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# Great Gold Mines N.L.

ABN 44 009 157 439

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## REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2007

THIS REPORT SHOULD BE READ IN CONJUNCTION WITH THE 2007 ANNUAL  
FINANCIAL REPORT

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Great Gold Mines N.L.  
Chairman's Report

31 January 2008

Dear Shareholder

Great Gold Mines N.L. (the "Company" or "GNL") is an Australian gold and base metals explorer with significant, strategic holdings in the highly prospective Eastern Goldfields province of Western Australia.

During the half-year, exploration programs have continued at both the Mt Bevan iron ore project and on the gold projects in the Southern Laverton tectonic Zone. In addition our joint venture partner, ABM Resources NL has continued exploration on the Erayinia base metals project.

At Mt Bevan, exploration data continues to confirm that the Mt Bevan tenement hosts up to 20km strike length of prospective Banded Iron Formation with secondary haematite development in overlying sediments. Mapping suggests Jupiter Mines Limited Mt Mason haematite resource may extend on to Great Gold Mines Mt Bevan tenement. Grab sampling reveals multiple horizons of haematite in outcrop of 55-62% iron.

On the SLTZ projects, gold exploration continued with RAB drilling being conducted on a number of tenements. This drilling continued to identify anomalous gold and base metal.

On the Erayinia joint venture tenements, ABM Resources reported significant and high grade intercept of 5 metres grading 10.6% Zinc in drill hole ED116 recorded from the northern lens at King prospect

In November 2007, there were a number of changes to the Board of Directors with Messrs Kerr and Elliott being appointed Directors and Messrs JI Gutnick and MZ Gutnick resigning as Directors. Following this, the Company announced the intention to merge with Ellendale Resources NL by means of a scheme of arrangement and undertook a capital raising of \$4.5 million of which \$1.96 million was received by 31 December 2007 with the balance due following shareholder approval. On 30 January 2008, the Directors announced that the balance of the placement of \$2.54 million had been received and 72,571,428 ordinary shares had been issued.

On 25 January 2008, shareholders approved the merger with Ellendale Resources NL, the appointment of Messrs Kerr and Elliott as Directors, an issue of options to Messrs Kerr and Elliott, an increase in directors fees, ratified the issue of shares over the pasty 12 months, approved the issue of the balance of shares under the capital raising announced in December 2007, the change in the Company's status to a company limited by shares, a new constitution and a change in name to Hawthorn Resources Limited.

On 29 January 2007, the Directors announced that on 24 January 2008 they received a non-binding, confidential approach from a West Australian company seeking to gain control of the Company and replace the capital to be issued by the Company in the second tranche of the recent placement. The proposal also included an intention to further develop the Company's iron ore tenement in Western Australia and dispose of all of the Company's gold assets.

The board gave the proposal careful consideration and determined it was inferior to the capital raising and iron-ore focussed works program it had previously adopted and was not superior to the merger proposal it had previously received from Ellendale Resources NL.



M G Kerr  
Chairman

*The technical information in this report has been reviewed and approved by Dr D Tyrwhitt who is Fellow of the Australasian Institute of Mining & Metallurgy and who has over 40 years experience in the exploration field.*

# Great Gold Mines N.L. Directors' Report

The Directors of Great Gold Mines N.L. present their report for the half year ended 31 December 2007.

## 1. Directors

The Directors of the Company in office during the half year and at the date of this Report are:

Mr Mark Kerr  
Non-Executive Chairman (appointed 22 November 2007)

Mr Mark Elliott  
Non-Executive Director (appointed 22 November 2007)

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

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

Mr Mordechai Gutnick  
Non-Executive Director (resigned 22 November 2007)

## 2. Review and Results of Operations

The Company recorded a net loss of \$837,530 (2006: \$1,265,130) for the half-year ended 31 December 2007.

### Objectives

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

### Income Statement

As an exploration company, the Company does not have an ongoing source of revenue. Its revenue stream is normally from ad-hoc tenement/plant and equipment disposals and interest received on cash in bank and other entity loan. In the 2007 half-year, revenue has decreased from \$54,708 in 2006 to \$12,822 in 2007.

Expenses decreased from \$1,319,838 for 2006 to \$748,021 for 2007. Exploration expenditure written off in 2007 decreased from \$699,356 in 2006 to \$275,504 in 2007; in 2006, a number of previously granted exploration licenses and applications for mining leases were reverted into prospecting and/or exploration licenses and the reversions are pending; administration expenses decreased from \$438,175 in 2006 to \$422,709 in 2007; finance costs decreased from \$3,155 in 2006 to \$356 in 2007; and other expenses decreased from \$179,152 in 2006 to \$49,452 in 2007; amortization of employee share options increased from \$27,270 in 2006 to \$48,807 in 2007; and 2006 included reversal of profit on the sale of investments that did not proceed of \$151,200.

As a result, the loss for the period from continuing activities after income tax was \$837,530 in the 2007 half-year compared to \$1,265,130 in 2006.

### Balance Sheet

At 31 December 2007, the Company had working capital of \$1,235,346 made up of cash at bank of \$1,330,717, receivables of \$43,501, other current assets of \$6,190 and payables of \$145,062.

Non current assets totaled \$7,342,600 primarily made up of carried forward exploration expenditure.

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Great Gold Mines N.L.  
Directors' Report

Net assets at 31 December 2007 were \$8,577,946 which has been an increase of \$818,937 from 30 June 2007.

Cash Flow

During the half-year, the Company has raised net \$1,845,693 from capital raising, received \$211,501 being a loan repayment, and paid \$396,423 in the normal course of operations and \$894,669 for exploration expenditure. The capital raising has put the Company in a significantly stronger position to move forward with its exploration activities. In order to meet its ongoing exploration commitments, working capital requirements and other obligations, the Company will need to raise further funds through either equity or debt raisings

**3. Auditor's Independence Declaration**

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

Signed in accordance with a resolution of the Board of Directors at Melbourne this 31st day of January 2008.



M G Kerr  
Director

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Chartered Accountants  
& Business Advisers

Dear Directors

**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GREAT GOLD MINES N.L.**

As lead auditor for the review of Great Gold Mines N.L. for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

**M J Phillips**  
Partner  
31 January 2008

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Great Gold Mines N.L.  
Condensed Income Statement  
For the Half-Year Ended 31 December 2007

	Notes	2007 \$	2006 \$
<b>Continuing Operations</b>			
Finance revenue	3	11,323	54,708
<b>Revenue</b>		<b>11,323</b>	<b>54,708</b>
Other income	3	1,499	-
Exploration expenditure written off		(275,504)	(699,356)
Administration expenses		(422,709)	(438,175)
Finance costs	3	(356)	(3,155)
Other expenses	3	(49,452)	(179,152)
<b>Loss before income tax</b>		<b>(735,199)</b>	<b>(1,265,130)</b>
Income tax expense		(102,331)	-
<b>Loss for the period after tax from continuing operations</b>		<b>(837,530)</b>	<b>(1,265,130)</b>
<b>Loss attributable to members</b>		<b>(837,530)</b>	<b>(1,265,130)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic loss per share for the half-year attributable to ordinary equity holders	4	(0.22)	(0.34)
Diluted loss per share for the half-year attributable to ordinary equity holders	4	(0.22)	(0.34)

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

Great Gold Mines N.L.  
Condensed Balance Sheet as at 31 December 2007

	Note	31 December 2007 \$	30 June 2007 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,330,717	551,841
Receivables		43,501	310,179
Other current assets		6,190	2,022
<b>Total Current Assets</b>		<b>1,380,408</b>	<b>864,042</b>
<b>Non-Current Assets</b>			
Available-for-sale investments		689,301	1,031,048
Exploration expenditure		6,628,067	5,957,558
Plant and equipment		25,232	31,133
<b>Total Non-Current Assets</b>		<b>7,342,600</b>	<b>7,019,739</b>
<b>TOTAL ASSETS</b>		<b>8,723,008</b>	<b>7,883,781</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		145,062	124,772
<b>Total Current Liabilities</b>		<b>145,062</b>	<b>124,772</b>
<b>TOTAL LIABILITIES</b>		<b>145,062</b>	<b>124,772</b>
<b>NET ASSETS</b>		<b>8,577,946</b>	<b>7,759,009</b>
<b>EQUITY</b>			
Issued capital	5	57,217,743	55,371,312
Reserves		1,532,187	1,722,151
Accumulated losses		(50,171,984)	(49,334,454)
<b>TOTAL EQUITY</b>		<b>8,577,946</b>	<b>7,759,009</b>

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

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Great Gold Mines N.L.  
Condensed Cash Flow Statement for the Half Year Ended 31 December 2007

	2007	2006
	\$	\$
<b>Cash flows from operating activities</b>		
Payments in the course of operations	(396,423)	(577,745)
Interest received	11,275	53,973
Borrowing costs paid	-	(2,687)
<b>Net cash (used in) operating activities</b>	<b>(385,148)</b>	<b>(526,459)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration expenditure	(894,669)	(1,272,144)
Loans to other entity	-	(324,845)
Loans repaid by other entity	211,501	-
Acquisition of plant and equipment	-	(3,011)
Proceeds from sale of plant and equipment	1,499	-
<b>Net cash (used in) investing activities</b>	<b>(681,669)</b>	<b>(1,600,000)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,960,000	-
Payment of share issue costs	(114,307)	(16,458)
Proceeds from borrowings	-	400,000
Repayment of borrowings	-	(1,080,536)
<b>Net cash provided by/(used in) financing activities</b>	<b>1,845,693</b>	<b>(696,994)</b>
Net decrease in cash held	778,876	(2,823,453)
Cash and cash equivalents at beginning of period	551,841	3,998,870
<b>Cash and cash equivalents at end of period</b>	<b>1,330,717</b>	<b>1,175,417</b>

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

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Great Gold Mines N.L.  
Condensed Statement of Changes in Equity for the Half-Year Ended  
31 December 2007

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>At 1 July 2006</b>	55,371,312	(47,350,588)	1,386,552	9,407,276
Loss for the period	-	(1,265,130)	-	(1,265,130)
Net gain on available-for-sale financial assets	-	-	506,782	506,782
Share-based payments charge	-	-	27,270	27,270
<b>At 31 December 2006</b>	55,371,312	(48,615,718)	1,920,604	8,676,198
<b>At 1 July 2007</b>	55,371,312	(49,334,454)	1,722,151	7,759,009
Loss for the period	-	(837,530)	-	(837,530)
Net losses on available-for-sale financial assets	-	-	(341,102)	(341,102)
Income tax	-	-	102,331	102,331
Issue of share capital	1,960,000	-	-	1,960,000
Equity transaction costs	(113,569)	-	-	(113,569)
Share-based payments charge	-	-	48,807	48,807
<b>At 31 December 2007</b>	57,217,743	(50,171,984)	1,532,187	8,577,946

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

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Great Gold Mines N.L.  
Notes to the Half-Year Financial Statements  
For the Half-Year Ended 31 December 2007

**1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS**

**(a) Reporting Entity**

Great Gold Mines N.L. (the "Company") is a company domiciled in Australia. The condensed financial report of the Company as at and for the half-year ended 31 December 2007 comprises the Company only and has not been consolidated with any other entity.

The annual financial report of the entity as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at Level 8, 580 St Kilda Road, Melbourne, VIC 3004 or at [www.greatgoldmines.com.au](http://www.greatgoldmines.com.au).

**(b) Basis of preparation**

This half-year financial report is a general-purpose condensed financial report for the half-year ended 31 December 2007, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual Financial Report of Great Gold Mines N.L. as at and for the year ended 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Great Gold Mines N.L. during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report was approved by the Board of Directors on 25 January 2008.

**(c) Summary of significant accounting policies**

The accounting standards, estimation methods and measurement bases used in this report are the same as those used in the last Great Gold Mines N.L. Annual Report.

**2. SEGMENT INFORMATION**

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

	2007	2006
	\$	\$

**3. REVENUE AND EXPENSES**

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

(i) Finance revenue		
Interest		
Other Entity	3,143	8,475
Other	8,180	46,233
Total finance revenue	11,323	54,708
(ii) Other income		
Profit on sale of plant and equipment	1,499	-
Total other income	1,499	-

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Great Gold Mines N.L.  
Notes to the Half-Year Financial Statements  
For the Half-Year Ended 31 December 2007

	2007 \$	2006 \$
<b>3. REVENUE AND EXPENSES (cont'd)</b>		
(iii) Finance Costs		
Borrowing costs		
Related Parties	-	863
Other	356	2,292
	356	3,155
Total finance costs	356	3,155
(iv) Other expenses		
Reversal of sale of investments	-	151,200
Employee share option plan amortisation	48,807	27,270
Impairment of available-for-sale assets	645	682
	49,452	179,152
Total income	49,452	179,152
<b>4. EARNINGS PER SHARE</b>		
<b>Basic earnings per share</b>		
<b>Loss attributable to ordinary shareholders</b>		
For the six months ended 31 December		
Loss for the period	(837,530)	(1,265,130)
	Number of shares	Number of shares
<b>Weighted average number of ordinary shares</b>		
For the six months ended 31 December	378,403,136	375,359,658
<b>Diluted earnings per share</b>		
200,370,366 options at reporting date were not dilutive as the conversion would result in a reduced loss per share.		
<b>5. SHARE CAPITAL</b>		
Ordinary shares	Number of Shares	\$
Issued and fully paid	431,359,658	57,217,743
Balance at 1 July 2007	375,359,658	55,371,312
Issued December 2007 for cash pursuant to share placement (3.5c per share)	56,000,000	1,960,000
Transaction costs on share issue	-	(113,569)
	431,359,658	57,217,743
At 31 December 2007	431,359,658	57,217,743

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Great Gold Mines N.L.  
Notes to the Half-Year Financial Statements  
For the Half-Year Ended 31 December 2007

	31 December 2007 \$	30 June 2007 \$
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**6. COMMITMENTS**

**Exploration**

*(a) Changes in existing commitments*

As a result of a number of tenements being granted since 30 June 2007, the amounts which may be required to be expended to retain tenements has changed. These commitments are as follows:

Not later than one year	1,590,790	1,555,830
Later than one year but not later than five years		4,902,100
	4,980,780	
Later than five years but not later than twenty-one years	395,620	78,820
	6,967,190	6,536,750

*(b) Farm-in contract commitments*

There has been no change since June 2007.

**7. CONTINGENT LIABILITIES**

As set out in note 8, the Company entered into a Merger Implementation Agreement with Ellendale Resources NL ("Ellendale"). The Company has agreed to pay Ellendale an amount of \$100,000 if at any time before the Schemes are implemented (or the End Date):

- a) a competing takeover, Schemes or other proposal is announced and the bidder acquires a relevant interest in more than 50% of the Company's shares and the proposal becomes unconditional;
- b) a third party acquires a relevant interest in more than 20% of the Company's ordinary shares;
- c) a third party acquires or agrees with the Company to acquire the whole or a substantial part of any one or more of the Company's assets or businesses;
- d) any director of the Company fails to make, or withdraws, a recommendation to vote in favour of the Schemes;
- e) any director of the Company recommends a proposal or offer by a third party to acquire the shares of a party or a substantial part of its assets or business; or
- f) Ellendale terminates the agreement for the implementation of the Schemes for a material breach by the Company that is not remedied.

Other than this, there has been no change since June 2007.

**8. EVENTS AFTER THE END OF THE FINANCIAL HALF-YEAR**

On 19 December 2007, the Company entered into a Merger Implementation Agreement with Ellendale Resources N.L. ("Ellendale") whereby the companies agreed to merge by way of a scheme of arrangement. The Company will acquire all of the shares and options of Ellendale on issue by offering 2.5 fully paid ordinary shares in the Company for each fully paid ordinary share in Ellendale and 1.6 fully paid ordinary shares in the Company for each option to acquire an ordinary share in Ellendale.

At a meeting of shareholders of the Company held on 25 January 2008, shareholders approved the merger with Ellendale together with the following resolutions:

- Election of M G Kerr as a Director
- Election of M E Elliott as a Director

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Great Gold Mines N.L.  
Notes to the Half-Year Financial Statements  
For the Half-Year Ended 31 December 2007

**8. EVENTS AFTER THE END OF THE FINANCIAL HALF-YEAR (cont'd)**

- Increase in non-executive Directors fees
- Issue of options to M G Kerr
- Issue of options to M E Elliott
- Ratification of the issue of ordinary shares
- Issue of ordinary shares
- Conversion of the Company to a Company limited by shares
- Adoption of a new constitution
- Change of name to Hawthorn Resources Limited.

The merger with Ellendale is subject to the approval of Ellendale shareholders and optionholders and Court approval.

On 30 January 2008, the Directors announced that the balance of the placement of \$2.54 million had been received and 72,571,428 ordinary shares had been issued.

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Great Gold Mines N.L.  
Directors' Declaration

In the opinion of the Directors of Great Gold Mines N.L. ("the Company"):

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company as at 31 December 2007 and of its performance;
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a Resolution of the Directors at Melbourne this 31st day of January 2008.



M G Kerr  
Director

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Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Great Gold Mines N.L.

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Great Gold Mines N.L. ('Great Gold Mines'), which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Great Gold Mines, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

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*Conclusion*

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

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**PKF**  
Chartered Accountants

**M J Phillips**  
Partner

Melbourne  
31 January 2008

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