Hawthorn RESOURCES

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Company Announcement

28 October 2011

HAWTHORN RESOURCES LIMITED ("HAW")

Shareholder Newsletter

Attached for release to the market is a copy of a Shareholder Newsletter which is being dispatched to members.

For further information contact :
Company Secretary, Mourice Garbutt (03) 9605 5917

END

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31 October 2011

Dear Shareholder

We are taking this opportunity to update our shareholders on the exciting opportunities ahead.

As you are aware Hawthorn Resources Limited ("HAW") is maturing into a gold exploration company with significant interests in the Kalgoorlie District of the Eastern Goldfields of Western Australia, whilst progressing the substantial Mt Bevan Iron Ore Project.

• WE HAVE FIVE ADVANCED GOLD PROJECTS:

Below is an outline of HAW's various projects:

ANGLO SAXON/TROUSER LEGS (Granted Mining Leases) (70%HAW, 30%GEL RESOURCES)

> HAW has commissioned a new resource calculation for the project. HAW expects to inform the market of this newly optimized resource calculation, when finalised within the next two weeks.

> HAW has recently engaged a contract Mining Engineer to evaluate and develop strategies for possible early and sustained gold production at the project.

> If viable, mining is expected to commence during 2012.

> The Mining Engineer is also developing strategies to exploit the potential of HAW's high priority gold and iron ore projects.

DEEP SOUTH (80% HAW, 20% ALACER GOLD)

> We have achieved encouraging drilling results at this project with high grade gold mineralisation identified open at depth and along strike.

> Saracen Mineral Holdings have announced a 221,000oz Au resource at its Deep South/Mexico project adjoining our tenement package. A feasibility study is underway on this project.

> Local infrastructure is good with established haul roads and mining infrastructure.

> Saracen have indicated plans to commence mining in Q1 2013.

WHITEHEADS (100% HAW)

> The tenements have never been drilled by HAW.
> The tenements surround Carrick Gold's "Lindsays" project - 32.8mt @ 2.9g/t Au= 3m oz Au.
> Existing HAW geochemistry and RAB drilling results are very encouraging – walk up drill targets.
> The main targets are only 30km from the Paddington & Kanowna Belle gold mills.
> The tenement is well serviced by infrastructure - 50km to Kalgoorlie.

YUNDAMINDERA-COFFEY BORE (100% HAW, and 80% HAW, 20% ALACER GOLD)

> The project is located within a highly prospective region that hosts the Sunrise Dam, Wallaby, Granny Smith, Mt Morgans, Red October & Butcher Well Mines. These mines contain a combined 20.0 m oz of gold resources.

> Red October is due to re-open in 2011-2012 and will supply ore to the Carosue Dam Mill operated by Saracen.

> A dedicated haul road to carry this ore will pass HAW's tenements.

> Drilling has shown consistent thick, open pittable intercepts of 1.0-2.0 g/t Au with good metallurgical indications. Mineralisation remains open along strike and at depth.

EDJUDINA-TRIUMPH (Granted Mining Lease) (100% HAW)

> Recent drilling at the historic Edjudina-Triumph gold mine has intersected the high grade primary gold lode, where a previous resource of 75,000 oz of gold was estimated.

HAW intends to graduate from an explorer to a gold producer in the near term with aggressive drilling and development programs to be announced for all five projects shortly.

• MT BEVAN IRON ORE PROJECT – DSO HAEMATITE & MAGNETITE

> This project was discovered within an existing HAW gold project. It consists of discrete zones of Direct Shipping Ore ("DSO") haematite and much larger, consistent zones of magnetite BIF iron ore.

> The project continues to deliver shareholder value with our joint venture partner **Legacy Iron Ore Limited ("Legacy")** (ASX: LCY) aggressively drilling and announcing a substantial initial resource.

> This JORC compliant Inferred Resource of 617Mt at 32.1% Fe from the initial stages of drilling, with excellent recoveries and a 69.8% Fe concentrate produced.

> An independent report commissioned by Legacy and released to the ASX, valued the total project at $174.2m following this JORC compliant resource announcement.

> The second stage of drilling is currently underway and is expected to increase the resource substantially – drilling is to be completed by early November 2011. A recalculated Resource is expected in January 2012.

> Under the terms of the October 2010 Farm-In and Joint Venture Agreement, we expect Legacy will earn a 60% interest in the project by mid-2012, however:

- **HAW retains the important and valuable rights to market or enter into offtake agreements for 40% of all production from Mt Bevan; and**
- **through the formation of the Joint Venture Technical Steering Committee, with 2 members nominated by each company, HAW has an equal vote in exploration and development proposed for the project area.**

> **Legacy** has recently announced a binding Share Subscription Agreement with the Indian state-owned National Mineral Development Corporation Limited **("NMDC")** whereby NMDC has confirmed its intention to acquire 50% of Legacy for A$18.89m.

> NMDC currently has cash reserves in excess of US$4 billion, and has additional lines of credit from banking syndicates, including Citibank, which are available for the purchase and financing of resource projects.

> According to a recent Legacy ASX release

"…once on board as the largest shareholder of Legacy, NMDC will not only be providing full funding for the ongoing development of Mount Bevan, but arranging for 100% of the required project finance as well."

> NMDC have recently highlighted in an interview with the Indian press on 13 October, 2011:

"State-owned NMDC and Legacy will jointly invest around $1.3 billion to develop Mount Bevan. Mount Bevan will be its first ever overseas acquisition.

Mount Bevan may need at least $1.3 billion CAPEX investment. Equity part of NMDC and Legacy will be 30%.

As soon as we complete the acquisition part we will take that up. As it is, they are doing some exploration there. Once we pump in the money, the work will be stepped up," NMDC director (Finance) S. Thiagarajan said."

> **Jupiter Mines Limited ("Jupiter")** (ASX: JMS) has recently commissioned a $44m feasibility study for its Mt Mason Haematite and Mt Ida Magnetite projects. Both projects are adjacent to HAW's Mt Bevan Iron Ore Project.

> Jupiter has announced an intention to commence early stage production of DSO hematite from Mt Mason, which immediately abuts the southern boundary of HAW's Mt Bevan tenement.

> A scoping study by Jupiter of the 5.75mt at 59.9% Fe DSO haematite resource at Mt Mason, based on production of 1.5mtpa of DSO hematite, has been carried out.

> This scoping study indicated a NPV (Net Present Value) for the resource of $109.3m at $110 / tonne DSO haematite price, and does not include production from HAW's portion of the shared orebody.

> Production at Mt Mason is reportedly targeted to commence by early 2013 in line with a planned Esperance Port upgrade.

> At Mt Ida Jupiter has announced an inferred magnetite resource of 530mt @ 31.9% Fe. Subsequent scoping studies have indicated an NPV of $ 1.68b over a 20 year mine life.

> Jupiter has said of the two projects:

"..they are a key part of Jupiter's strategy to become a global supplier."

- **CORPORATE**

> Over the past 12 months HAW has been approached by several equity and capital markets parties with a view to a direct investment in HAW.

> HAW is evaluating the potential of spinning off various projects to realise shareholder value.

> Discussions have taken place with a party on production of DSO hematite. The deposit is located on the southern boundary with Jupiter's at our Mt. Bevan project. We eagerly await the result of the Jupiter's feasibility study.

> HAW is evaluating the optimum way to fund these very exciting projects. At this stage we are unable to definitively advise shareholders what combination of debt and or equity will be used.

In summary several short term important milestones will be achieved:

1. Resource update for the Anglo-Saxon gold project (Nov 2011)

2. Jupiter $44m feasibility study to be completed for its adjoining Iron projects to Mt. Bevan (Q1 and Q4 2012)

3. NMDC of India will become 50% shareholder in Legacy (Nov - Dec 2011)

4. Resource upgrade for Mt. Bevan Iron Ore project (Jan 2012)

5. Commencement of mining at Anglo-Saxon (Q3/Q4 2012)

6. Drilling to take place at HAW key gold projects (Q1 2012)

7. Initial gold resources defined at Yundamindera-Coffey Bore and Deep South (Q2/Q3 2012)

If you have any questions please call Mourice Garbutt, Company Secretary, on 03 9605 5917.

Yours faithfully

Mark Kerr
Chairman

Attachments:
Attached are projects maps and diagrams in the sequenced referred to in this Newsletter:

Figure No.	***Description***
1	*Hawthorn Resources Project Locations – Western Australia*
2	*Anglo Saxon Mine and Mining Leases*
3	*Anglo Saxon Mine – Possible Pit Shells and Mineralisation*
4	*Anglo Savon Mine – North Wall of Existing Pit*
5	*Deep South Project – Saracen Mine and Hawthorn RC Drilling*
6	*Deep South Project – Mineralised Long Section*
7	*Whiteheads Airphotograph and Geochemistry*
8	*Yundamindera – Coffey Bore Landsat Image and Regional Mines*
9	*Yundamindera – Coffey Bore – Drilling to Date*
10	*Mt Bevan – Drilling to Date*
11	*Mt Bevan – Section 6779500N*
12	*Mt Bevan – Section 6780300N*

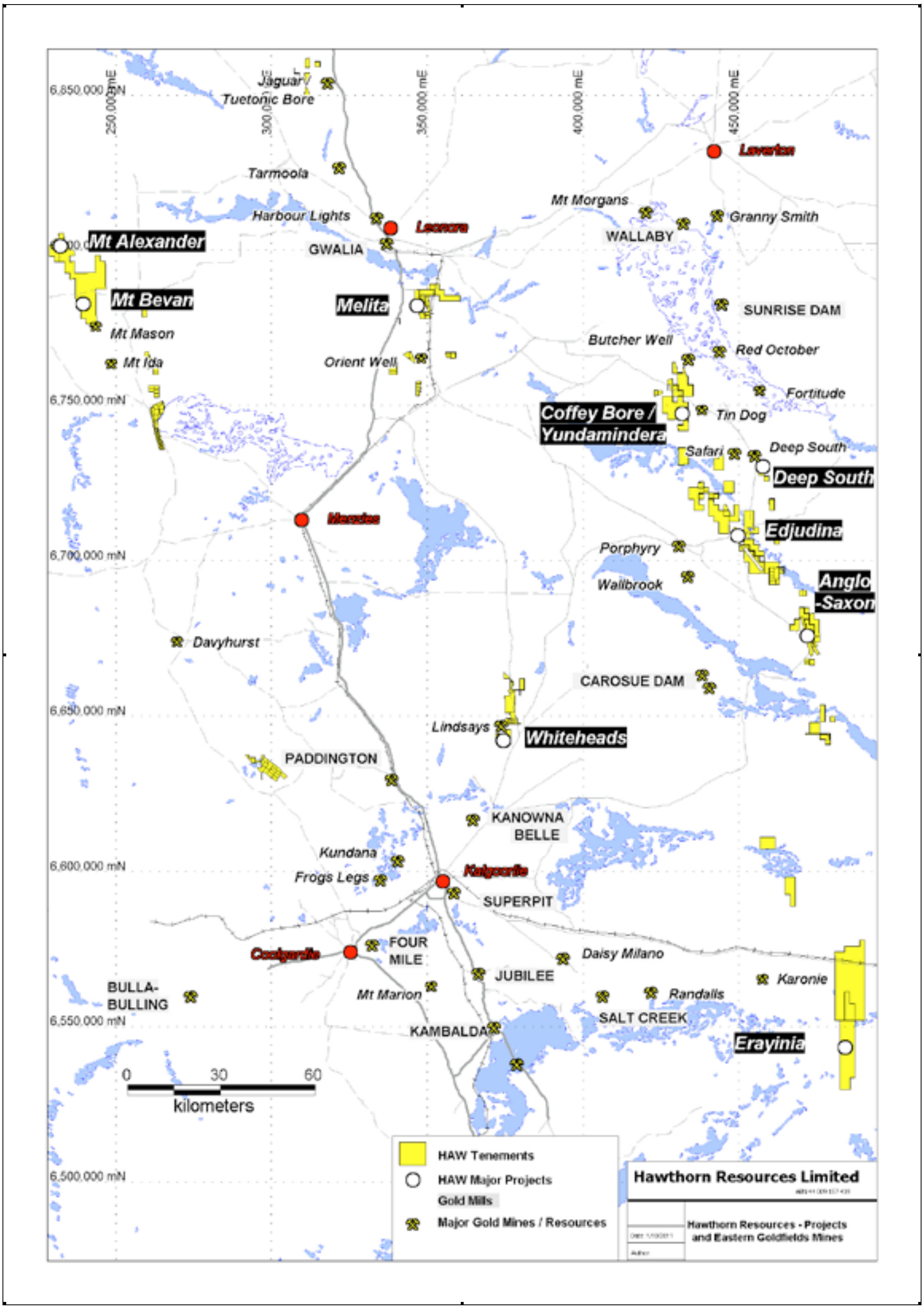

Figure 1. Hawthorn Resources Project Locations- Western Australia

Figure 2. Anglo Saxon Mine and Mining Leases

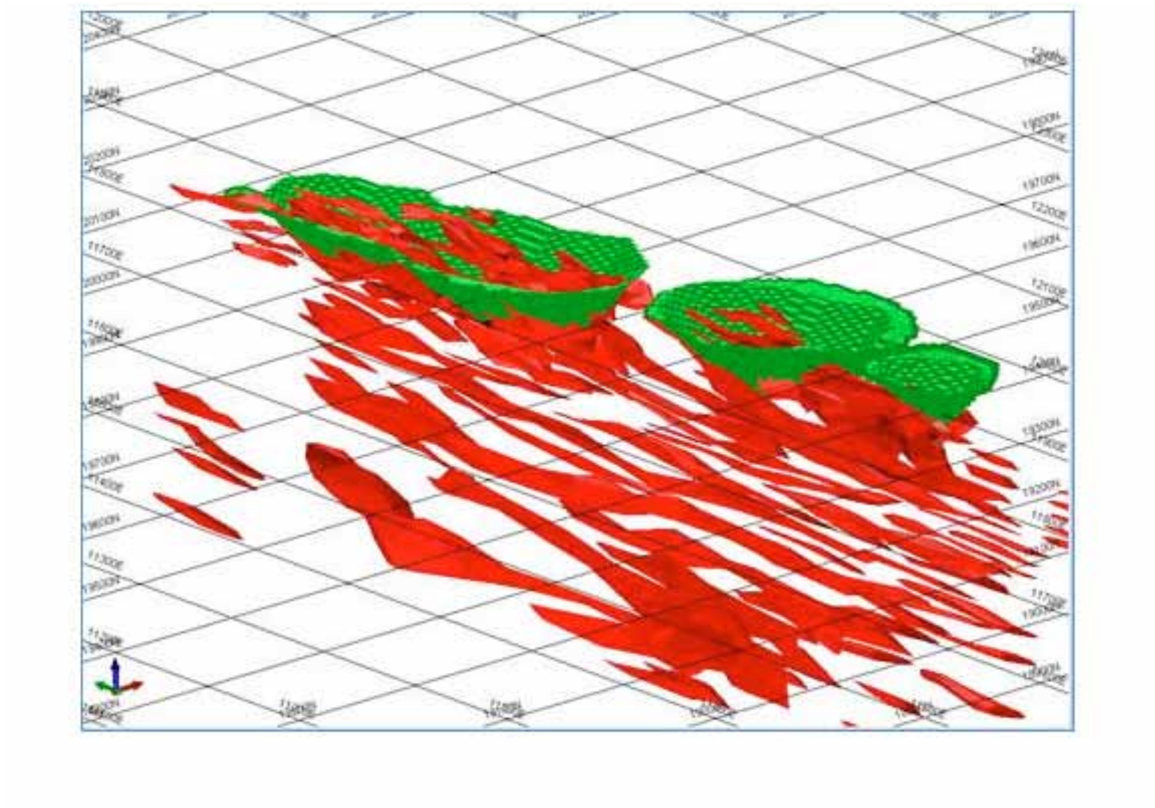

Figure 3. *Anglo Saxon Mine –Possible Pit Shells and Mineralisation*

Figure 4. *Anglo Saxon Mine –North Wall of Existing Pit*

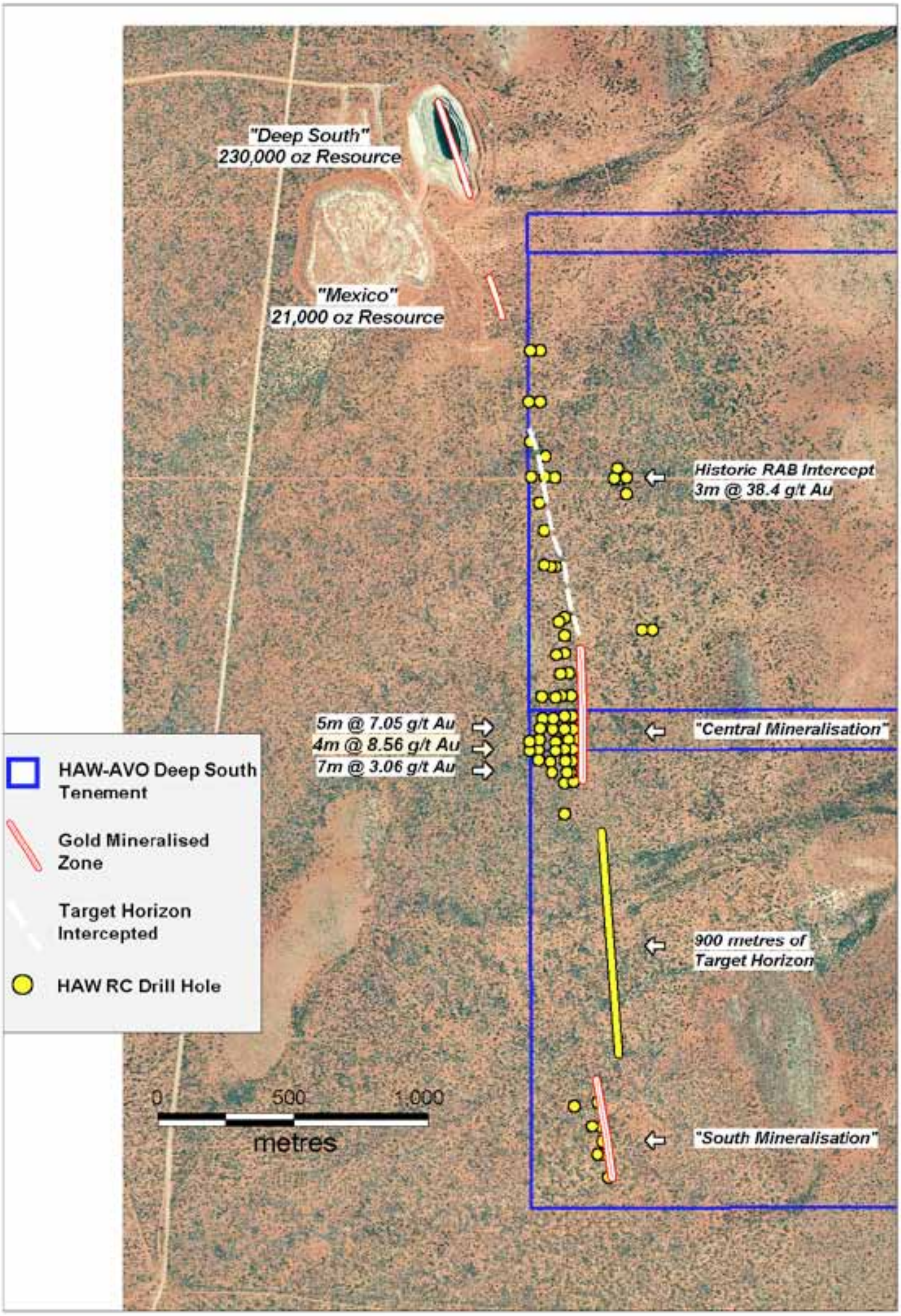

Figure 5. Deep South Project – Saracen Mine and Hawthorn RC Drilling

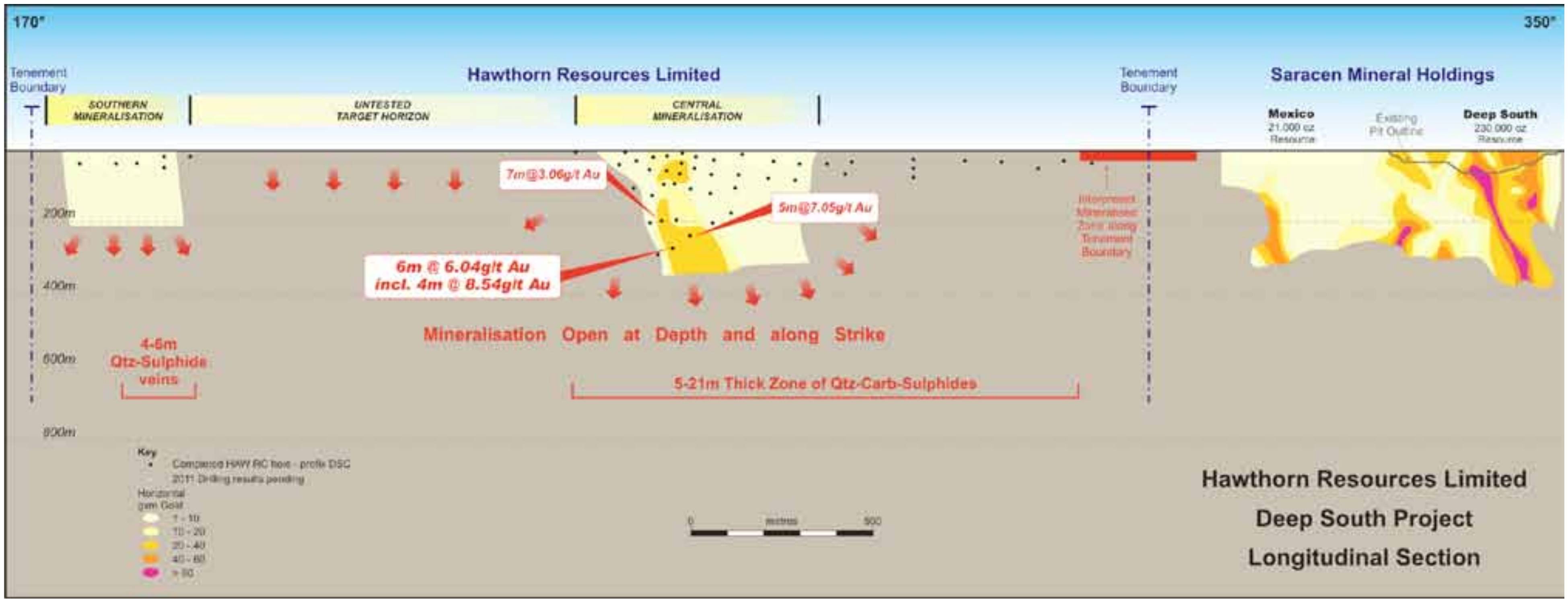

Figure 6. *Deep South Project – Mineralised Long Section*

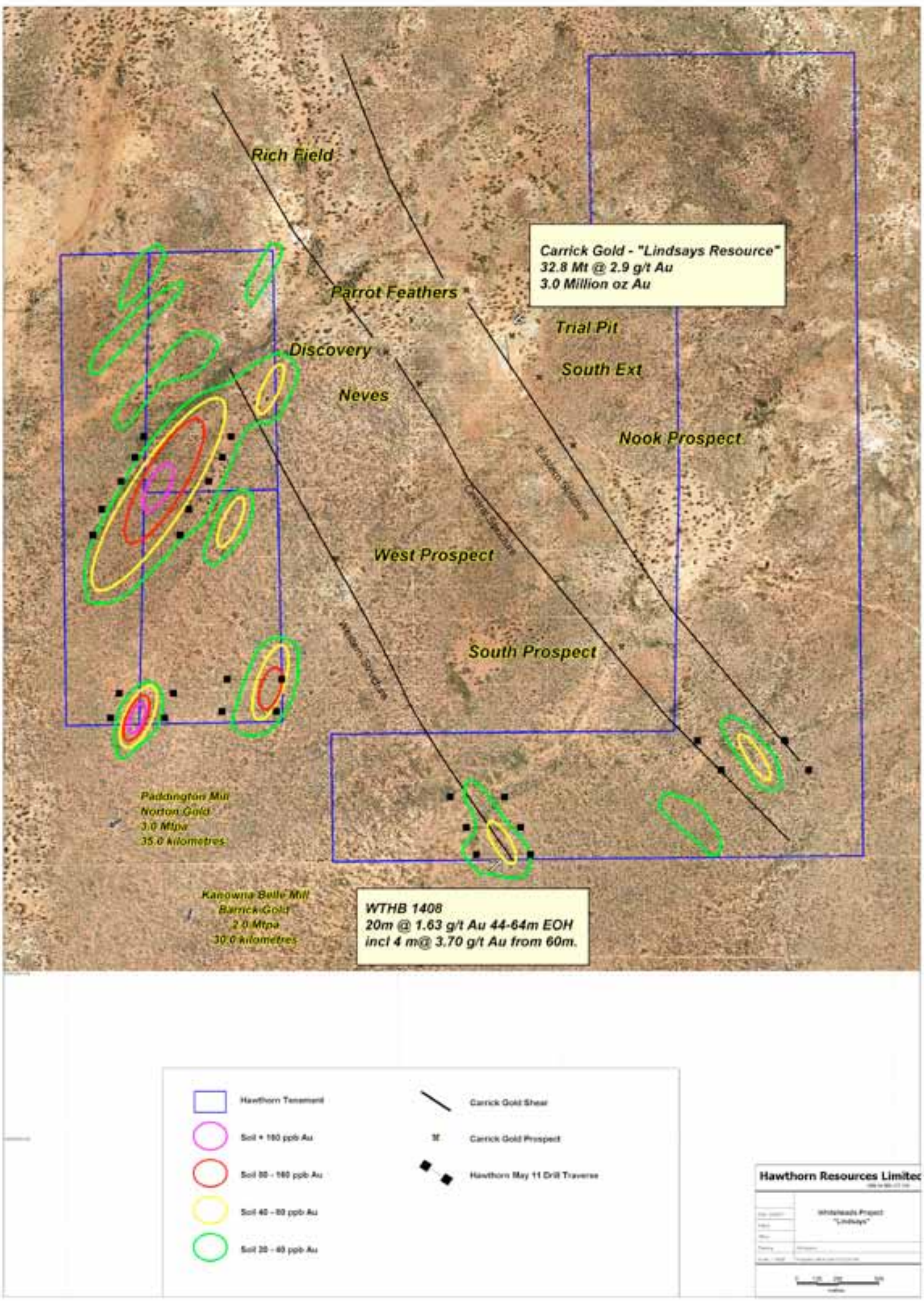

Figure 7. Whiteheads Airphotograph and Geochemistry

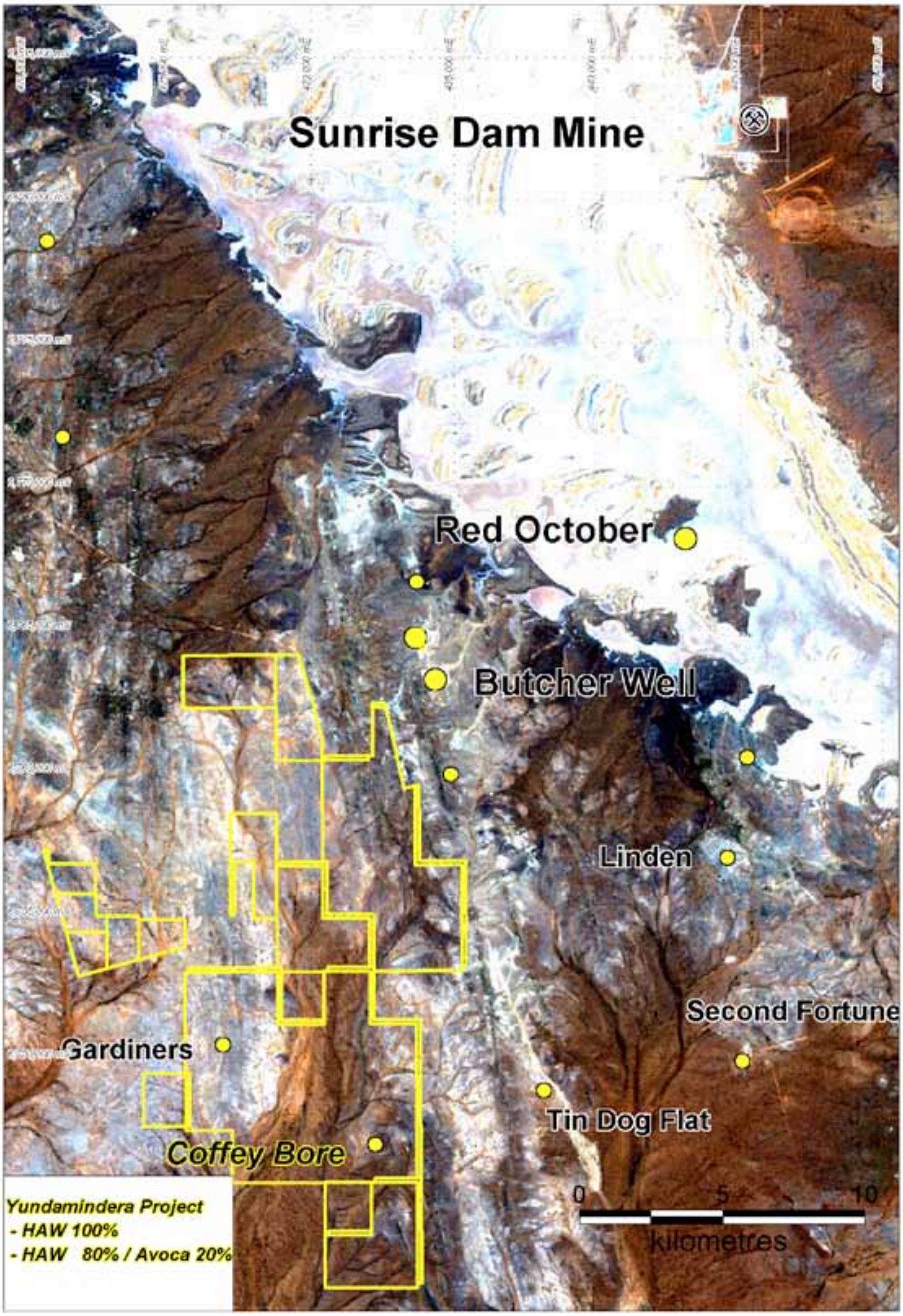

Figure 8. *Yundamindera – Coffey Bore Landsat Image and Regional Mines*

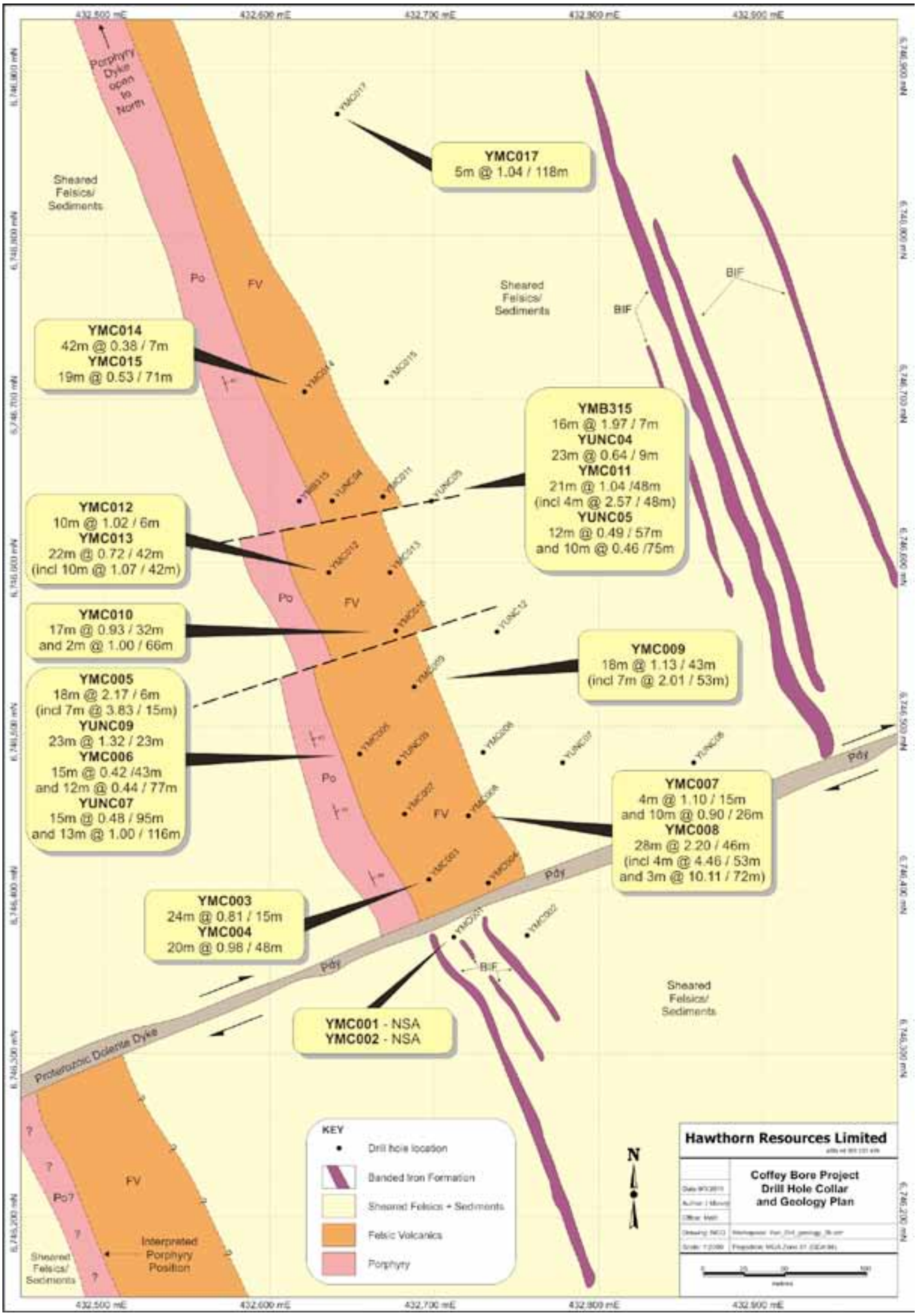

Figure 9. Yundamindera – Coffey Bore – Drilling To Date

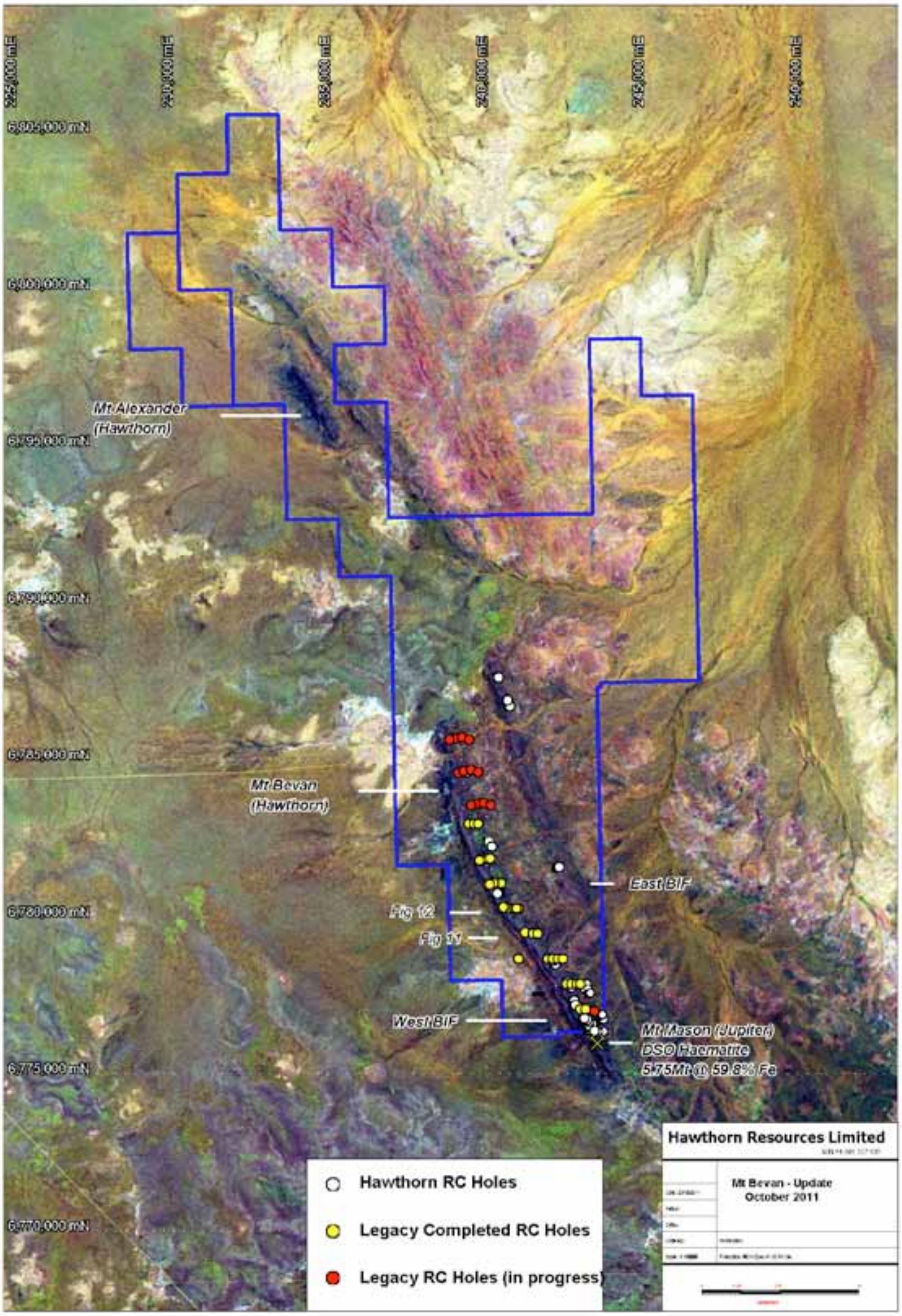

Figure 10. Mt Bevan – Drilling To Date

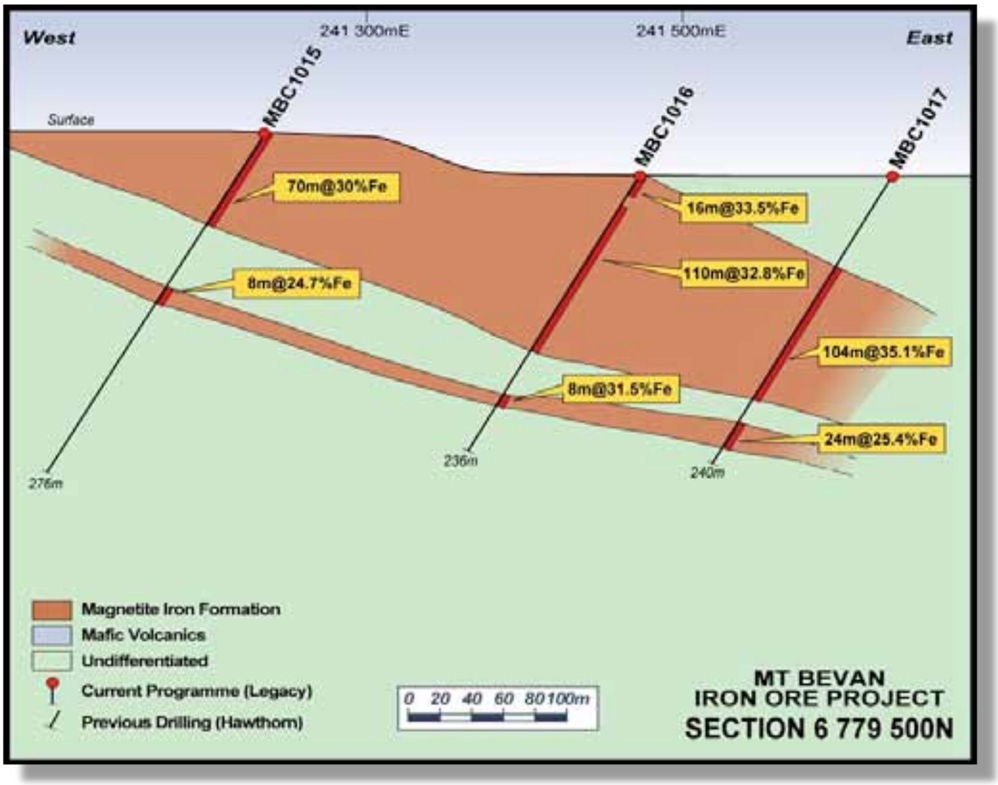

Figure 11 Mt Bevan - Section 6779500 N

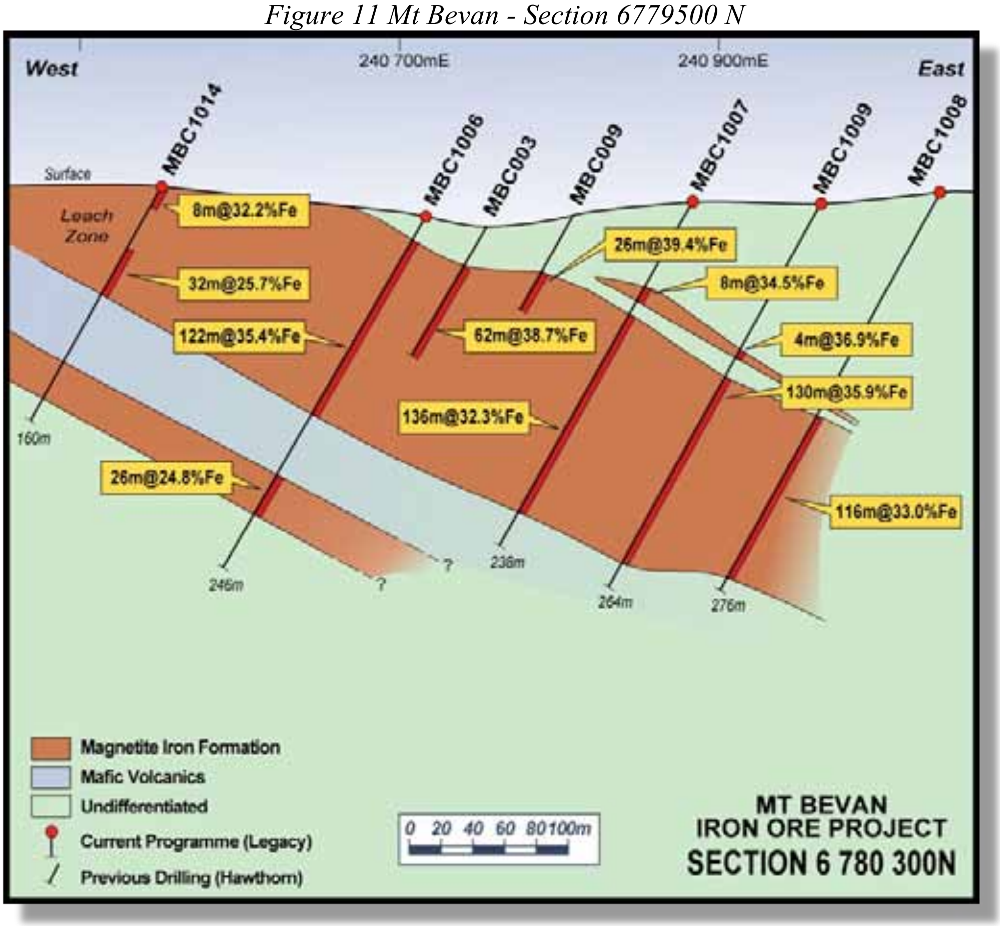

Figure 12 Mt Bevan - Section 6780300 N