
Other financial assets		20,984	16,985
Exploration expenditure		8,952,466	8,067,078
Plant and equipment		20,737	25,711
Total Non-Current Assets		8,994,187	8,109,774
TOTAL ASSETS		11,732,461	11,088,696
LIABILITIES			
Current Liabilities			
Trade and other payables		600,205	726,015
Total Current Liabilities		600,205	726,015
TOTAL LIABILITIES		600,205	726,015
NET ASSETS		11,132,256	10,362,681
EQUITY			
Contributed Equity	3	38,063,340	36,569,040
Reserves		1,673,188	1,667,974
Accumulated losses		(28,604,272)	(27,874,333)
TOTAL EQUITY		11,132,256	10,362,681

The statement of financial position is to be read in conjunction with the accompanying notes to the condensed financial statements.

Hawthorn Resources Limited
Statement of Cash Flows for the Half-Year Ended 31 December 2010

	Consolidated	
	2010 \$	2009 \$
Cash flows from operating activities		
Payments in the course of operations	(755,347)	(560,843)
Interest received	62,616	30,885
Net cash used in operating activities	(692,731)	(529,958)
Cash flows from investing activities		
Payments for exploration expenditure	(1,087,671)	(834,165)
Proceeds from disposal of exploration asset	-	25,000
Proceeds from disposal of investments	-	557,362
Net cash used in investing activities	(1,087,671)	(251,803)
Cash flows from financing activities		
Proceeds from issue of shares	1,500,000	2,634,781
Payment of share issue costs	(5,700)	(123,472)
Net cash provided by financing activities	1,494,300	2,511,309
Net increase/(decrease) in cash and cash equivalents	(286,102)	1,729,548
Cash and cash equivalents at beginning of period	2,841,076	1,897,911
Cash and cash equivalents at end of period	2,554,974	3,627,459

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

Hawthorn Resources Limited
Statement of Changes in Equity for the Half-Year Ended
31 December 2010

	Contributed Equity \$	Accumulated Losses \$	Asset Revaluation Reserve \$	Employee Equity Benefit Reserve \$	Total Equity \$
CONSOLIDATED					
At 1 July 2009	34,057,764	(25,327,699)	237,390	1,425,844	10,393,299
Loss for the period	-	(327,893)	-	-	(327,893)
Other comprehensive loss	-	-	(223,983)	-	(223,983)
Total comprehensive loss for the period net of tax	-	(327,893)	(223,983)	-	(551,876)
Transactions with owners in their capacity as owners:					
Issue of share capital	2,634,781	-	-	-	2,634,781
Transaction costs on issue of share capital	(123,472)	-	-	-	(123,472)
Share based payment	-	-	-	4,740	4,740
At 31 December 2009	36,569,073	(25,655,592)	13,407	1,430,584	12,357,472
At 1 July 2010	36,569,040	(27,874,333)	-	1,667,974	10,362,681
Loss for the period	-	(729,939)	-	-	(729,939)
Other comprehensive income	-	-	5,214	-	5,214
Total comprehensive income/ (loss) for the period net of tax	-	(729,939)	5,214	-	(724,725)
Transactions with owners in their capacity as owners:					
Issue of share capital	1,500,000	-	-	-	1,500,000
Transaction costs on issue of share capital	(5,700)	-	-	-	(5,700)
At 31 December 2010	38,063,340	(28,604,272)	5,214	1,667,974	11,132,256

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

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2010

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Reporting Entity

Hawthorn Resources Limited (the "Company") is a company domiciled in Australia. This financial report as at and for the half-year ended 31 December 2010 is for the consolidated entity which consists of Hawthorn Resources Limited and its controlled entities.

(b) Basis of Preparation

The half-year financial report is a general purpose financial report for the half-year ended 31 December 2010, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australia Accounting Standard AASB 134 "Interim Financial Reporting".

The half-year financial report does not include all the information required for a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the June financial report. It is recommended this half year financial report be read in conjunction with the annual Financial Report of Hawthorn Resources Limited as at and for the year ended 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Hawthorn Resources Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The half-year financial report was approved by the Board of Directors on 4th March 2011.

(c) Summary of Significant Accounting Policies

The accounting standards, estimation methods and measurement bases used in this report are the same as those used in the last Hawthorn Resources Limited Annual Report.

(d) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Adoption of these Standards did not have any effect on the financial position or performance of the consolidated entity:

- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations;
- AASB 107 *Statement of Cash flows*: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment has no impact on the consolidated entity as there was no business combination during the half year ended 31 December 2010;
- AASB 136 *Impairment of Assets*: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the company does not have goodwill;

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Hawthorn Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2010

2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	2010 \$	2009 \$
(a) Included in revenue for the period is:		
Gain on disposal of financial assets	-	555,862
Interest revenue	62,616	30,885
Other income	-	11,277
	62,616	598,024
(b) Included in expenses for the period is:		
Impairment of exploration assets	202,282	489,804

3. CONTRIBUTED EQUITY

	31 December 2010 \$	30 June 2010 \$
(a) Issued and paid up capital	38,063,340	36,569,040
(b) Movement in contributed equity during the six month period were as follows:		
Opening balance at 1 July 2010	1,525,595,897	
Placement – Legacy Iron Ore Limited	250,000,000	
Closing balance at 31 December 2010	1,775,595,897	
	\$	
Opening balance at 1 July 2010	36,569,040	
Placement - Legacy Iron Ore Limited	1,500,000	
Transaction costs	(5,700)	
Closing balance at 31 December 2010	38,063,340	

4. SEGMENT INFORMATION

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

5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual report date.

6. EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the consolidated entity, the results of the operations, or the state of affairs of the consolidated entity in future financial periods.

**DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

In the opinion of the directors' of Hawthorn Resources Limited:

1. the financial statements and notes to the financial statements, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 4th day of March 2011.

Signed in accordance with a resolution of the directors:



M. G. Kerr
Chairman

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF HAWTHORN RESOURCES LIMITED**



Chartered Accountants
& Business Advisers

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Hawthorn Resources Limited which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Hawthorn Resources Limited (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hawthorn Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PKF

4 March 2011
Melbourne

D J Garvey
Partner

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia

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