

31 August 2012

ASX MARKET ANNOUNCEMENTS

***Hawthorn to Raise A\$15 million in New Equity Capital
with Strategic Chinese Investor Group
to accelerate development of key projects***

Hawthorn Resources Limited (ASX Code : HAW") ("Hawthorn" or "the Company:") is pleased to advise that it has entered into a Subscription Agreement with a Consortium of Chinese Investors through Feng Hua Mining Investment Holding (HK) Limited whereby new equity capital of \$14,962,090.44 will be invested into Hawthorn at a premium to market price.

The Directors of Hawthorn are delighted to form this strategic relationship to substantially develop its key projects.

The Consortium through Feng Hua Mining Investment Holding (HK) Limited comprises:

- (a) Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. (**Fenghua**);
- (b) Guangdong Rising Assets Management Co., Ltd (**GRAM**);
- (c) Guangdong Corporation of Geology and Mineral (**GGM**); and
- (d) Lite Smooth Investment Limited (**LSI**).

(together, the **Subscribers**).

GRAM, Fenghua and GGM are deemed state-owned enterprises of the People's Republic of China

The relative, respective percentages of the Consortium Subscribers being:

- (a) 42.857% held by Fenghua through HK subsidiary;
- (b) 14.286% held by GRAM;
- (c) 14.286% held by GGM; and
- (d) 28.57% held by LSI

Details of each of the Subscribers are set out in the Footnotes to this announcement.

The new equity capital is to be by way of two tranches:

Tranche 1 the issue of 320,616,224 new shares under the directors existing placement power at an issue price of \$0.013 a share to raise \$4,168,010.91; and

Tranche 2 the issue of a sufficient number of shares at the Tranche 2 subscription price for a raising of \$10,794,079.53.

As noted, the issue price of Tranche 1 has been agreed as A\$0.013 a share which is a substantial premium to current market prices. The issue price of Tranche 2 is to be based on a 20 day volume weighted average price (VWAP) of the shares at a 30 per cent premium with a minimum price of A\$0.01 and a capped price of A\$0.013 a share.

The undertakings to subscribe for the above new shares under both Tranche 1 and Tranche 2 are each subject to conditions precedents including, among other things, regulatory approvals under Tranche1 and shareholder approval for the Tranche 2 issue of shares. Details of the applicable conditions will be detailed in the shareholder meeting documentation inclusive of an Independent Expert's Report.

Issue of Shares

Under the Subscription Agreement Hawthorn will issue as Tranche 1 a total of 320,616,224 new shares at an issue price of A\$0.013 to raise A\$4,168,010.91.

This issue will expand shares on issue to 2,458,057,717 shares and represent 13.04 per cent of the expanded number of shares on issue.

The Tranche 2 issue of new shares is to raise A\$10,794,079.53 at an issue price per the formula with a minimum price of A\$0.01 and a capped price of A\$0.013 a share.

The effect of the Tranche 2 raising of A\$10,794,079.53 at either A\$0.01 or A\$0.013 a share on the number of shares that may be finally issued is as follows:

Issue Price	No. Shares issued as Tranche 2	Total Subscriber Share Entitlement	Expanded Number of Shares on Issue	Total Subscriber Percentage
A\$0.01	1,079,407,953	1,400,024,717	3,537,465,670	39.57
A\$0.013	830,313,810	1,150,930,034	3,288,371,527	35.00

Directors

- 1 Subject to the Subscriber and Hawthorn satisfying their obligations for Tranche 1 the Subscriber will be entitled to nominate two directors to the Hawthorn Board of Directors.
- 2 Subject to the Subscriber and Hawthorn satisfying their obligations in relation to Tranche 2 the Subscriber will be entitled to nominate a third Director to the Hawthorn Board of Directors. At this point, the Hawthorn Board of Directors will consist of:

- Existing Directors – Messrs M G Kerr, M E Elliott and Dr D S Tyrwhitt
- Subscriber - 3 nominated directors

Use of Funds

Upon the receipt of the Tranche 1 subscription monies, Hawthorn intends to undertake accelerated programmes.

Hawthorn has five gold prospects in the Leonora-Kalgoorlie area of the Eastern Goldfields of Western Australia. These are Anglo Saxon, Edjudina, Deep South, Yundamindera and Whiteheads.

The most advanced of these projects is Anglo Saxon, which is 140 kilometres north-east of Kalgoorlie. The project has 30 KOZs (0.9 tonnes of gold) in an indicated status, within a 140 KOZs (3.9 tonnes) resource – this is based on over four hundred drill holes, many of which were drilled by previous companies within the past decade.

Of the remaining projects, drilling at both Edjudina and Deep South is as yet insufficient for JORC compliant resource estimates. However, results to date suggest further drilling at both prospects over the next six months will lead to the establishment of economic resources of both open pit and underground ore.

Both these projects are immediately adjacent to active gold mining operations of Saracen Mineral Holdings (SAR:ASX).

Lastly, both Yundamindera and Whiteheads are at an earlier stage of exploration but in both cases drilling results from Hawthorn's recent reverse circulation drilling have shown economic width and grades at both prospects.

Hawthorn is confident within 12 months, the company will discover resources of gold which can be mined by open pit method.

In addition to promoting the development of its gold projects Hawthorn (40%) and its JV partner, Legacy Iron Ore Limited (LCY), will continue to develop its iron ore project at Mount Bevan.

Mt Bevan has a JORC (Joint Ore Reserve Committee) compliant inferred resource of 2.26 billion tonnes of magnetite ore. Mt Bevan's low cost development and operational potential has attracted significant international interest.

A description of each of the above projects can be viewed in the June 2012 Quarterly Report as released to the ASX on 31 July 2012.

Post Raising Intentions

Subject to the approval of shareholders and any applicable regulatory approvals and following completion of the equity raising it is the intention of the Company and the Subscribers that:

- the business of Hawthorn will continue to trade in the same manner in which it currently operates, and under the direction of the current management;
- the existing Hawthorn Board of Mark Kerr (Chairman), Mark Elliott (CEO and Managing Director) and David Tyrwhitt will continue together with the three new directors as nominated by the Subscribers;
- the Subscribers will be able to assist Hawthorn with technical expertise, introductions to regional opportunities, and financial support through a combination of participation in future capital raisings and introductions to third party financiers and offtake customers.

Co-operation Agreement

Messrs Elliott and Kerr propose to enter into a Co-operation deed with the Subscribers on mutual terms on similar terms to the existing Co-operation Deed with LCY, subject to receipt of shareholder approval.

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Ian Moody, who is a member of the Australasian Institute of Mining and Metallurgy and a full time consultant geologist with First Principle Mineral Exploration Company Pty Ltd. Mr Moody has sufficient experience as a geologist which is relevant to the style of mineralization and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Moody consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Footnotes:

About the Subscribers

The four Subscribers will bring their respective expertise to the Proposed Transaction:

- GRAM has significant experience in investing in Australia and trading in various metals,
- Fenghua is a listed company with extensive resources,
- GGM has technical expertise to assisting the development of Hawthorn's projects.

FENGHUA

Fenghua is a publicly listed company on the Shenzhen Stock Exchange (Stock No, 000636) and is one of the largest electronic component producers in the People's Republic of China.

For the 2011 financial year, Fenghua made a net profit of RMB 165,063,163.27 from gross revenue of RMB 2,081,893,700.76.

The Proposed Transaction would represent Fenghua's first investment in the mining industry, and its first investment in Australia. Its motivations include an opportunity to diversify its investment base as well as to have exposure to the gold market which is one of its key raw materials in its industry.

GRAM

GRAM is a wholly state-owned limited liability company established on 23 December 1999, with a registered capital of RMB 1 billion, which is under the supervision of the Guangdong Provincial Government's arm of the State-Owned Assets Supervision and Administration Commission.

GRAM's role is that of a provincial asset portfolio manager. It is one of three asset management companies created by the Guangdong Provincial Government for the purpose of holding various investments which the provincial government historically owned or inherited from the central government. As of 2011, GRAM has total assets of over US\$11.5 billion.

GRAM's recent activities have been primarily focused on the mining sector, which has become the core business of GRAM. In addition, GRAM also engages in the business of electronic information, hotel and tourism, as well as engineering and real estate. GRAM's mining activities are mainly carried out through the following affiliates and subsidiaries:

- (a) Shenzhen Zhongjin Lingnan Nonferrous Metal Co Ltd (***Zhongjin Lingnan***), a company listed on the Shenzhen Stock Exchange (ticker:00060) and chiefly engaged in the mining and processing of lead, zinc and other nonferrous metals (approximately 39.2318%);
- (b) Guangdong Rising Nonferrous Metals Co., Ltd, a company listed on the Shanghai Stock Exchange (ticker:600259) and chiefly engaged in the mining and processing of tungsten, rare earths, copper, silver and tin (approximately 50.02%);
- (c) Guangdong Guangsheng Metallurgy Co., Ltd, a company chiefly engaged in the mining of iron and rare earths and the production of various alloys and crystals (100%);
- (d) Guangdong Dabaoshan Mine Co., Ltd., a company chiefly engaged in the mining and dressing of iron ore and copper-sulphur ore (100%);
- (e) Guangdong Rising Mining Investment Co., Ltd (100%); and
- (f) Guangdong Rising HK (Holding) Limited (100%) which holds approximately a 20.5% interest in PanAust Limited, a company listed on the ASX (ASX:PNA); and
- (g) Guangdong Rising Energy Investments HK Limited (100%) which holds 100% interest in Caledon Resources Plc, a company previously listed on AIM but subsequently delisted following its acquisition by GRAM.

Among Chinese Resource companies, GRAM is one of the pioneers in outbound investment. So far, GRAM has successfully made investments in mining resources in six countries from four continents. GRAM and its affiliates have previously made three successful substantial investments in Australia:

- (a) **In October 2010 GRAM acquired a 100% stake in Caledon Resources Plc, which holds substantial Coal interests in the Bowen Basin of Queensland.**
- (b) **In 2009 GRAM acquired a 19.9% interest in PanAust Limited (ASX:PNA). GRAM currently holds a 26.25% interest in PanAust.**
- (c) **In February 2009 Zhongjin Lingnan (an affiliate of GRAM) acquired a 50.1% interest in Perilya Limited (ASX:PEM).**

Further information on GRAM can be accessed online on

<<<http://www.gdrising.com.cn/english/menucomm.asp?subid=271>>>

GGM

GGM is a wholly state-owned limited liability company established in 1988, which is under the direct supervision of the Guangdong Bureau of Geology. The registered capital of GGM is RMB 10,511,000. The business and operations of GGM includes sales of mineral products, precious stones and products, sales and purchase of products made of gold, silver and platinum, development and consultancy concerning geological and mineral prospecting technology, hydrological geology and engineering geology prospecting, environmental geology prospecting and geological exploration engineering, mining investment, metal and non metal mineral products trading, import and export of goods and technology.

GGM specializes in exploration and development of gold, silver, precious metals and precious stones.

As an investment platform of the Guangdong Bureau of Geology for mineral exploration and development, GGM has made successful investments in domestic mining companies in Guangdong, Guizhou and Jiangxi province, and holds interest in coal mines, fluorite mines, gold mines and silver mines.

LSI

LSI is a limited liability company incorporated in Hong Kong on 28 February 2012. LSI is 100% owned by Mr. Li Yijie, who is also the chairman of the board in LSI. Mr. Li has been the President of Guangdong Carriton Real Estate Co., Ltd. since 2001, which is focusing on real estate development and operation, with a total asset of RMB 5 billion.