Hawthorn RESOURCES

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30 September 2009

THE MANAGER
COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED

Dear Sir/Madam

re : FINANCIAL REPORT AND ANNUAL GENERAL MEETING

Hawthorn Resources Limited and its Controlled Entities
for the Year Ended 30 June 2009

(A) FINANCIAL REPORT

Enclosed for release to the market is the audited Financial Report for the year ended 30 June 2009 and incorporating:

Directors' Report inclusive of the Remuneration Report
Corporate Governance Statement
Income Statement
Balance Sheet
Statement of Cash Flows
Statement of Changes in Equity
Notes to the Financial Statements
Directors' Declaration
Auditors' Report and Independent Declaration

(B) ANNUAL GENERAL MEETING ("AGM")

The 2009 AGM of Hawthorn Resources Limited is to be held on Friday 27 November 2009:

Time : 10.00 a.m.
Place : Level 2, 90 William Street, Melbourne Vic

Yours faithfully
Hawthorn Resources Limited

per Mourice R Garbutt
Company Secretary
haw\asx\financial report 30 06 09

HAWTHORN RESOURCES LIMITED

ABN 44 009 157 439

FINANCIAL REPORT 2009

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Dear Shareholder

This is the first full year of reporting 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 Company has also put in place a facility whereby shareholders can register to receive electronic notification of announcements.

Exploration Activities

Your directors consider that the exploration work conducted in the FY June 2009 has been most positive and that the Company has achieved good value for the exploration dollars expended in the period.

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 and currently in the Eastern Goldfields areas. Details of the exploration programmes and their results can be found in the Quarterly Activity Reports as posted to the Company's website at www.hawthornresources.com

Mark Kerr

MARK KERR
Chairman
Melbourne, 30 September 2009

The Directors of Hawthorn Resources Limited present their report for the year ended 30 June 2009.

1. Directors

The Directors of the Company in office since 1 July 2008 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 and has served on a number of public company boards.

Mr Kerr has more than 30 years experience in the mining industry

Mr M E Elliott
Executive Director – Appointed 22 November 2007

Mr Mark Elliott is a director 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 Spotless Group Limited, E*trade Limited, Oakton Limited and Mineral Deposits Limited and a former director and legal counsel of Computershare Limited.

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 50 years experience in the mining industry. He is currently 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 Diamond Mines NL (November 1996 to May 2008). 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.

2. Principal Activities and Review and Results of Operations

Hawthorn Resources Limited ("Hawthorn") is 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.

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.

Objective

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 $93,625 in 2008 to $135,224 in 2009. In both years the revenue has been interest received on surplus funding. Other income in 2009 amounted to $673 being an amount received from foreign currency gain (2008: $57,023).
Costs and expenses totalled $26,514,771 in 2009 compared to $1,197,355 in 2008 and after allowing for the impairment in carrying value of an investment in a subsidiary company associated with the impairment in carrying value of exploration tenements in the Clarke River Uranium Project of $14.96 million (2009: $nil) – refer to Note 10 to the financial statements. Exploration expenditure written off in 2008 was $286,189 compared to $866,033 in 2009. 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 for 2009 were $798,565 (2008: $942,591), continuing the Board of Directors tighter control on expenditures. Other expenses in 2009 $nil (2008: $27,096).

The Company has cash in bank at 30 June 2009 was $1,877,236 (2008:$3,749,723), receivables totalled $48,773 (2008:$75,531), available for sale securities, following impairment testing of carrying values, of $1,756,696 (2008:$26,734,350), current liabilities totalled $814,925 (2008:$197,309) and non-current liabilities totaled $nil (2008: $691,049).

At 30 June 2009, the Company had working capital of $1,113,235 (2008:$3,629,492) and net assets of $10,132,171 (2008:$36,638,526) after the abovementioned impairment in carrying values.

Cash Flow

During the year, the Company used $502,381 (2008:$920,666) in operating activities, paid $1,174,893 (2008:$959,385) for exploration activities and raised no new equity capital of $nil (2008$4,255,312). As a result, the Company has cash in bank at 30 June 2009 of $1,877,236 (2008:$3,749,723).

3. Significant Change in State of Affairs

The Directors are of the opinion that other than as disclosed in the Principal Activities section of the Directors' Report 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:

a) continued and accelerated its exploration activities, most noticeably in the Mt Bevan Project in Western Australia; and

b) In August the Company has conducted an equity raising consisting of a Placement of shares at $0.007 a share to raise $400,000 together with the announcement of the establishment of a Share Purchase Plan offering to shareholders at an issue price of $0.0072 a share. The Plan was underwritten by BBY Limited to the extent of 116.5 million new shares at $0.0072 a share to raise a minimum of $838,800. The Plan offering closed on 15 September 2009 with shareholders having strongly supported the offering and having subscribed an aggregate of $2,234,781. As such, there was no shortfall on the underwritten amount. At an issue price of $0.0072 a share the number of new shares allotted totalled 310,386,210 shares.

Other than as noted above 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 of 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	$1.25	Anytime on or before 22 September 2010.

During the year and up to the date of this Report, none of these options have been exercised and no new 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	$0.20	Anytime on or before 30 April 2012.

During the year and up to the date of this Report, none of these options have been exercised and no new 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	$0.10	Anytime on or before 28 February 2013

During the year and up to the date of this Report, none of these options have been exercised and no new 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**
2,500,000	30 June 2018	nil	A$0.10	Under Terms and Conditions of the employee share option plan

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 .employee share option plan and a resolution of shareholders in the General Meeting held in January 2008

During the year and up to the date of this Report, the Company has issued 2,500,000 options over fully paid ordinary shares.

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.

As at the date of this Report none of the Unlisted options have been exercised.

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	Unquoted Options (HAWAM) 25/01/2018	Quoted Options (HAWOB) 28/02/2013
M G Kerr	50,187,572	5,000,000	9,428,000
M E Elliott	12,083,333	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	5	5	2	2	-	-
D S Tyrwhitt	5	5	2	2	-	-
M E Elliott	5	5	2	2	-	-

Note: * Audit Committee considerations are held within Board Meetings

10. Company Secretary

Mr M Garbutt, appointed in May 2008, is the Company Secretary of the Company and its subsidiaries. Mr Garbutt is 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 in 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 and Auditor Indemnity

Directors:
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.

Auditors:
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as an auditor.

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 other than noted below, 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.

	2009 $	2008 $
Statutory audit		
Auditors of the Company - PKF		
- audit and review of financial reports	38,000	50,000
- other non-audit services (i)		
Auditors of Ellendale Group		
- audit and review of financial reports -KPMG	-	37,998
Other services - PKF	-	1,500
Total fees paid	38,000	98,498

(i) Non-Audit Services

During the year PKF, the Company's auditor, discussed the provision of tax compliance services with the Company. Whilst no fees have been charged to or accrued by the Company it is estimated that such discussions amounted to time based professional fees before GST of $7,500 for these non-audit services. The directors are satisfied that the provision of such time and services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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 provided 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 Director's 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 into 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 now provides to all group companies the services previously provided by AXIS Consultants Pty Ltd. Services provided by Berkeley Consultants are pursuant to the terms of a management agreement, and includes providing the Company with its registered corporate head office facilities in Melbourne, a fully serviced office and ancillary services arrangement, as well as staff to carry out management and administrative functions.

Total fees and disbursements paid or due to Berkeley Consultants during the year amounted to $492,013 plus GST.

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 association with 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; and

(vi) the Northern Resources Australia 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 year ended 30 June 2009 amounted to $ 492,013 before GST (2008 part year:$99,956 before GST).

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

	2009 **$**	**2008** **$**	**2007** **$**	**2006** **$**	**2005** **$**
Revenue	135,224	93,625	89,991	53,259	362,235
Net profit / (loss)	(26,379,547)	(1,212,932)	(1,983,866)	(2,289,961)	(1,851,289)
Basic earnings per share	(1.483)	(0.26)	(0.53)	(0.85)	(0.91)
Diluted earnings per share	(1.483)	(0.26)	(0.53)	(0.85)	(0.91)
Net assets	10,132,171	36,638,526	7,759,009	9,407,276	4,665,974

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
The Service Agreement with Axis Consultants Pty Ltd ceased as of 31 March 2008

(iii) Management and Office Services – Berkeley Consultants Pty Ltd

As described in Note (i) above.

(iv) Non-Executive Directors

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 Non-Executive Directors' base fees for the financial year was $116,121 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

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 above options were valued by an external consultant as at grant date using the Black Scholes 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

Since the time of grant and prior to the vesting date all grantees have ceased to be employed by / associated with the Company and accordingly per the terms of the Plan such options were forfeited in April 2008

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	2009	2008
Date of issue		19 October 2006
Number of options		2,000,000
Issue price		Nil
Exercise price		$0.10
Value of options		$54,000
Expiry date		19 October 2011
Number of options vested during the year		Nil
% vested in year		0%
% forfeited in year		100%
Value yet to vest (unaudited)		
- minimum		Nil
- maximum		Nil
Number of options on issue		
- at 1 July		2,000,000
- at 30 June		Nil

PJ Lee – General Manager Corporate & Company Secretary Resigned 31 March 2008	2009	2008
Date of issue		19 October 2006
Number of options		2,500,000
Issue price		Nil
Exercise price		$0.10
Value of options		$67,500
Expiry date		19 October 2011
Number of options vested during the year		Nil
% vested in year		0%
% forfeited in year		100%
Value yet to vest (unaudited)		
- minimum		Nil
- maximum		Nil
Number of options on issue		
- at 1 July		2,500,000
- at 30 June		nil

M G Kerr – Chairman Appointed 22 November 2007	2009	2008
Date of issue		25 January 2008
Number of options	5,000,000	5,000,000
Issue price	Nil	Nil
Exercise price	$0.10	$0.10
Value of options	$126,000	$126,000
Expiry date	25 January 2018	25 January 2018
Number of options vested during the year	Nil	Nil
% vested in year	100%	0%
% forfeited in year	0%	0%
Value yet to vest (unaudited)		
- minimum	Nil	Nil
- maximum	Nil	Nil
Number of options on issue		
- at 1 July	5,000,000	Nil
- at 30 June	5,000,000	5,000,000

M E Elliott– Non-Executive Director Appointed 22 November 2007	2009	2008
Date of issue	25 January 2008	25 January 2008
Number of options	5,000,000	5,000,000
Issue price	Nil	Nil
Exercise price	$0.10	$0.10
Value of options	$126,000	$126,000
Expiry date	25 January 2018	25 January 2018
Number of options vested during the year	Nil	Nil
% vested in year	100%	0%
% forfeited in year	0%	0%
Value yet to vest (unaudited)		
- minimum	Nil	Nil
- maximum	Nil	Nil
Number of options on issue		
- at 1 July	5,000,000	Nil
- at 30 June	5,000,000	5,000,000

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 FY 2008, 2,000,000 and 2,500,000 non-vested options granted to Messrs M Z 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

As noted in section (i), management services are provided to the Company by Berkeley Consultants Pty Ltd. Berkeley Consultants Pty Ltd pays the Chairman's remuneration fees on behalf of the Company, based on pre-agreed amounts. Berkeley Consultants has provided the following information in regard to the amounts invoiced to the Company for the Directors in respect of all remuneration (as that term is defined in the *Corporations Act* 2001) received by the Directors 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)
D S Tyrwhitt – Non Executive Director (appointed 14 November 1996)

(b) **Executives**
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								
Executive								
M E Elliott (i) (ii)	2009	46,121	-	-	73,500	119,621	61.44	61.44
	2008	*70,000*	-	-	*52,500*	*122,500*	*43.03*	*43.03*
Non-Executive								
M G Kerr (ii)	2009	40,000	-	-	73,500	113,500	64.75	64.75
	2008	*70,000*	-	-	*52,500*	*122,500*	*43.03*	*43.03*
J I Gutnick	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
D S Tyrwhitt	2009	40,000	-	-	-	40,000		
	2008	-	-	-	-	-	-	-
M Z Gutnick	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
Total all Directors	2009	126,121	-	-	147,000	273,121	-	-
	2008	140,000	-	-	*105,000*	*245,000*	-	
Executives								
P J Lee	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
M Garbutt)iii)	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
Total, all Executives	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
Total all							-	-
Directors	2009	126,121	-	-	147,000	273,121		
& Executives	*2008*	*140,000*	-	-	*105,000*	*245,000*	-	-

(i) In May 2009 and as announced to the ASX Mr Elliott was appointed to the position of Managing Director;

(ii) In addition to the above disclosed remuneration, $492,013 (2008: part year $99,956 before GST) was paid to Berkeley Consultants Pty Ltd during the year for management and serviced office facilities; &

(iii) During the year KR Corporate Compliance Pty Ltd, of which Mr Garbutt is a director, provided secretarial and corporate governance services to the Company. Such time based professional fees as charged by KR Corporate Compliance Pty Ltd amounted to $35,725 before GST (2008: part year $8,785 before GST).

There were no short term cash bonuses, post employment prescribed benefits, termination benefits or insurance premiums paid during 2008 or 2009.

Auditor's Independence Declaration:

The auditor's independence declaration as required under Section 307 C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 30th day of September 2009.

Mark Kerr

MARK KERR
Chairman

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Hawthorn Resources Limited for the year ended 30 June 2009, 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 Limited and the entities it controlled during the year.

David Garvey
Partner
PKF

30 September 2009
Melbourne

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Corporate Governance Statement

CORPORATE GOVERNANCE PRACTICES AND CONDUCT

The board of directors of Hawthorn Resources Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The board guides and monitors the business and affairs of Hawthorn Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the CGS's recommendations.

	Recommendation	Comply Yes/No	Reference/explanation	ASX Listing Rule/ Recommendation
	Principle 1 - Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 18	*ASX LR 1.1*
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 19 and 21	*ASX LR 1.2*
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes		*ASX LR 1.3*
	Principle 2 - Structure the board to add value			
2.1	A majority of the board should be independent directors.	No	Page 18 and 19	*ASX LR 2.1*
2.2	The chair should be an independent director.	No	Page 18	*ASX LR 2.2*
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 18	*ASX LR 2.3*
2.4	The board should establish a nomination committee.	No	Page 21	*ASX LR 2.4*
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 19 and 21	*ASX LR 2.5*
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes		*ASX LR 2.6*
	Principle 3 - Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: _ The practices necessary to maintain confidence in the company's integrity. _ The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. _ The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 18 and 21	*ASX LR 3.1*
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 20	*ASX LR 3.2*
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3	Yes		*ASX LR 3.3*
	Principle 4 - Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Yes	Page 20	*ASX LR 4.1*

4.2	The audit committee should be structured so that it: Consists only of non-executive directors Has at least three members _ Consists of a majority of independent directors _ Is chaired by an independent chair, who is not chair of the board	 No Yes No Yes	 Page 20 Page 20 Page 20 Page 20	*ASX LR 4.2* *ASX LR 12.7*
4.3	The audit committee should have a formal charter.	No	Page 20	*ASX LR 4.3*
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	No		*ASX LR 4.4*
	Principle 5 - Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 21 and 23	*ASX LR 5.1*
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	No		*ASX LR 5.2*
	Principle 6 - Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 23	*ASX LR 6.1*
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes		*ASX LR 6.2*
	Principle 7 - Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 20 and 21	*ASX LR 7.1*
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes	Page 20 and 21	*ASX LR 7.2*
7.3	The board should disclose whether it has received assurance from the chief executive officer [or equivalent) and the chief financial officer [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 22	*ASX LR 7.3*
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes		*ASX LR 7.4*
	Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	No	Page 22 and 23	*ASX LR 8.1*
8.2	Companies should clearly distinguish the structure of nonexecutive directors' remuneration from that of executive directors and senior executives.	Yes	Page 20 and 21	*ASX LR 8.2*
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes		*ASX LR 8.3*

Corporate Governance Statement (continued)

Hawthorn Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2009.

Board functions

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board. The responsibility for the operation and administration of the Group is delegated, by the board, to the Managing Director and the executive management team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive management team. Whilst at all times the board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board. To this end the board has established the Share Allotment and Audit, Compliance and Corporate Governance Committees.

The Directors in office at the date of this statement, their skills, experience, expertise and period of directorship are detailed in the Directors' Report. In respect of the attendance at Board and Committee Meetings, shareholders are referred to the table of Meeting Attendance contained on page 6.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report. Directors of Hawthorn Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Hawthorn Resources Limited are considered to have the following status:

Name	Position and status	Term in Office
Non-executive directors		
Mr Mark G Kerr	Chairman and Non-Executive Director	1.6 years
Dr David S Tyrwhitt	Independent Director	12.6 years
Executive directors		
Mr Mark E Elliott	Managing Director	1.6 years

The board recognises the Corporate Governance Council's recommendation that the Chairman should be an independent director.

Corporate Governance Statement (continued)

Composition of the Board

The Company's Constitution provides for the appointment of a minimum of three Directors and up to a maximum of twelve. At the date of this report, the Company has three Directors comprising one Executive and two Non-Executive Directors. The Chairman of the Board and the Chairman of the Board's Committees' are Non-Executive Directors.

In June 2009 the Board of Directors undertook its annual review of the status of each Director and reached the opinion that each Director, apart from Mr Elliott, could be classified as a Non-Executive Director. In addition, this assessment has concluded Dr Tyrwhitt qualified as an Independent Director.

Board Responsibilities

The responsibility for the operation and administration of the Company is delegated by the Board to the specifically identified outsourced service providers. The Board ensures that this team of service providers is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of specific committees referred in this statement, these mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the company's expense;
- The review and approval of acquisitions and disposals of businesses and assets, and the approval of contracts and financing arrangements within defined limits; and
- The appointment of an outsourced service provider, which is responsible for managing the Company's public image and communication with shareholders.

In conjunction with an ongoing review of the Board Charter, the Board will consider its responsibilities and delegated authorities to ensure they comply with best practice corporate governance.

Nomination and Membership

Subject to the provisions of the Company's Constitution, Board composition and selection criteria for Directors are addressed by the full Board. Accordingly, a Nomination and Membership Committee has not been established.

The Constitution provides for events whereby Directors may be removed from the Board. Similarly shareholders have the ability to nominate, appoint and remove Directors. The Constitution also provides for the regular rotation of Directors, which ensures that Directors seek re-election by shareholders at least once every three years.

Independent Professional Advice

Directors, in carrying out their duties as Directors or as members of Board Committees, may, after prior consultation with the Chairman, seek independent professional advice at the expense of the Company. If appropriate, such advice will be available to all Directors.

Corporate Governance Statement (continued)

Timely and Balanced Disclosure

The Board of Directors has established written policies and procedures designed to ensure compliance and at each meeting of the Board of Directors and specifically monitors the Company's activities and disclosures. On average there are between five and nine Board meetings a year. The Board of Directors has endorsed the principles of best corporate governance practice as set out by the Council.

Performance

The performance of the board and key executives is reviewed periodically against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Hawthorn Resources Limited.

Trading Policy

Under the Company's Securities Trading Policy, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. The Directors are permitted to deal in securities in which they have a relevant interest without restriction for any period other than the last day in each half or full year reporting period until two business days after the release to the ASX of the announcements by the Company of its full year or half year results. Directors are required to wait at least two business days after the release of any market sensitive announcement by the Company so that the market has had time to absorb the information.

As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

Board of Directors and its Committees

The Board of Directors is responsible for the overall governance of the Company inclusive of its strategic development and the direction and the control of operations of the Company. Whilst the Board retains overall responsibility, it has established certain committees to assist in carrying out its responsibilities. Such committees include the audit, compliance and corporate governance committee and the share allotment committee.

Audit, Compliance and Corporate Governance Committee

It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the audit, compliance and corporate governance committee. However, as the Board of Directors comprises three only directors the functions of the committee are carried out within the structure and conduct of Board Meetings but under the Chairmanship of Dr Tyrwhitt. A charter is being prepared for approval by the board.

The committee, as at the date of this statement, comprises:

Chairman	Dr D S Tyrwhitt (Independent Director)
Member	Mr M G Kerr (Non-Executive Director)
Member	Mr M E Elliott (Managing Director)

The Company's Auditors are invited to attend meetings and to participate in committee discussions. The Group Financial Officer attends committee meetings.

Corporate Governance Statement (continued)

The duties of the Committee have been established as and include:

- The review of the Audit Programme and all matters relevant to the financial affairs of the Company's activities together with the production of Statutory Financial Reports inclusive of the Reports and Declarations by Directors.
- To review and advise on procedures in place to record the Company's activities and to ensure the safety of the Company's records and assets.
- To review Internal Control Procedures and the Auditor's Management letter.
- To review the half-yearly and yearly reports to the ASX Limited together with a review of the scope and quality of the annual statutory audit and the half-year audit review.
- To monitor Compliance with the provisions of the Corporations Act 2001, Australian Securities and Investment Commission guidelines and practice notes, ASX Listing Rules, taxation requirements and all regulatory bodies.
- Carry out the functions of the Remuneration Committee.
- Group Risk management
- To review the performance of the external auditor and the level of fees charged for audit services

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.

Share Allotment Committee

Any two Directors will constitute a quorum for this committee, which deals with the allotment of new securities in accordance with the general guidelines and principles as authorised by the Board of Directors.

Internal Control Framework and Ethical Standards

The Board of Directors seeks to identify the expectations of shareholders as well as other regulatory and ethical expectations and obligations.

These matters are undertaken by the full Board together with the audit, compliance and corporate governance committee. In respect of the ethical standards, the full Board regularly discusses the maintenance by the Company of appropriate ethical standards in line with the Council's recommendations.

Risk

The board acknowledges the Revised Supplementary Guidance to Principle 7 issued by the ASX in June 2008 and has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the company's approach to creating long-term shareholder value.

In recognition of this, the board determines the company's risk profile and is responsible for overseeing and approving risk management strategy. The audit, compliance and corporate governance committee reviews policies, internal compliance and internal control.

The audit, compliance and corporate governance committee oversees the assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Chief Executive Officer and Financial Officer, including responsibility for the day to day design and implementation of the company's risk management and internal control system.

Management reports to the audit, compliance and corporate governance committee on the company's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by management is a standing agenda items at board meetings.

Corporate Governance Statement (continued)

Business Risk

The main areas of business risk, which are considered on an ongoing basis by the Board are:

- Failure to develop commercial products from the company's exploration and development activities
- Ability to raise capital or generate free cash flow to fund future exploration and development activities
- Failure to market the company's products
- General economic factors including those affecting interest and exchange rates
- Changes in Corporations and Taxation Laws

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.

CEO and CFO certification

In accordance with section 295A of the Corporations Act, the chief executive officer and chief financial officer have provided a written statement to the board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board
- The Company's risk management and internal compliance and control system is operating effectively in all material respects

The board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the Managing Director and Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures. In response to this, internal control questions are required to be completed by the key management personnel of all significant business units, including finance managers, in support of these written statements.

Remuneration

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the chief executive officer and executive team. A Compensation (Remuneration) Committee has not been separately established, rather the function is performed within the Board Meetings given that the Company at this time has a Board comprising three members.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. 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.

Corporate Governance Statement (continued)

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the directors' report.

Shareholder communication policy

Hawthorn's objective is to promote effective communication with its shareholders at all times. Hawthorn Resources Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Hawthorn's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in applicable the ASX listing rules and the Corporations Act in Australia.
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Hawthorn Resources Limited.

To promote effective communication with share holders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and Notices of Annual General Meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on the Hawthorn website www.hawthornresources.com.

The Company's website www.hawthornreseources.com has a dedicated Investor Relations section for the purpose of publishing all important company information and relevant announcements made to the market. The Company has also established an e-mail directory for the direct distribution of announcements made to the ASX.

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduction of the audit and preparation of the audit report.

Annual Reports are provided to all shareholders who have elected to receive the Report. In addition the Company has established an electronic advice directory in which shareholders may register to receive by e-mail copy announcements.

At the meetings of shareholders, Directors are subject to questioning by shareholders about the Directors' stewardship of the Company's affairs and it is shareholders who ultimately vote upon the financial statements and reports, the election of Directors, appointment of Auditors and any matters of Special Business.

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

ABN 44 009 157 439

Financial Statements for Year Ended 30 June 2009:

- **Income Statement**
- **Balance Sheet**
- **Cash Flow Summary**
- **Statement of Change in Equity**
- **Notes to the Financial Statements**

Hawthorn Resources Limited
Income Statement
For the Year Ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Revenue from Continuing Operations					
Finance revenue	3	135,766	104,558	135,224	93,625
Gain on Consolidation	3	-	404,131	-	-
Gain on disposal of assets		-	-	-	1,498
Other income	3	673	665	673	57,023
		136,439	509,354	135,897	152,146
Exploration expenditure impaired		(15,911,923)	-	(866,033)	(286,189)
Administration expenses		(791,500)	(891,848)	(786,212)	(939,843)
Depreciation expense		(12,533)	(2,928)	(12,353)	(2,748)
Other expenses		-	(555)	-	(27,096)
Impairment of available for sale investments		(391,676)	-	-	-
Impairment of investment in subsidiaries		-	-	(24,646,961)	-
Share option expense		(203,885)	-	(203,885)	-
Finance costs	3	-	(60)	-	-
Loss before income tax		(17,175,078)	(386,037)	(26,379,547)	(1,103,730)
Income tax year expense	4	-	-	-	(109,202)
Loss for the period after tax from continuing operations		(17,175,078)	(386,037)	(26,379,547)	(1,212,932)
Loss attributable to members		(17,175,078)	(386,037)	(26,379,547)	(1,212,932)
Earnings per share		Cents	Cents		
Basic loss per share for the year attributable to ordinary equity holders		(1.483)	(0.057)		
Diluted loss per share for the year attributable to ordinary equity holders		(1.483)	(0.057)		

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

Hawthorn Resources Limited
Balance Sheet as at 30 June 2009

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
ASSETS					
Current Assets					
Cash and cash equivalents	6	1,897,911	3,761,907	1,877,236	3,749,723
Receivables	7	50,280	100,235	48,773	75,531
Other current assets	8	2,151	9,318	2,151	1,547
Total Current Assets		1,950,342	3,871,460	1,928,160	3,826,801
Non-Current Assets					
Other financial assets	9	248,364	601,278	1,756,696	26,734,350
Exploration expenditure	10	8,476,914	23,103,916	7,225,803	6,916,943
Plant and equipment	11	36,768	49,301	36,437	48,790
Total Non-Current Assets		8,762,046	23,754,495	9,018,936	33,700,083
TOTAL ASSETS		10,712,388	27,625,955	10,947,096	37,526,884
LIABILITIES					
Current Liabilities					
Trade and other payables	12	319,089	300,225	814,925	197,309
Total Current Liabilities		319,089	300,225	814,925	197,309
Non-Current Liabilities					
Other financial liabilities	13	-	-	-	691,049
Total Non-Current Liabilities		-	-	-	691,049
TOTAL LIABILITIES		319,089	300,225	814,925	888,358
NET ASSETS		10,393,299	27,325,730	10,132,171	36,638,526
EQUITY					
Share capital	14	34,057,764	34,057,764	85,792,054	85,792,054
Reserves	15	1,663,234	1,420,587	1,267,050	1,393,858
Accumulated losses		(25,327,699)	(8,152,621)	(76,926,933)	(50,547,386)
TOTAL EQUITY		10,393,299	27,325,730	10,132,171	36,638,526

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 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Payments in the course of operations		(714,840)	(982,101)	(637,605)	(1,013,291)
Interest received		135,766	104,558	135,224	92,625
Net cash used in operating activities	18 (a)	(579,074)	(877,543)	(502,381)	(920,666)
Cash flows from investing activities					
Payments for exploration expenditure		(1,284,922)	(705,210)	(1,174,893)	(959,385)
Acquisition of plant and equipment		-	(9,284)	-	(26,863)
Loans to other entity		-	-	(195,213)	-
Proceeds from sale of investments		-	-	-	158,434
Acquisition of Hawthorn Resources – net of cash required	18 (b)	-	3,271,163	-	-
Net cash (used in)/provided by investing activities		(1,284,922)	2,556,669	(1,370,106)	(827,814)
Cash flows from financing activities					
Proceeds from issue of shares		-	480	-	4,255,312
Proceeds from borrowings		-	-	-	691,049
Net cash provided by financing activities		-	480	-	4,946,361
Net increase/(decrease) in cash and cash equivalents		(1,863,996)	1,679,606	(1,872,487)	3,197,882
Cash and cash equivalents at beginning of period		3,761,907	2,082,301	3,749,723	551,841
Cash and cash equivalents at end of period	6	1,897,911	3,761,907	1,877,236	3,749,723

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 2009

	Note	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
CONSOLIDATED					
At 30 June 2007		23,855,637	(7,766,584)	1,458,849	17,547,902
Loss for the year		-	(386,037)	-	(386,037)
Net loss on available-for-sale investments	15	-	-	(38,262)	(38,262)
Issue of share capital	14	481	-	-	481
Shares deemed to be issued as a result of scheme of arrangement	14	10,201,646	-	-	10,201,646
At 30 June 2008		34,057,764	(8,152,621)	1,420,587	27,325,730
Loss for the year		-	(17,175,078)	-	(17,175,078)
Net gain on available-for-sale investments	15	-	-	38,762	38,762
Share-based payments charge	15	-	-	203,885	203,885
At 30 June 2009		34,057,764	(25,327,699)	1,663,234	10,393,299
COMPANY					
At 30 June 2007		55,371,312	(49,334,454)	1,722,151	7,759,009
Loss for the year		-	(1,212,932)	-	(1,212,932)
Net loss on available-for-sale investments	15	-	-	(461,702)	(461,702)
Issue of share capital	14	30,665,429	-	-	30,665,429
Share issue costs	14	(244,687)	-	-	(244,687)
Share-based payments charge	15	-	-	24,207	24,207
Income tax	15	-	-	109,202	109,202
At 30 June 2008		85,792,054	(50,547,386)	1,393,858	36,638,526
Loss for the year		-	(26,379,547)	-	(26,379,547)
Net loss on available-for-sale investments	15	-	-	(330,693)	(330,693)
Share-based payments charge	15	-	-	203,885	203,885
At 30 June 2009		85,792,054	(76,926,933)	1,267,050	10,132,171

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 public company domiciled in Australia. 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.

The financial report includes separate financial statements for Hawthorn Resources Limited as an individual entity and the consolidated entity consisting of Hawthorn Resources Limited and its controlled entities. The financial report was authorised for issue by the Directors on the date of this report.

(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 significant 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)(xx).

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 Accounting 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.

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. Hawthorn Resources Limited does not currently hold qualifying assets but, if it did, the borrowings costs directly associated with the asset would be capitalised.

(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, net of bank overdrafts.

(vi) Receivables

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.

(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. Impairment losses on goodwill are not reversed.

(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) Other financial assets
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) Other financial assets (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 and plant and equipment is between 3 and 5 years.

The asset's residual values, useful lives and depreciation 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 entities 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 black scholes 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) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

(i) *Impairment*

The Company assesses impairment of non-current assets (other financial assets, exploration expenditure and plant and equipment) at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions or fair value less costs to sell.

Key Judgments

(ii) *Exploration and Evaluation Expenditure*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the income statement in the period when the new information becomes available.

Management discussed with the Board 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 key points/assumptions that relate to the company's evaluation of 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 the 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.

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

(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 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, and 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.

(g) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company is as follows:

- *AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009).* These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - There shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Company's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and

(g) New Accounting Standards for Application in Future Periods (Cont'd)

- where there is, in substance, no change to Company interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Company will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- *AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009).* AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- *AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009).* The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Company. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- *AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009).* The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Company as a policy of capitalising qualifying borrowing costs has been maintained by the Company.
- *AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009).* This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- *AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009).* These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AAS*B 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6)* detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

(g) New Accounting Standards for Application in Future Periods (Cont'd)

- *AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009).* This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Comapny.
- *AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009).* This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- *AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009).* This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Company's financial statements.

2. SEGMENT INFORMATION

The principal business and geographical segment of the Company is mineral exploration within Australia. Due to a single main entity and one geographical area of operating, a single operating and geographical segment was identified.

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 Consolidated Entity and the Company:

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(i) Revenue					
Interest		135,766	104,558	135,224	-
Related parties	20	-	-	-	3,143
Other		-	-	-	90,482
Total finance revenue		135,766	104,558	135,224	93,625
(ii) Other Income					
Sale of securities		-	-	-	57,440
Sundry income		673	665	673	(417)
Total other income		673	665	673	57,023
(iii) Finance Costs Other		-	60	-	-
(iv) Gain on Disposal of Assets		-	-	-	1,498
(v) Gain on Acquisition via Scheme of Arrangement		-	404,131	-	-
(vi) Auditor's remuneration					
Audit services - PKF		38,000	50,000	38,000	50,000
Audit services - KPMG		-	37,998	-	-
Other services – PKF (Shareholder resolution poll)		-	1,500	-	-
Total auditor's remuneration		38,000	89,498	38,000	50,000

4. TAXATION

(a) Income tax expense

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Prima facie income tax benefit calculated at 30% on the loss	(5,152,523)	(237,050)	(7,913,864)	(331,119)
Add:				
Tax Losses not recognised	200,277	219,189	198,800	-
Consultants overseas fees & expenses	-	227	-	-
Exploration expenditure impaired	4,773,577	-	259,810	85,857
Capital – consultants	-	15,131	-	-
Legal expenses	-	2,503	-	-
Capital Diminution	-	-	-	127

4. TAXATION (Cont'd)

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Reversal of prior year tax Benefit		-	-	-	354,337
Impairment of investment in subsidiary		-	-	7,394,088	-
Impairment of available for sale investments		117,503	-	-	-
Share option expense		61,166	-	61,166	-
Income tax expense/(benefit)		-	-	-	109,202

(b) Amounts charged or credited directly to equity

Deferred income tax related to items Available-for-sale investments	-	-	-	(109,202)

(c) 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 able to be quantified at this time.

Deferred tax asset has been calculated at 30%.

The potential deferred tax asset not recognised is as follows:

Revenue losses	19,706,378	19,164,942	17,126,974	16,620,025
Capital losses	556,787	556,787	556,067	556,067

5. EARNINGS PER SHARE

Basic earnings per share

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

Loss for the year	(17,175,078)	(386,037)		

	Consolidated 2009 Number of shares	Consolidated 2008 Number of shares		
Weighted average number of ordinary shares at the end of the financial year	1,158,066,830	681,748,406		
Earnings Per Share (cents)	(1.483)	(0.057)		

Diluted earnings per share

204,870,366 (year ended 30 June 2008: 202,370,366) options at reporting date were not dilutive as the conversion would result in a reduced loss per share.

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
6. CASH AND CASH EQUIVALENTS					
Cash at bank		1,897,911	3,761,907	1,877,236	3,749,723
7. RECEIVABLES					
CURRENT					
Non-trade receivables					
Other (i)		50,280	100,235	48,773	75,531
(i) Other relates to GST receivable. Amounts are current and not past due.					
8. OTHER CURRENT ASSETS					
CURRENT					
Prepayments		2,151	9,318	2,151	1,547
9. OTHER FINANCIAL ASSETS					
Available for sale investments at fair value		246,990	600,440	236,853	568,083
At fair value Investments through profit and loss		1,773,137	1,773,137	1,773,137	1,773,137
Less impairment		(1,771,763)	(1,772,299)	(1,771,763)	(1,772,299)
		1,374	838	1,374	838
Investment in subsidiaries at cost		-	-	1,518,469 *	26,165,429
		248,364	601,278	1,756,696	26,734,350

* As a result of an independent review and valuation of an exploration asset in a subsidiary, an impairment write-down of $14.96 million was made during the year.

In addition, in the previous financial year, the 2008 Scheme of Arrangement created a notional investment in the subsidiary for the Company of $10 million as a result of accounting the transaction as a reverse acquisition. The amount of that notional investment was also impaired during the year as a result of this independent valuation. Refer to Note 10 for further information.

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $

10. EXPLORATION EXPENDITURE

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Areas in the exploration phase				
At cost	8,476,914	23,103,916	7,225,803	6,916,943

An independent review and valuation of the Clarke River Uranium Project ("the Project"), which was commissioned by the company during the 30 June 2009 financial year, has concluded that the Project has a fair value of $240,000 as compared with the 2008 carrying value in the accounts of Ellendale Resources Pty Ltd of $15.2 million, resulting in an impairment write-down. The valuation utilised a number of different valuation methodologies applicable to exploration assets to determine the fair value of $240,000. These methodologies result in a fair value determination effectively utilising the fair value less costs to sell methodology under AASB 136 "Impairment of Assets".

Movement in the carrying value of exploration expenditure during the year was:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Opening balance at 1 July	23,103,916	15,549,706	6,916,943	5,957,558
Costs incurred during the year	1,284,921	705,210	1,174,893	1,245,574
Acquired through business combination	-	6,849,000	-	-
Exploration expenditure impaired during the year	(15,911,923)	-	(866,033)	(286,189)
Balance at 30 June	8,476,914	23,103,916	7,225,803	6,916,943

11. PLANT AND EQUIPMENT

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Plant, Equipment & Motor Vehicles				
Cost Balance at 1 July	68,692	917	67,775	40,912
Acquisitions	-	67,775	-	26,863
Balance at 30 June	68,692	68,692	67,775	67,775
Accumulated Depreciation				
Balance at 1 July	19,391	406	18,985	9,779
Depreciation charge for the year	12,533	18,985	12,353	9,206
Balance at 30 June	31,924	19,391	31,338	18,985
Carrying Amounts				
At 1 July	49,301	511	48,790	31,133
At 30 June	36,768	49,301	36,437	48,790

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
12. TRADE AND OTHER PAYABLES					
Payables and accrued expenses		319,089	300,225	319,089	197,309
Inter-company payable – advances at call and non-interest bearing		-	-	495,836	-
		319,089	300,225	814,925	197,309
13. OTHER FINANCIAL LIABILITIES					
NON-CURRENT					
Inter-company advances (i)		-	-	-	691,049

(i) Represents cash advances from subsidiary companies represent an investment to finance the cost of exploration expenditure and operating activities.

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
14. SHARE CAPITAL					
Opening Balance		34,057,764	23,855,637	85,792,054	55,371,312
Issued via exercise of options July 2007		-	481	-	-
Issued December 2007 for 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		-	10,201,646	-	26,165,429
Transaction costs on share issue		-	-	-	(244,687)
Balance at Year End		34,057,764	34,057,764	85,792,054	85,792,054

	Company 2009 No. of Shares	Company 2008 No. of Shares
Opening Balance	1,158,066,830	375,359,658
Issued via exercise of options July 2007	-	-
Issued December 2007 for 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
Balance at Year End	1,158,066,830	1,158,066,830

14. SHARE CAPITAL (Cont'd)

Terms and Conditions of Issued Capital

Ordinary Shares (quoted):
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 (quoted):
(i) 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. None of these options were exercised during the year.

(ii) 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. None of these options were exercised during the year.

(iii) 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. None of these options were exercised during the year.

Options (unquoted)
(i) 10,000,000 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 25 January 2018 will lapse. None of these options were exercised during the year. The options were issued in January 2008, pursuant to a resolution of shareholders, whereby 10,000,000 options in total were issued at an exercise price of $0.10 per option to directors M. Kerr and M. Elliott.

(ii) 2,500,000 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 30 June 2018 will lapse. None of these options were exercised during the year. Further details on options is included in Note 16.

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
15. RESERVES					
Option premium reserve		1,459,349	1,459,349	720,775	720,775
Share option based payment reserve		203,885	-	308,885	105,000
Available for sale investments at fair value reserve		-	(38,762)	237,390	568,083
		1,663,234	1,420,587	1,267,050	1,393,858
Movement in reserves					
Share option reserve:					
at 1 July		-	-	105,000	80,793
Fair value share options lapsed		-	-	-	(80,793)
Amortisation of fair value of employee share options		203,885	-	203,885	105,000
At 30 June		203,885	-	308,885	105,000

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
15. RESERVES (Cont'd)					
Available for sale investments at fair value reserve:					
at 1 July		(38,762)	(500)	568,083	920,583
Net gain/(loss) on available-for-sale financial assets		38,762	(38,262)	(330,693)	(461,702)
Income tax		-	-	-	109,202
At 30 June		-	(38,762)	237,390	568,083

Option premium reserve
The option premium reserve represents the amounts contributed for the future right to acquire shares at a pre-determined price. The three listed class of options details are ;
HAWO have an exercise price of 20 cents and a latest expiry date of 30 April 2012.
HAWOA have an exercise price of $1.25 and a latest expiry date of 22 September 2010.
HAWOB have an exercise price of 10 cents and a latest expiry date of 28 February 2013.

In July 2007, Ellendale Resources granted 159.5 million options to its members. Subsequently in June 2008, as a result of the approval and completion of the Scheme of Arrangement, Hawthorn Resources Limited acquired all of the options, together with all of the issued shares in Ellendale Resources.

Available for sale investments at fair value reserve
The available for sale investments at 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. 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:

(i) On 1 July 2008, 2,500,000 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 one (1) year vesting period and can be exercised at any time following vesting up to 30 June 2018. All options, if exercised, will be settled by physical delivery of the shares.

(ii) 10,000,000 options were issued in January 2008 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 25 January 2018 will lapse. None of these options were exercised during the year. The options were issued pursuant to a resolution of shareholders at a general meeting, whereby 10,000,000 options in total were issued to directors M. Kerr and M. Elliott. (Refer below for further details on the terms of the options). These options have therefore been granted outside of the share option plan disclosed above.

16. SHARE BASED PAYMENTS (Cont'd)

The number and weighted average exercise price of share options on issue resulting from share based payment expense is as follows:

	2009		2008	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	$0.100	10,000,000	$0.100	8,600,000
Granted during the year	$0.100	2,500,000	$0.100	10,000,000
Forfeited during the year	$0.100	-	$0.100	8,600,000
Outstanding at the end of the year	$0.100	12,500,000	$0.100	10,000,000
Exercisable at the end of the year	-	10,000,000	-	-

The options outstanding at 30 June 2009 have an exercise price of $0.10, with 10,000,000 options having a remaining contractual life of 8.5 years to January 2018, and 2,500,000 options having a remaining contractual life of 9 years to June 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 black scholes 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.

	Company	
	2009	2008
Fair value of shares, options and assumptions		
Fair value at grant date	2.5 cents	2.5 cents
Share price at grant date	3.6 cents	3.7 cents
Exercise price	10.0 cents	10.0 cents
Expected volatility (estimated average volatility used in the modelling under binomial option pricing model)	100%	146%
Option life (expressed as weighted average life used in the modelling under binomial option pricing model)	10 years	10 years
Expected dividends	Nil	Nil
Risk-free interest rate (based on Australian Government five-year bond rate at grant date)	5.28%	6.19%

16. SHARE BASED PAYMENTS (Cont'd)

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.

	2009 $	2008 $
Employee expenses		
Share options granted		
Total expense recognised as employee cost	203,885	105,000

17. INTEREST IN JOINT VENTURES

	2009	2008
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:

		Consolidated		**Company**	
	Note	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Non-Current Assets					
Exploration expenditure		1,370,569	1,210,363	1,370,569	1,210,363
Total Non-Current Assets		1,370,569	1,210,363	1,370,569	1,210,363
Total Assets		1,370,569	1,210,363	1,370,569	1,210,363
Current Liabilities					
Trade and other payables		-	-	-	-
Total Non-Current Assets		-	-	-	-
Total Liabilities		-	-	-	-

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

Exploration				
Not later than 1 year	478,990	312,010	478,990	312,010
Later than one year but not later than five years	1,612,650	696,240	1,612,650	696,240
Later than five years but not later than twenty one years	91,300	63,950	91,300	63,950
Total	2,182,940	1,072,200	2,182,940	1,072,200

18. CASH FLOW STATEMENTS

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(a) Reconciliation of loss after tax to net cash used in operating activities					
Loss for the period after tax		(17,175,078)	(386,037)	(26,379,547)	(1,212,932)
Adjustment for :					
(Profit) on disposal of non-current assets		-	-	-	(57,440)
Impairment of exploration expenditure		15,911,924	-	866,033	-
Impairment of investment in subsidiaries		-	-	24,646,961	-
Unrealised loss of available-for-sale investments		391,676	-	-	-
Depreciation		12,533	2,928	12,353	9,206
Share option based payments		203,885	-	203,885	-
Employee share option plan amortisation		-	-	-	(24,600)
Gain on Consolidation		-	(404,131)	-	-
Net cash used in operating activities before change in assets and liabilities		(665,060)	(787,240)	(650,315)	(1,285,766)
Change in assets and liabilities:					
Decrease/(increase) in receivables		57,121	100,419	26,154	235,122
(Decrease)/increase in trade and other payables		18,865	(190,722)	121,780	129,978
Net cash used in operating activities		(579,074)	(877,543)	(502,381)	(920,666)

18. CASH FLOW STATEMENTS (Cont'd)

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(b) Acquisition of Entities During the 2008 year a reverse acquisition was deemed to have occurred. Details of this transaction are:					
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) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash on hand and in banks (refer to Note 6)

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 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $

19. COMMITMENTS (Cont'd)

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Not later than one year	1,453,585	2,105,070	1,372,585	1,571,370
Later than one year but not later than five years	7,644,240	4,855,480	7,320,240	3,686,680
Later than five years but not later than twenty one years	3,638,400	2,396,410	3,638,400	63,910
	12,736,225	9,356,960	12,331,225	5,321,960

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 – Managing Director

Other

M Garbutt – Company Secretary

The key management personnel compensation are as follows:

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Short-term employee benefits		126,121	211,667	126,121	71,667
Other long-term benefits		-	5,062	-	-
Post-employment benefits		-	-	-	-
Termination benefits		-	-	-	-
Share-based benefits		147,000	105,000	147,000	105,000
		273,121	321,729	273,121	176,667

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:

2009

	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Mark Kerr	14,428,000	-	-	-	14,428,000	14,428,000	-
Mark Elliott	5,000,000	-	-	-	5,000,000	5,000,000	-
D S Tyrwhitt	-	-	-	-	-	-	-

2008

	Balance at start of year	Granted as compensation	Exercised	Other changes (i)_	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)	-	-	-

Note (i) – Other changes relate to directors ceasing to be directors of or commencing as directors of Hawthorn Resources Limited

Fully paid ordinary shares issued by Hawthorn Resources Limited

2009

	Held at 1 July 2008 No.	**Granted as compensation No.**	**Received on exercise of options No.**	**Other change No. (i)**	**Held at 30 June 2009**
Mark Kerr	109,300,906	-	-	(63,280,000)	46,020,906
Mark Elliott	93,855,406	-	-	(83,855,406)	10,000,000
D S Tyrwhitt	-	-	-	-	-

2008

	Held at 1 July 2007 No.	**Granted as compensation No.**	**Received on exercise of options No.**	**Other change No. (i)**	**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	-	-	-	-	-

Note (i) – Other changes relate to directors ceasing to be directors of or commencing as directors of Hawthorn Resources Limited

20. RELATED PARTIES (Cont'd)

(c) Other Key Management Personnel Transactions

The following Directors or former Directors of the Company were or are also directors of the following entities

(i)	Joseph Gutnick	Chairman	Former	AXIS Consultants Pty Ltd
	Peter Lee	Company Secretary	Former	AXIS Consultants Pty Ltd
(ii)	Mark Kerr	Chairman	Current	Berkeley Consultants Pty Ltd.
	Mark Elliott	Managing Director	Current	Berkeley Consultants Pty Ltd.

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
Details of transactions with AXIS Consultants Pty Ltd are as follows:At year end					
Receivable (current)		-	-	-	-
Payable (current)		-	-	-	-
During the year					
Fees for management services		-	432,039	-	432,039
Fees for geological services		-	343,093	-	343,093
Borrowing costs (receivable)		-	(3,143)	-	(3,143)
Payments to AXIS		-	(771,989)	-	(771,989)
(ii) Details of transactions with Berkeley Consultants Pty Ltd are as follows:					
At year end					
Receivable (current)		-	-	-	-
Payable (current)		-	-	-	-
During the year					
Fees for management services *		192,013	49,957	192,013	24,956
Fees for fully serviced office and ancillary services *		300,000	75,000	300,000	75,000

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 provided company secretarial, finance, geology, exploration, IT and other services to the Company. As a result, the Company had no employees.

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. Further information of the arrangements with Berkeley Consultants Pty Ltd is included in the Remuneration Report in the Directors' Report.

21. CONSOLIDATED ENTITIES

Name	Country of Incorporation	Ordinary Share Consolidated Equity Interest	
		2009 %	2008 %
Parent entity			
Hawthorn Resources Limited	Australia		
Controlled entities			
Ellendale Resources Pty Limited	Australia	100%	100%
Sunderland Pty Ltd *	Australia	100%	100%
Northern Resources Australia Pty Ltd *	Australia	100%	100%

- * Sunderland Pty Ltd and Northern Resources Australia Pty Ltd are 100% owned subsidiaries of Ellendale Resources Pty Limited.

22. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to various financial risks including market, credit, liquidity and price 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 market, credit, liquidity and price risk.

(a) Market risk

Foreign exchange risk

Foreign currency risk is the risk of exposure to transactions that are denominated in a currency other than the Australian dollar.

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

Interest rate risk

Interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

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 2009 and 2008 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.

<u>Interest rate sensitivity analysis</u>

The group's Interest rate risk is deemed not to have a material effect on its loss after tax and equity and therefore no sensitivity analysis has been performed.

(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. For banks and financial institutions, only 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 page 17. 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. As at the reporting date, the group has no significant liquidity risk.

(d) Price Risk

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.

22. FINANCIAL RISK MANAGEMENT

(e) 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 2009

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(319,089)	-	-	-	(319,089)

Group 30 June 2008

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(300,225)	-	-	-	(300,225)

Parent – 30 June 2009

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(319,089)	-	-	-	(319,089)
Intercompany Advance	-	(495,836)	-	-	(495,836)

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)
Non Interest Bearing Loan	-	-	(691,049)	-	(691,049)

(f) Net Fair Values

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

The carrying value at the balance date of financial assets and financial liabilities, such as receivables and payables, are assumed to approximate fair values due to their short term nature.For other financial assets, such as financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset.

23. EVENTS AFTER THE BALANCE SHEET DATE

In August the Company has conducted an equity raising consisting of a Placement of shares at $0.007 a share to raise $400,000 together with the announcement of the establishment of a Share Purchase Plan offering to shareholders at an issue price of $0.0072 a share. The Plan was underwritten by BBY Limited to the extent of 116.5 million new shares at $0.0072 a share to raise a minimum of $838,800. The Plan offering closed on 15 September 2009 with shareholders having strongly supported the offering and having subscribed an aggregate of $2,234,781. As such, there was no shortfall on the underwritten amount. At an issue price of $0.0072 a share the number of new shares allotted totalled 310,386,210 shares.

The funds raised under the SPP and Placement will be used to fund drilling programs planned on existing advanced projects, including

- Iron Ore – Mt Bevan, Central Yilgarn, West Australia
- Gold – High grade gold targets – Eastern Goldfield, West Australia
- Uranium – Clarke River Basin, Queensland

24. REMUNERATION OF AUDITORS

The auditor of Hawthorn Resources Limited is PKF.

	Consolidated		Company	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Amounts received or due and receivable by PKF for:				
An audit or review of the financial report of the Company and any other companies in the consolidated group	38,000	50,000	38,000	50,000
Other services in relation to the Company and any other companies in the consolidated group - Shareholder resolution poll	-	1,500	-	-
Total fees paid	38,000	51,500	38,000	50,000
Amounts received or due and receivable by non PKF audit firms for:				
An audit or review of the financial report of other companies in the consolidated group	-	37,998	-	-
Total fees paid	-	37,998	-	-

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 2009 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 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Dated at Melbourne 30th September 2009

Mark Kerr

MARK KERR
Chairman

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 2009, 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 and the consolidated entity comprising Hawthorn Resources Limited 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.

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 2009 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 8 to 14 the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the Corporations Act 2001.

PKF

PKF

David Garvey
Partner

30 September 2009
Melbourne

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