

TSX-V: HGC

INTERIM FINANCIAL STATEMENTS
(Unaudited and Prepared by Management)
SIX MONTHS ENDED MAY 31, 2008



HAWTHORNE GOLD CORP.

The accompanying unaudited interim consolidated financial statements of Hawthorne Gold Corp. for the six months ended May 31, 2008 have been prepared by management and approved by the Company's Board of Directors and Audit Committee. These statements have not been reviewed by the Company's external auditor.

Hawthorne Gold Corp.

Interim Consolidated Balance Sheets

(Unaudited and prepared by management)

	May 31, 2008	November 30, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,807,364	\$ 2,749,637
Receivables	86,310	179,747
Prepaid expenses and deposits	567,727	250,958
Advances	86,644	-
Mine supplies inventory	52,615	-
	11,600,660	3,180,342
Plant and equipment (Note 2)	1,548,630	1,139,683
Mineral properties (Note 3)	21,005,098	4,151,091
	\$ 34,154,388	\$ 8,471,116
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,561,957	\$ 719,610
Due to related parties (Note 6)	-	4,330
Capital lease obligation - current (Note 5)	174,205	164,368
	1,736,162	888,308
Capital lease obligation (Note 5)	231,991	289,360
Asset retirement obligation (Note 3)	710,357	22,179
	2,678,510	1,199,847
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	27,781,618	5,717,692
Contributed surplus (Note 4(f))	5,023,920	2,152,424
Deficit	(1,329,660)	(598,847)
	31,475,878	7,271,269
	\$ 34,154,388	\$ 8,471,116

Nature of continuance of operations (Note 1)

Commitments (Note 10)

Subsequent events (Note 11)

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board:

"Richard Barclay"
Director

"Harvey Brooks"
Director

Hawthorne Gold Corp.

Interim Consolidated Statements of Operations and Deficit

(Unaudited and prepared by management)

	Three months ended May 31, 2008	Three months ended May 31, 2007	Six months ended May 31, 2008	Six months ended May 31, 2007
Administrative expenses				
Amortization	\$ 4,049	\$ 1,713	\$ 6,643	\$ 2,320
Bank charges and interest	16,466	374	33,280	884
Filing fees and transfer agent	25,327	5,029	35,727	19,559
Investor relations	123,776	10,555	232,249	10,555
Professional fees	6,066	17,087	39,189	18,628
Rent and office expenses	33,640	15,262	89,109	27,349
Shareholder information	40,040	8,518	47,581	11,018
Stock based compensation	80,525	43,661	192,643	43,661
Travel and entertainment	24,865	2,286	27,013	4,004
Wages and benefits	63,894	16,361	93,940	27,073
Loss before other income and income taxes	(418,648)	(120,846)	(797,374)	(165,051)
Other income				
Interest income	27,535	7,780	66,561	9,504
Loss before income taxes	(391,113)	(113,066)	(730,813)	(155,547)
Future income tax recovery	-	12,750	-	51,000
Loss and comprehensive loss for the period	(391,113)	(100,316)	(730,813)	(104,547)
Deficit, beginning of the period	(938,547)	(6,256)	(598,847)	(2,025)
Deficit, end of the period	\$ (1,329,660)	\$ (106,572)	\$ (1,329,660)	\$ (106,572)
Basic and diluted loss per common shares				
	(0.02)	(0.01)	(0.04)	(0.01)
Weighted average number of common shares outstanding				
	22,086,172	8,901,207	19,049,183	8,111,819

The accompanying notes are an integral part of the consolidated financial statements.

Hawthorne Gold Corp.

Interim Consolidated Statements of Cash Flows

(Unaudited and prepared by management)

	Three months ended May 31, 2008	Three months ended May 31, 2007	Six months ended May 31, 2008	Six months ended May 31, 2007
Cash provided by (used for)				
Operating activities				
Loss for the period	\$ (391,113)	\$ (100,316)	\$ (730,813)	\$ (104,547)
Items not involving cash				
Amortization	4,049	1,713	6,643	2,320
Stock based compensation	80,525	43,661	192,643	43,661
Future income tax recovery	-	(12,750)	-	(51,000)
Net changes in non-cash working capital				
Receivables	6,828	(24,518)	93,437	(18,640)
Prepaid expenses and deposits	(397,493)	(3,279)	(316,769)	(32,640)
Advances	(86,644)	-	(86,644)	-
Accounts payable and accrued liabilities	405,006	(24,518)	660,225	(18,952)
Due to related parties	(35,355)	(2,174)	-	(460)
Net cash used in operating activities	(414,197)	(122,181)	(181,278)	(180,258)
Investing activities				
Plant and equipment	(8,395)	(187,520)	(27,953)	(187,520)
Mineral properties	(2,940,884)	(215,923)	(6,013,698)	(244,832)
Net cash used in investing activities	(2,949,279)	(403,443)	(6,041,651)	(432,352)
Financing activities				
Shares issued, net of issuance costs	11,424,683	1,916,743	14,338,025	2,086,743
Deferred financing cost	-	22,500	-	-
Repayment of capital lease	(29,150)	-	(57,369)	-
Net cash provided by financing activities	11,395,533	1,939,243	14,280,656	2,086,743
Increase in cash	8,032,057	1,413,619	8,057,727	1,474,133
Cash, beginning of the period	2,775,307	188,943	2,749,637	128,429
Cash, end of the period	\$ 10,807,364	\$ 1,602,562	\$ 10,807,364	\$ 1,602,562
Interest paid	\$ 14,969	\$ -	\$ 30,870	\$ -
Income taxes paid	-	-	-	-

Supplemental disclosure with respect to cash flows (Note 7).

The accompanying notes are an integral part of the consolidated financial statements.

Hawthorne Gold Corp.

Notes to the Interim Consolidated Financial Statements For the Six Months Ended May 31, 2008 and 2007

(unaudited and prepared by management)

1. Nature and Continuance of Operations

Hawthorne Gold Corp. (the "Company") was incorporated under the laws of British Columbia on January 18, 2006. The Company's principal business activities include the acquisition, exploration and development of mineral properties. The Company is listed as a Tier one issuer on the TSX Venture Exchange.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles following the same accounting policies and methods of application as the most recent annual financial statements dated November 30, 2007. These interim consolidated financial statements do not contain all of the information required by Canadian general accepted accounting principles for annual financial statements and therefore should be read in conjunction with the Company's November 30, 2007 audited annual financial statements.

As at May 31, 2008, the Company has no source of operating cash flows and has not yet achieved profitable operations, has accumulated losses since its inception, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations as they come due.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cassiar Gold Corp. All significant intercompany transactions and balances have been eliminated.

2. Plant and Equipment

	Cost	Accumulated Amortization	May 31, 2008 Net Book Value	November 30, 2007 Net Book Value
	\$	\$	\$	\$
Office furniture	20,450	3,995	16,455	12,184
Computer equipment	46,034	11,269	34,765	17,726
Vehicles	161,895	37,571	124,324	115,082
Buildings	1,005,892	91,675	914,217	893,243
Site equipment	480,286	21,417	458,869	101,448
	1,714,557	165,927	1,548,630	1,139,683

Included in buildings at May 31, 2008, was \$507,489 (2007 – \$nil) in capital leases. Amortization during the six months ended May 31, 2008 amounted to \$78,712 (2007 - \$11,751), which has been reflected in the financial statements as follows:

Six months ended May 31,	2008	2007
Mineral properties - balance sheet	72,069	9,431
Amortization - statement of operations and deficit	6,643	2,320
Total amortization recognized, credited to accumulated amortization	78,712	11,751

Hawthorne Gold Corp.**Notes to the Interim Consolidated Financial Statements
For the Six Months Ended May 31, 2008 and 2007**(unaudited and prepared by management)

3. Mineral Properties

	Frasergold Property	Cassiar Property	Carruthers Property	Total
	\$	\$	\$	\$
Balance, November 30, 2006	31,457	-	138,391	169,848
Acquisition and maintenance	273,284	-	10,000	283,284
Amortization	78,594	-	-	78,594
Asset retirement obligation	22,179	-	-	22,179
Camp and expediting	809,766	-	-	809,766
Drilling	938,641	-	-	938,641
Equipment	171,538	-	-	171,538
Geochemical and metallurgical	109,891	-	-	109,891
Geological and geophysics	686,305	-	2,800	689,105
Professional and consulting	72,356	-	-	72,356
Stock based compensation	161,695	-	-	161,695
Travel	82,985	-	-	82,985
Vehicle costs	33,193	-	-	33,193
Wages and benefits	528,016	-	-	528,016
Incurred during the year	3,968,443	-	12,800	3,981,243
Balance, November 30, 2007	3,999,900	-	151,191	4,151,091
Acquisition and maintenance	87,598	14,192,084	15,000	14,294,682
Amortization	72,069	-	-	72,069
Asset retirement obligation	2,218	15,986	-	18,204
Camp and expediting	410,571	51,976	-	462,547
Drilling	205,312	-	-	205,312
Equipment	59,870	3,590	-	63,460
Environmental and permits	187,547	2,700	-	190,247
Geochemical and metallurgical	276,480	5,537	-	282,017
Geological and geophysics	179,461	207,257	-	386,718
Professional and consulting	11,452	48,038	-	59,490
Stock based compensation	74,567	17,300	-	91,867
Travel	46,208	27,895	-	74,103
Vehicle costs	18,710	110	-	18,820
Wages and benefits	416,910	217,561	-	634,471
Incurred during the period	2,048,973	14,790,034	15,000	16,854,007
Balance, May 31, 2008	6,048,873	14,790,034	166,191	21,005,098

Frasergold Property, British Columbia

At May 31, 2008, the Frasergold property is comprised of the following mineral claims:

Eureka Resources Inc.

In October 2006, the Company entered into an option agreement with Eureka Resources, Inc. ("Eureka") to earn up to a 60% interest in the Frasergold property by incurring the following:

Hawthorne Gold Corp.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended May 31, 2008 and 2007**(unaudited and prepared by management)

	Cash payments	Minimum work commitments
On signing (paid)	\$ 25,000	\$ -
September 30, 2007 (expended)	-	500,000
October 31, 2007 (paid)	50,000	-
April 30, 2008 (expended)	-	1,000,000
October 31, 2008	50,000	-
April 30, 2009 (expended)	-	1,000,000
October 31, 2009	50,000	-
April 30, 2010 (expended)	-	1,000,000
	<u>\$ 175,000</u>	<u>\$ 3,500,000</u>

In addition to the cash payments of \$175,000 and exploration expenditures of \$3,500,000, the Company must also complete a feasibility study by April 30, 2010 to earn its initial 51% interest. In the event the feasibility study cannot be completed by April 30, 2010, the Company can pay a cash penalty of \$100,000 per quarter to Eureka until January 31, 2012. The Company can earn an additional 9% interest by arranging third party financing for not less than 70% of the estimated capital costs required for commercial production of the property for Eureka on the same terms and conditions as the Company. If the Company fails to arrange third party financing for production, Eureka can arrange third party financing and earn an additional 2% interest from the Company.

Dajin Resources Corp.

In May 2007, the Company entered into an option agreement with Dajin Resources Corp. ("Dajin") to earn up to a 70% interest in certain mineral claims by incurring the following:

	Cash payments	Minimum work commitments
On signing (paid)	\$ 100,000	\$ -
May 29, 2008 (expended)	-	150,000
May 29, 2009	-	150,000
November 30, 2010	-	200,000
	<u>\$ 100,000</u>	<u>\$ 500,000</u>

On the exercise of the option, Dajin may elect to either remain a 30% working interest partner or, for no additional consideration, convert its 30% working interest into a 2% NSR.

Bourdon Property

In June 2007, the Company entered into an option agreement with a property vendor to earn a 100% interest in a mineral claim by incurring the following:

	Cash payments	Share payments
On signing (paid and issued)	\$ 20,000	10,000
May 29, 2008 (paid and issued)	30,000	15,000
May 29, 2009	40,000	20,000
November 30, 2010	50,000	25,000
	<u>\$ 140,000</u>	<u>\$ 70,000</u>

Hawthorne Gold Corp.
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In the event the Bourdon property is subject to a positive feasibility study, the Company will issue an additional 150,000 common shares. The property is subject to a two percent (2%) NSR of which fifty percent (50%) may be purchased for the sum of \$1,000,000.

Addie Property

In September 2007, the Company acquired certain mineral claims by issuing 50,000 shares. The property is subject to a two percent (2%) NSR of which fifty percent (50%) may be purchased for the sum of \$1,000,000.

Cassiar Property, British Columbia

Table Mountain

On April 15, 2008, the Company completed a statutory plan of arrangement pursuant to which the Company acquired all of the outstanding common shares and debentures of Cusac Gold Mine Ltd. ("Cusac"). Cusac became a wholly owned subsidiary of the Company and was renamed Cassiar Gold Corp. Under the terms of the Arrangement, Shareholders of Cusac received one (1) common share of the Company in exchange for each nineteen (19) Cusac common shares. In addition, for each two (2) dollars of principal and interest owed to each Cusac debenture holder, the Company issued one (1) common share. The Company has issued 4,434,240 common shares to Cusac shareholders and 1,619,988 shares to debenture holders at \$1.70 for a total acquisition cost of \$10,292,188.

The excess of the acquisition costs over the net asset value of Cusac, being \$7,993,450, was allocated to Table Mountain mineral properties.

The total purchase price of \$10,292,188 has been allocated as follows:

Current assets	\$ 157,514
Plant and equipment	459,707
Mineral properties	12,594,240
Current liabilities	(2,233,313)
Asset retirement obligation	<u>(685,960)</u>
	<u>10,292,188</u>

Taurus

Pursuant to an option agreement, the Company can acquire 46 mineral claims near Cassiar, British Columbia from American Bonanza Gold Corp. in consideration of an aggregate \$6 million over two years, consisting of \$1 million by December 22, 2007 (paid), \$2 million by June 22, 2008 (paid subsequently), \$1.5 million by June 22, 2009 and \$1.5 million by December 22, 2009. A further \$3 million is payable upon completion of a positive feasibility study recommending production, or production, whichever comes first. Pursuant to the agreement, the Company is required to issue 250,000 common shares to Bonanza on or before December 22, 2008.

Carruthers Property, British Columbia

In May 2006, the Company entered into an option agreement with Cariboo Rose Resources Ltd. ("Cariboo") (formerly Wildrose Resources Ltd.) to earn a 60% interest in the Carruthers property by incurring the following:

Hawthorne Gold Corp.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended May 31, 2008 and 2007**(unaudited and prepared by management)

	Cash payments	Minimum work commitments
April 25, 2007 (paid)	\$ 10,000	\$ -
April 25, 2008 (paid and work commitment fulfilled)	15,000	100,000
April 25, 2009	15,000	-
April 25, 2010	20,000	-
April 25, 2011	30,000	-
April 25, 2012	50,000	900,000
	<hr/> \$ 140,000	<hr/> \$ 1,000,000

The property is subject to back-in rights by the underlying claim owner, Phelps Dodge ("Phelps"), whereby Phelps can earn back a 60% interest in the property by incurring the greater of \$1,500,000 or exploration expenditures that are 200% greater than expenditures to date by Cariboo and the Company. If Phelps earned back a 60% interest, the Company's interest would be reduced to 24%. The back-in election must be made the earlier of June 2009 or completion of 2,500 meters of drilling. Phelps may earn an additional 10% by completing a feasibility study within three years of earning its back-in rights. If Phelps elects not to exercise its back-in rights, it will be entitled to a 2.5% NSR, which can be reduced to 1% by payment of \$1,500,000.

Asset Retirement Obligation

A continuity of the asset retirement obligation relating to the mineral properties is as follows:

	Six months ended May 31, 2008	Year ended November 30, 2007
Asset retirement obligation - beginning of period	\$ 22,179	-
Liabilities incurred	-	22,179
Amount arising from Cusac acquisition	685,960	-
Accretion expense	2,218	-
Asset retirement obligation - ending of period	<hr/> \$ 710,357	<hr/> \$ 22,179

The total undiscounted amount of estimated cash flows required to settle the obligations is \$762,527, which was adjusted for inflation at the rate of 2% and then discounted at 10%. Certain minimum amounts of asset retirement obligations will occur each year with the significant amounts to be paid on abandonment of the mineral property interests.

4. Share Capital

a) Authorized

Unlimited Class A common shares, without par value

b) Issued

Hawthorne Gold Corp.**Notes to the Interim Consolidated Financial Statements
For the Six Months Ended May 31, 2008 and 2007**(unaudited and prepared by management)

	Six months ended May 31, 2008		Year ended November 30, 2007	
	Shares #	Amount \$	Shares #	Amount \$
Common shares				
Balance, beginning of period	14,462,875	5,717,692	6,800,000	300,000
Private placements	8,543,505	13,003,240	3,964,375	3,917,270
Initial Public Offering	-	-	3,350,000	2,010,000
Shares issued for mineral properties	6,069,228	10,312,888	60,000	93,500
Shares issued on warrant exercises	6,375	6,056	4,000	3,800
Shares issued on option exercises	20,800	22,506		
Less:				
- Finders' fees	92,813	(1,026,399)	284,500	(484,301)
- Share issue costs	-	(254,365)	-	(71,577)
- Tax benefits on renounced to subscribers	-	-	-	(51,000)
Balance, end of period	29,195,596	27,781,618	14,462,875	5,717,692

In December 2007, the Company closed a non-brokered private placement for gross proceeds of \$3 million. The private placement consisted of 1,875,000 units priced at \$1.60 per unit. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of 18 months from the date of closing, to acquire one common share at \$2.25 per share. The Company paid a finder's fee of 92,813 common shares, equivalent to 5% of the proceeds sourced by eligible finders in respect of certain units placed under the financing. The fair value of warrants was estimated using the Black-Scholes option pricing model (assumptions include a risk free rate of 4%, estimated volatility of 120%, expected life of 1.5 years and expected dividend yield of 0%) and \$775,143 of the proceeds of the financing was credited to contributed surplus.

In April 2008, the Company closed a brokered private placement for gross proceeds of \$12,314,983. The private placement consisted of 3,443,009 units priced at \$1.75 per unit for gross proceeds of \$6,025,266 and 3,225,496 flow-through common shares priced at \$1.95 per share for gross proceeds of \$6,289,717. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of two years from closing to acquire one common share at a price of \$2.25 per share. The fair value of warrants was estimated using the Black-Scholes option pricing model (assumptions include a risk free rate of 4%, estimated volatility of 114%, expected life of 2 years and expected dividend yield of 0%) and \$1,536,600 of the proceeds of the financing was credited to contributed surplus. The Company paid a cash commission of \$738,899 or 6% of the gross proceeds and issued 400,111 compensation options equal to 6% of the aggregate number of units and flow-through common shares. Each compensation option entitles the holder to purchase one common share at an exercise price of \$1.75 per share for a year from the closing of the private placement.

c) Warrants

The continuity of warrants is as follows:

Hawthorne Gold Corp.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended May 31, 2008 and 2007**(unaudited and prepared by management)

	Number of warrants	Weighted average exercise price
Balance, November 30, 2007	1,973,188	\$ 1.56
Issued	3,059,116	2.18
Issued in exchange for Cusac warrants	338,339	5.25
Exercised	(6,375)	0.60
Balance, May 31, 2008	5,364,268	\$ 2.15

During the period ended May 31, 2008 under the fair-value-based method, \$287,500 (2007 - \$116,901) was recorded in compensation expense for the issuance of broker warrants in connection with private placements.

The fair value of broker warrants has been estimated using the Black-Scholes option pricing model with the following assumptions:

	2008	2007
Risk free interest rate	4%	4.25%
Expected dividend yield	- %	- %
Stock price volatility	114%	110%
Expected life of warrants	1 year	2 years
Fair value of warrants	\$0.72	\$0.35

d) Options

The Company adopted a rolling stock option plan, whereby 10% of the Company's issued and outstanding share capital may be granted to officers, directors, employees and consultants of the Company.

The continuity of options is as follows:

	Number of common shares	Weighted average exercise price
Balance, November 30, 2007	1,389,000	\$ 0.86
Cancelled	(41,000)	(1.60)
Exercised	(20,800)	(0.60)
Granted	25,000	2.00
Granted in exchange for Cusac options	172,104	3.85
Balance, May 31, 2008	1,524,304	\$ 1.20

The exercise prices of all share purchase options granted were at the market price at the grant date. Using an option pricing model with the assumptions noted below, the estimated fair value of all options granted during the period ended May 31, 2008, which have been reflected in the financial statement as follows:

Six months ended May 31,	2008	2007
Mineral properties - balance sheet	91,867	17,464
Stock based compensation - statement of operations and deficit	192,643	43,661
Total compensation cost recognized, credited to contributed surplus	284,510	61,125

Hawthorne Gold Corp.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended May 31, 2008 and 2007**(unaudited and prepared by management)

The fair value of share options used has been estimated using the Black-Scholes option pricing model with the following assumptions:

Six months ended May 31,	2008	2007
Risk free interest rate	4.25%	4.25%
Expected dividend yield	- %	- %
Stock price volatility	111%	110%
Expected life of options	4.69 years	5 years
Fair value of options	\$ 0.66	\$ 0.48

e) Shares held in escrow

As at May 31, 2008, there were 2,748,000 common shares (2007 – 4,122,000) of the Company held in escrow. The escrowed shares are released every six months and the length of the agreement is three years.

f) Contributed surplus

Six months ended May 31,	2008	2007
Balance, beginning of period	\$ 2,152,424	-
Stock based compensation for stock options	284,510	61,125
Stock based compensation for broker warrants	287,500	116,901
Stock based compensation for warrants	2,311,743	-
Exercise of stock options	(10,026)	-
Exercise of broker warrants	(2,231)	-
Balance, end of period	\$ 5,023,920	\$ 178,026

5. Capital Lease

The Company is committed to capital leases for its camp facilities and equipment as follows:

	Capital lease
2008	\$ 98,077
2009	176,479
2010	198,240
Total lease payments and buyout	472,796
Less: amount representing interest	(66,600)
Present value of minimum payments	406,196

6. Related Party Transactions

- a) During the six months ended May 31, 2008, the Company paid rent of \$24,000 (2007 - \$12,000) to a company with common officers and directors.
- b) Included in accounts payable at May 31, 2008, was \$nil (November 30, 2007 - \$4,330) payable to related parties without interest.

Hawthorne Gold Corp.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended May 31, 2008 and 2007**

(unaudited and prepared by management)

7. Supplemental Disclosure with Respect to Cash Flows

The significant non-cash transaction for the six months ended May 31, 2008 was the inclusion in accounts payable of \$1,016,253 (2007 - \$69,922) in mineral property expenditures and \$24,427 (2007 - \$3,225) in plant and equipment expenditures.

In conjunction with the December 2007 private placement, of the proceeds of \$2,970,000, the Company paid a finder's fee of 5%, or \$148,501, by issuing 92,813 common shares of the Company.

During the period ended May 31, 2008, the Company issued 6,054,228 common shares valued at \$10,292,188 for the acquisition of Cusac Gold Mines Ltd. and 15,000 common shares valued at \$20,700 for the Bourdon property.

8. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and due to related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

9. Segmented Information

The Company operates in one reportable operating segment, being the exploration and development of resource properties. All of the Company's properties and equipment are located in Canada.

10. Commitments

The Company is committed to certain cash payments and exploration expenditures as described in Note 3.

Pursuant to the flow-through common shares issued, the Company is committed to spending \$6,289,717 on qualified expenditures by December 31, 2009. As of May 31, 2008, the Company expended \$514,002 of the qualified expenditures leaving a balance of \$5,775,715 due by December 31, 2009.

The Company's commitments to equipment rental agreements and office lease are as follows:

	Equipment rentals \$	Office lease \$
2008	8,328	67,006
2009	16,656	163,049
2010	16,656	168,409
2011	16,656	173,770
2012	16,656	179,130
2013	12,492	184,491
2014	-	109,444

11. Subsequent events

Subsequent to the quarter ended May 31, 2008, the Company made the \$2 million property payment pursuant to the Taurus option agreement.

This discussion and analysis of financial position and results of operations is prepared as at July 28, 2008 and should be read in conjunction with the unaudited financial statements of Hawthorne Gold Corp. (the "Company"), for the six months ended May 31, 2008, where necessary. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Overview

The Company is engaged in the exploration and development of mineral properties in British Columbia, Canada. The Company is currently listed as a Tier One issuer on the TSX Venture Exchange under the symbol "HGC".

On April 15, 2008, the Company completed a statutory plan of arrangement pursuant to which, among other things, the Company acquired all of the outstanding common shares (the "Shareholders") and debentures (the "Debentureholders") of Cusac Gold Mines Ltd. ("Cusac"). Cusac became a wholly owned subsidiary of the Company and changed its name to Cassiar Gold Corp. Under the terms of the arrangement, Shareholders of Cusac received one (1) common share of the Company in exchange for each nineteen (19) Cusac common shares. In addition, for each two (2) dollars of principal and interest owed to each Cusac Debentureholder, the Company issued one (1) common share. The Company issued approximately 6.05 million common shares to Cusac Shareholders and Debentureholders. Cusac stock options and warrants were also assumed by the Company, using the effective nineteen (19) to one (1) ratio.

Mineral Property Interests

Hawthorne currently has three significant gold projects located in British Columbia, Canada. Michael Redfean, P.Eng., the Company's Vice President of Operations and a qualified person as defined by National Instrument ("NI") 43-101, has reviewed and approved the technical information contained in this MD&A.

Frasergold, British Columbia

The optioned Frasergold property is located in the historic Quesnel Trough area of central British Columbia and has a long history of continued exploration since the 1970s. The results of the Company's 2007 exploration programs confirmed previous work on the property and the potential for an open pit bulk tonnage opportunity. The full extent of the mineralized zone remains to be tested along strike and at depth. To the date of this MD&A, the Company has completed 54 drill holes totalling approximately 9,700 metres and expects the program to reach 10,400 metres by the middle of August. The 2008 drill program includes in-fill and step-out drilling with a goal to complete a NI 43-101 compliant resource estimate on the main zone in early 2009. Hawthorne's exploration program for 2008 will also include work on the opposite side of the syncline where a similar geological environment may exist.

Table Mountain, British Columbia

The wholly-owned Table Mountain gold mine is a high-grade, underground mining operation located in northern British Columbia. The historic Cassiar Gold Belt is a 23 kilometre long greenstone hosted quartz carbonate formation that stretches from Mount McDame in the north to Juniper Mountain in the

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southeast. The historic mining operations produced just over 500,000 ounces of gold from various mills and placer operations.

Numerous small mines processed high-grade ore on the Cassiar Gold Belt starting in 1934. This was followed in 1978 by larger-scale underground mining and processing, first as the Erickson gold mine, then the Cusac gold mine. During this period, mine operators opened 13 portals to access Table Mountain's widespread gold mineralization. The operation and support facilities at the Table Mountain gold mine, which shut down in October 2007 due to a lack of working capital, consist of a 300-ton-per-day, gravity flotation mill, power plant, assay laboratory and permitted tailings pond.

Gold mineralization at Table Mountain is hosted in a greenstone quartz carbonate gold system that is similar to some of Canada's largest gold camps, including Timmins, Kirkland Lake and Val d'Or. Hawthorne is currently opening several of the underground portals to undertake an underground geological reconnaissance program in anticipation of commencement of gold production in 2009.

The East Bain vein at Table Mountain hosts a NI 43-101 inferred resource estimate of 6,622 ounces of gold consisting of 1,276 tons grading 5.19 ounces per ton and an indicated resource estimate of 16,970 ounces of gold consisting of 22,157 tons at 0.766 ounces per ton. (Refer to NI 43-101 technical report titled, "Update of the Technical Report on Table Mountain," dated June 1, 2008 and prepared by Garth Kirkham, Peter Stokes and John Fox of Beacon Hill Consultants, filed at www.sedar.com on June 3, 2008).

Taurus, British Columbia

The Taurus project is a large-tonnage, low-grade gold deposit. It is a former producer and has been explored for approximately 25 years. It is an advanced-stage exploration target that hosts a NI 43-101 inferred resource estimate of 1.04 million ounces of gold. This resource, which was confirmed in a June 2007 technical report, consists of 32.4 million tonnes at an average gold grade of 1.0 g/t using a cut-off grade of 0.5 g/t. (refer to NI 43-101 technical report titled, "Technical Report on the Taurus Project – Liard Mining District, B.C.," dated May 15, 2007 and prepared by Kevin Palmer and Andrew Ruijter of Wardrop Engineering Incorporated, filed at www.sedar.com on February 13, 2008).

The Taurus project comprises mineral claims the Company owns and claims optioned from a third party. Drilling during the last two years has expanded the mineralization with grade intercepts in a range similar to the known resource of 1.0 g/t gold.

A former high-grade, small underground gold mine, the Taurus deposit was actively operated in the early 1950s and again in the early 1980s. The high-grade zones were eventually abandoned and attention turned to a large low-grade mineralized zone, where approximately 370 holes have been drilled. Hawthorne plans to expand the resource with additional drilling and an airborne geophysical survey. The land package consists of a contiguous 56,300-hectare package on the Cassiar Gold Belt

Results of Operations

Results of Operations for the three months ended May 31, 2008 and 2007

Expenses

Total operating expenses were \$418,648 for the three months ended May 31, 2008, compared to \$120,846

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for the comparative three months, for an increase of \$297,802. The Company's expenses increased in all cost categories between the periods as a result of the advancement of Frasergold and completed the acquisition of Cusac compared the prior three month period when the Company had just commenced operations. During the three months ended May 31, 2008, the Company incurred \$123,776 in investor relations expenses in efforts to provide exposure of the Company in the financial community. This compares with \$10,555 in such expenses in the comparative period when the Company had just gone public. During the three months ended May 31, 2008, the Company incurred \$33,640 in rent and office expenses as compared to \$15,262 in such expense in the comparative three months when the Company was just commencing operations.

Net Loss

The Company recorded a net loss of \$391,113 for the three months ended May 31, 2008, compared with a net loss of \$100,316 in the prior three months.

Results of Operations for the six months ended May 31, 2008 and 2007

Expenses

Total operating expenses were \$797,374 for the six months ended May 31, 2008, compared to \$165,051 for the comparative six months, for an increase of \$632,323. The Company recorded stock based compensation charges of \$192,643 for the vesting of stock options granted to directors, officers, employees and consultants of the Company during the current six months, as compared with \$43,661 in the comparative six months period. During the six months ended May 31, 2008, the Company incurred \$93,940 in wages and benefits as compared to \$27,073 in such expense in the comparative six months. The increase in wages reflects the additional management and administrative staff the Company hired over the past year.

Net Loss

The Company recorded a net loss of \$730,813 for the six months ended May 31, 2008, compared with a net loss of \$104,547 in the prior six months. The net loss for the six months ended May 31, 2007 is net of a future income tax recovery of \$51,000 related to the renouncement of the Company's \$150,000 flow through financing completed in July 2007.

Summary of Quarterly Results

	May 31 2008	Feb 29 2008	Nov 30 2007	Aug 31 2007	May 31 2007	Feb 28 2007	Nov 30 2006	Aug 31 2006
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	-	-	-	-	-	-	-	-
Net loss	(391,113)	(339,700)	(278,338)	(213,937)	(100,316)	(4,231)	(439)	(207)
Net loss per share								
- basic and diluted	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.00)	(0.00)	(0.00)

The Company's expenses and net losses have increased quarter over quarter as the Company advanced its business plan of acquiring exploration and development projects. The Company expects its expenses to increase in the coming quarters as it undertakes its aggressive exploration and development plans.

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Liquidity

The Company had cash and cash equivalents of \$10,807,364 at May 31, 2008 from \$2,749,637 at November 30, 2007. The Company's working capital was \$9,864,498 as at May 31, 2008, compared to working capital of \$2,292,034 as at November 30, 2007. During the six months ended May 31, 2008, the Company's working capital improved due to closing private placements for gross proceeds of \$15,315,983.

During the six months ended May 31, 2008, the Company used \$6,013,698 of its cash on its mineral properties, including a \$1,000,000 cash payment for the Taurus option, as compared to \$244,832 during the comparative period.

Capital Resources

During the quarter ended May 31, 2008, the Company closed a brokered private placement for gross proceeds of \$12,314,983. The private placement consisted of 3,443,009 units priced at \$1.75 per unit for gross proceeds of \$6,025,266 and 3,225,496 flow-through common shares priced at \$1.95 per share for gross proceeds of \$6,289,717. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of two years from closing to acquire one common share at a price of \$2.25 per share. The Company paid a cash commission of \$738,898 or 6% of the gross proceeds and issued 400,111 compensation options equal to 6% of the aggregate number of units and flow-through common shares. Each compensation option entitles the holder to purchase one common share at an exercise price of \$1.75 per share for a year from the closing of the private placement.

To keep the Company's mineral claims in good standing, the Company is required to make cash payments and fulfill work program expenditures. During 2007, the Company entered into a capital lease for the purchase of a permanent camp for the Frasergold project with total commitments of \$472,796 by May 2010.

Transactions with Related Parties

During the six months ended May 31, 2008, the Company paid rent of \$24,000 (2007 - \$12,000) to a company with common officers and directors.

Disclosure of Outstanding Share Data

The following details the share capital structure as of the date of this MD&A.

	Expiry date	Exercise price	Number of Securities	Number Of Shares
Common shares				29,205,596
Share purchase options:	April 25, 2012	\$0.60	1,029,200	
	July 22, 2012	\$1.60	78,000	
	October 2, 2009	\$1.60	20,000	
	October 2, 2012	\$1.60	50,000	
	October 29, 2012	\$2.05	50,000	
	February 1, 2010	\$2.00	25,000	
	May 31, 2010	\$1.75	50,000	
	September 5, 2009 (*)	\$3.04	26,316	
	May 4, 2009 (*)	\$4.18	15,789	

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	Expiry date	Exercise price	Number of Securities	Number Of Shares
	August 7, 2008 (*)	\$4.18	11,053	
	August 7, 2008 (*)	\$4.56	20,526	1,375,884
Agent warrants:	April 23, 2009	\$0.60	314,625	
	April 17, 2009	\$1.75	382,434	
	April 25, 2009	\$1.75	17,677	
	November 17, 2008 (*)	\$4.37	22,432	
Share purchase warrants:	July 12, 2009	\$1.75	1,642,188	
	June 20, 2009	\$2.25	937,500	
	April 17, 2010	\$2.25	1,721,503	
	November 8, 2008 (*)	\$6.65	151,869	
	November 17, 2008 (*)	\$6.65	15,594	
	January 17, 2009 (*)	\$3.80	27,473	
	February 23, 2009 (*)	\$3.80	120,971	5,354,266
				35,935,746

(*) denotes options and warrants assumed under the acquisition of Cusac Gold Mines Ltd.

Cautionary Statement

This MD&A may contain “forward looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, unfavourable studies regarding the Company’s Projects, fluctuations in the market valuation for metal prices, difficulties in obtaining required approvals for the development of a mine and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.