



HAWTHORNE GOLD CORP.

TSX-V: HGC US: HWTHF

2009 2nd QUARTER REPORT

SIX MONTHS ENDED MAY 31, 2009

INTERIM FINANCIAL STATEMENTS

(Unaudited and Prepared by Management)

The accompanying unaudited interim consolidated financial statements of Hawthorne Gold Corp. for the six months ended May 31, 2009 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.

Management's Discussion and Analysis

This discussion and analysis of financial position and results of operations is prepared as at July 15, 2009 and should be read in conjunction with the unaudited financial statements of Hawthorne Gold Corp. (the "Company"), for the six months ended May 31, 2009, 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 1 Issuer on the TSX Venture Exchange under the symbol "HGC", and quoted on the Pink Sheets in the United States under the symbol "HWTHF".

Mineral Property Interests

Hawthorne currently has three gold projects located in British Columbia, Canada. The Company controls 100% of the Cassiar Gold Camp projects – Table Mountain and Taurus, and also has an option to acquire up to 60% of the Cariboo Gold Camp project – Frasersgold.

Michael Petrina, P.Eng., the Company's Vice President of Mining and a Qualified Person as defined by National Instrument ("NI") 43-101, has reviewed and approved the technical information contained in this MD&A.

Cassiar Gold Property

Table Mountain Gold Project, British Columbia

The Table Mountain project is a former high-grade underground gold operation located along the north-south provincial Highway 37 in northern British Columbia. The mill facility was put under care and maintenance by the previous owners in October 2007 and the Company acquired it in 2008. The mill processing and support facilities comprise a permitted 270 tonne per day gravity/flotation mill, power plant and tailings impoundment facility. The Company controls a total of 56,300 hectares around the existing property area, which has consolidated the Cassiar Gold Camp under one owner.

In 2008, Hawthorne completed a 2,536-metre diamond drill program, a property-wide geophysical survey and reconnaissance program, general underground rehabilitation work, and established the Cassiar mining camp in preparation for planned underground production in the latter part of 2009 or early 2010.

The 2009 Table Mountain drill campaign is well underway and the Company is drilling targets identified from the recently completed fully digitally compiled geological model to define additional high-grade underground gold zones similar to the East Bain zone. The drill program is expected to total between 8,000 and 10,000 metres during the summer of 2009. The Company is also planning approximately 150 metres of underground ramp advance followed by approximately 150 metres of underground development to undercut and access the East Bain zone, during the summer of 2009.

The East Bain zone, located within the Cassiar Gold Camp, hosts an indicated gold resource of 13,708 ounces of gold comprising of 20,101 tonnes at an average grade of 21.21 g/t Au and an inferred resource of 2,552 ounces of gold comprising of 1,158 tonnes at an average grade of 68.57 g/t Au (refer to the NI

43-101 technical report titled, "Update of Technical Report on the Table Mountain Property, Liard Mining District, B.C." on the Table Mountain Project, prepared by Beacon Hill Consultants (1988) Ltd. on June 1, 2008. For 68.57g/tonne cut values, individual assays greater than 68.57 g/tonne Au are cut to 68.57 g/tonne Au. A feasibility study has not been completed and there is no certainty the disclosed targets will be reached nor that the proposed operations will be economically viable.

Taurus Gold Project, British Columbia

The Taurus gold deposit, an advanced stage exploration and development project, is located approximately eight kilometres from the Cassiar Gold Mine along the main access road to the town of Cassiar, British Columbia. The site of a former high grade underground gold mine, the Taurus deposit was explored by previous operators for a large tonnage open pit scenario as well as high grade underground, where over 370 drill holes have been completed to date. The deposit, located within the Cassiar Gold Camp, hosts an inferred resource of 1.055 million ounces of gold consisting of 33.1 million tonnes at an average grade of 0.99 g/t Au using a cut-off grade of 0.50 g/t Au (refer to NI 43-101 technical report titled, "Updated Resource Report on the Taurus Project – Liard Mining District, B.C.," dated March 11, 2009 and prepared by Thomas C. Stubens and Morinus Andre de Ruijter of Wardrop Engineering Incorporated, filed at www.sedar.com on March 11, 2009).

In June 2009, the Company completed eight NTW diamond drill holes, totaling 409 metres, on the Taurus zone. The goal of the Taurus zone drilling is to delineate targeted small tonnage, higher grade surface gold zones, for supplemental mill feed to the permitted Cassiar Gold Mining operation. Recent drilling encountered similar mineralization as described in historical drilling within the area. Three of the eight drill holes have encountered disseminated VG (visible gold) within or along the margins of quartz veins and veinlets.

Drill core from the Taurus zone has been sent to SGS Mineral Services North America in Vancouver, British Columbia for assaying and to initiate metallurgical test work to ensure the mineralization is amenable to processing through the mill facility at the Cassiar Gold Mine. If the results are positive, the Company will move forward with the extraction of a 10,000 tonne bulk sample from the target zone and stockpile the mineralized material next to the mill later this year.

Frasergold, British Columbia

The Frasergold Property, optioned from Eureka Resources Inc., is located in the Cariboo Gold Camp, situated in the historic Quesnel Trough area of central British Columbia and has a long history of continued exploration since the 1970s. In 2008, Hawthorne completed a 10,405 metre diamond drill program, a soil sampling program, and a reconnaissance exploration exercise. Total drilling on the property now exceeds 50,000 metres, including work from 2007/2008 and in the 1980s and 1990s. The 2008 exploration program focused on the two kilometre Main Zone, and the property remains to be tested at depth, up dip and along strike. The goal is to gain a better understanding of the size and potential of the gold deposit and define a NI 43-101 compliant mineral resource estimate within the Main Zone. The total land position, totalling 11,293 hectares or 41 claims, consists of option agreements with Eureka Resources Inc. and Dajin Resources Corp.

Results of Operations

Results of Operations for the six months ended May 31, 2009 and 2008

Expenses

Total operating expenses were \$1,423,381 for the six months ended May 31, 2009, compared to \$797,374 for the comparative six months, for an increase of \$626,007. The Company's expenses increased in most cost categories between the periods as a result of the advancement of the Company's projects, as compared to the prior six month period when the Company had just acquired the Cassiar Gold property. The Company incurred \$305,493 in wages and benefits as compared to \$93,940 in such expense in the comparative six months. The increase in wages reflects the additional management and administrative staff the Company hired between the periods as it advanced its business plan. During the six months ended May 31, 2009, the Company also incurred \$210,810 in rent and office expenses as compared to \$89,109 in such expense in the comparative six months when the Company had smaller office space and overhead.

Future income tax recovery

During the six months ended May 31, 2009, the Company recorded an income tax recovery of \$3,090,707 in connection with flow through tax deductions of \$9,780,717 the Company renounced to investors in December 2008 as compared to no such recovery in the prior period.

Net Income/Loss

The Company recorded net income of \$1,707,943 for the six months ended May 31, 2009 primarily as a result of the \$3,090,707 in future income tax recoveries, compared with a net loss of \$730,813 in the prior six months.

Results of Operations for the three months ended May 31, 2009 and 2008

Expenses

Total operating expenses were \$862,123 for the three months ended May 31, 2009, compared to \$418,648 for the comparative three months, for an increase of \$443,475. The Company incurred \$144,326 in project investigation costs associated with due diligence and review of potential projects of merit as compared to no such costs in the prior period. During the three months ended May 31, 2009, the Company also incurred \$41,589 in bank charges and interest expenses as compared to \$16,466 in the comparative three months. The expenses consist primarily of interest charges on the capital lease and mortgage for the camp and related structures at Cassiar.

Net Loss

The Company recorded a net loss of \$829,210 for the three months ended May 31, 2009 compared with a net loss of \$391,113 in the prior three months.

Summary of Quarterly Results

	May 31 2009	Feb 28 2009	Nov 30 2008	Aug 31 2008	May 31 2008	Feb 29 2008	Nov 30 2008	Aug 31 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	-	-	-	-	-	-	-	-
Net income (loss)	(829,210)	2,537,153	(589,562)	(487,225)	(391,113)	(339,700)	(278,338)	(213,937)
Net income (loss) per share - basic and diluted	(0.01)	0.05	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)

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 exploration and development plans. Excluding the future income tax recovery of \$3,090,707 recorded in the three months ended February 28, 2009, the net loss would have been \$553,554.

Liquidity

The Company's cash and short term investments increased to \$379,513 and \$4,986,500, respectively, at May 31, 2009 from \$96,311 and \$2,100,000 at November 30, 2008. The Company's working capital was \$4,512,189 as at May 31, 2009, compared to \$810,477 as at November 30, 2008.

During the six months ended May 31, 2009, the Company used \$1,975,125 of its cash on its mineral properties as compared to \$6,013,698, including \$1,000,000 cash payment for the Taurus project, during the comparative period. The Company expects to incur additional expenditures on its mineral properties in the coming quarters, primarily resource development and pre-production work at Cassiar.

The Company has funded its operations from equity financings and cash on hand during the periods. During the six months ended May 31, 2009, the Company raised net proceeds of \$6,721,504 from the issuance of capital as compared to \$14,338,025 in the previous six month period.

Capital Resources

During the six months ended May 31, 2009, the Company closed three private placements for gross proceeds of \$7,365,000. The private placements consisted of 5,397,619 flow-through shares priced at \$0.21 per share and 20,771,666 units at \$0.30 per share. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one common share at a price of \$0.40 per common share for a period of 12 months following closing. To keep the Company's mineral claims in good standing, the Company is required to make cash payments and fulfill work program expenditures. The Company has a capital lease for the purchase of a permanent camp with total commitments of \$176,480 and a mortgage payable of \$302,631 relating to land and buildings. The camp, land and buildings are all related to the Cassiar project. As at May 31, 2009, the Company has a commitment to spend \$1,616,807 of flow through eligible expenditures by December 31, 2009.

At the year ended November 30, 2008, the Company received a demand letter from a former drilling contractor. The demand letter is for certain delay charges relating to the suspension of a drilling project. Subsequent to the quarter ended May 31, 2009, the Company was served with a Writ of Summons and a Statement of Claim in an action commenced in the Supreme Court of British Columbia by the former drilling contractor. The Company and the former drilling contractor have entered into an agreement to

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Management's Discussion and Analysis

settle this matter for a lump sum payment of \$587,500. Included in accounts payable at November 30, 2008, was \$128,786 of this amount and the Company has accrued an additional \$458,714 during the current quarter which is recorded as drilling costs at Frasergold in mineral properties.

Transactions with Related Parties

Included in current liabilities at May 31, 2009, was \$148,950 (November 30, 2008 - \$205,852) payable to Adriana Resources Inc. ("Adriana"), a company with common officers and directors, for reimbursement of certain management salaries and to Hemmingsen Management Ltd. ("Hemmingsen"), for administrative services. Hemmingsen is jointly owned by the Company and Adriana. During the six months ended May 31, 2009, the Company paid rent of \$nil (2008 - \$24,000) to Adriana.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

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				74,367,847
Share purchase options:	September 5, 2009	\$3.04	26,316	
	October 2, 2009	\$1.60	20,000	
	April 25, 2012	\$0.60	1,016,700	
	July 22, 2012	\$1.60	72,000	
	October 2, 2012	\$1.60	50,000	
	April 1, 2010	\$0.40	100,000	
	April 1, 2011	\$0.40	100,000	
	April 1, 2014	\$0.40	<u>2,800,000</u>	4,185,016
Share purchase warrants:	November 13, 2009	\$0.30	744,625	
	December 1, 2009	\$0.30	36,167	
	December 17, 2009	\$0.30	133,000	
	February 27, 2010	\$0.40	11,753,106	
	April 17, 2010	\$2.25	<u>1,721,503</u>	14,388,401
				<u>92,941,264</u>

Changes in Accounting Policies and New Accounting Pronouncements

Current Accounting Changes

Goodwill and Intangible Assets (Section 3064)

In December 2008, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible

Assets". This Section replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and on intangible assets. There was no material impact on the financial position or operational results of the Company as a result of the adoption of this standard.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC Abstract 173)

In January 2009, the Company adopted the EIC Abstract 173 ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC-173 has no impact on the Company's consolidated financial statements.

Mining Exploration Costs (EIC Abstract 174)

In March 2009, the Company adopted the EIC Abstract 174 ("EIC-174"). EIC-174 provides guidance on the capitalization of mining exploration costs, particularly when mining reserves have not been proven and when an impairment test of these costs is required. The adoption of EIC-174 has no impact on the Company's consolidated financial statements.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS, replacing Canada's own GAAP, for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company with its fiscal year beginning December 1, 2011. The transition date of December 1, 2011 for the Company will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. The conversion to IFRS will impact the Company's accounting policies, information technology, internal controls and disclosure procedures. The Company is currently investing in training of its employees to ensure a timely conversion.

Business Combinations (Section 1582)

In January 2009, the AcSB issued CICA Handbook Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The adoption of Section 1582 will affect the Company's accounting for business combinations, if any, on or after January 1, 2011.

Consolidated Financial Statements (Section 1601)

In January 2009, the AcSB issued CICA Handbook Section 1601 to establish standards for the preparation of consolidated financial statements. The Section will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after December 1, 2011. The Company has not yet determined the impact of the adoption of this new Section.

Non-Controlling Interests (Section 1602)

This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Section will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after December 1, 2011.

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.



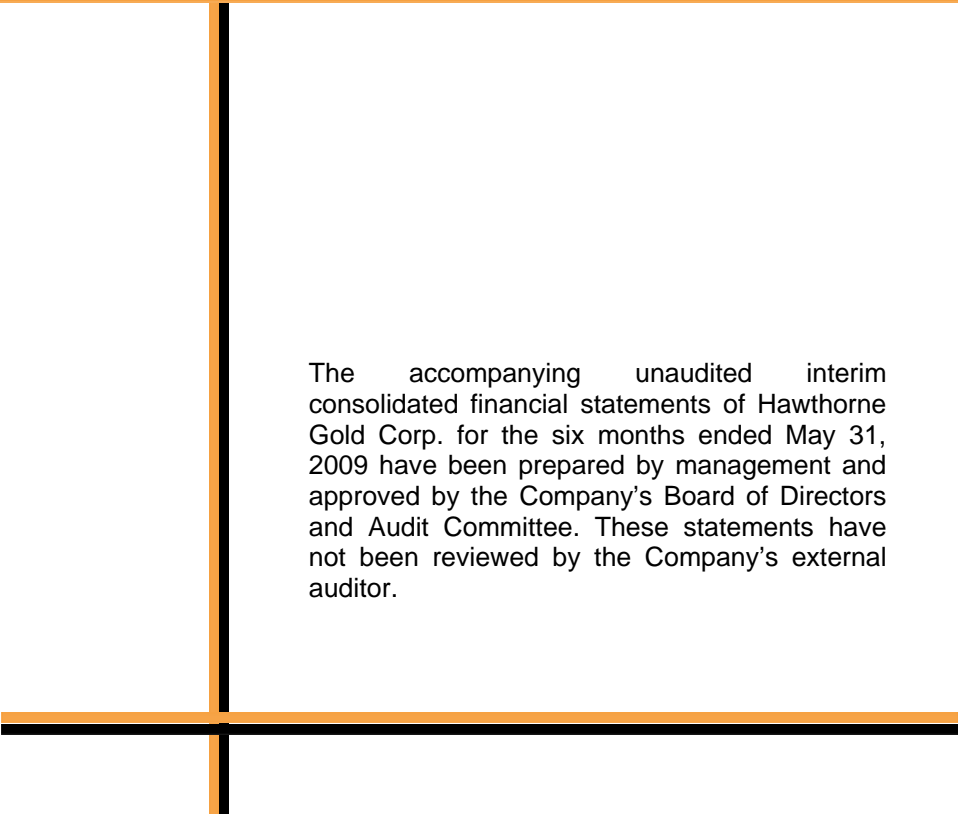
TSX-V: **HGC**

INTERIM FINANCIAL STATEMENTS
(Unaudited and Prepared by Management)
SIX MONTHS ENDED MAY 31, 2009



HAWTHORNE GOLD CORP.

The accompanying unaudited interim consolidated financial statements of Hawthorne Gold Corp. for the six months ended May 31, 2009 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 - prepared by Management)

	May 31, 2009	November 30, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 379,513	\$ 96,311
Short term investments	4,986,500	2,100,000
Accounts receivable	56,662	148,133
Prepaid expenses	160,318	67,931
Mine supplies inventory	52,615	52,615
	<u>5,635,608</u>	<u>2,464,990</u>
Reclamation bonds (Note 4)	324,444	324,444
Property, plant and equipment (Note 3)	1,883,284	1,974,326
Mineral properties (Note 4)	34,341,406	30,645,887
	<u>\$ 42,184,742</u>	<u>\$ 35,409,647</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 751,850	\$ 1,069,155
Due to related parties (Note 8)	148,950	205,852
Short term loan (Note 7)	-	170,500
Capital lease obligation - current (Note 6)	144,106	135,042
Mortgage payable - current (Note 3)	78,513	73,964
	<u>1,123,419</u>	<u>1,654,513</u>
Capital lease obligation (Note 6)	108,169	200,096
Mortgage payable (Note 3)	224,118	264,545
Asset retirement obligation (Note 4)	751,181	732,205
	<u>2,206,887</u>	<u>2,851,359</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	32,868,522	29,868,795
Contributed surplus (Note 5(f))	7,807,837	5,095,940
Deficit	(698,504)	(2,406,447)
	<u>39,977,855</u>	<u>32,558,288</u>
	<u>\$ 42,184,742</u>	<u>\$ 35,409,647</u>

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 11)

Subsequent events (Note 12)

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

Approved on behalf of the Board:

"Richard Barclay"
 Director

"Harvey Brooks"
 Director

Hawthorne Gold Corp.
Interim Consolidated Statements of Operations and Deficit
(Unaudited - prepared by Management)

	<i>Three months ended May 31,</i>		<i>Six months ended May 31,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Administrative expenses				
Amortization	\$ 10,403	\$ 4,049	\$ 19,541	\$ 6,643
Accretion of asset retirement obligation	9,488	-	18,976	-
Bank charges and interest	41,589	16,466	54,095	33,280
Filing fees and transfer agent	2,072	25,327	23,184	35,727
Investor relations	121,581	123,776	253,885	232,249
Professional fees and consulting	113,733	6,066	142,350	39,189
Project investigation	144,326	-	186,049	-
Rent and office expenses	108,066	33,640	210,810	89,109
Shareholder information	23,549	40,040	67,823	47,581
Stock-based compensation	123,017	80,525	131,351	192,643
Travel and entertainment	9,288	24,865	9,824	27,013
Wages and benefits	155,011	63,894	305,493	93,940
Loss before other income and income taxes	(862,123)	(418,648)	(1,423,381)	(797,374)
Other income				
Interest income	32,913	27,535	40,617	66,561
Loss before income taxes	(829,210)	(391,113)	(1,382,764)	(730,813)
Future income tax recovery (Note 5)	-	-	3,090,707	-
(Loss) income and comprehensive loss for the period	(829,210)	(391,113)	1,707,943	(730,813)
Income (deficit), beginning of the period	130,706	(938,547)	(2,406,447)	(598,847)
Deficit, end of the period	\$ (698,504)	\$ (1,329,660)	\$ (698,504)	\$ (1,329,660)
Basic and diluted loss per common shares	(0.01)	(0.02)	0.03	(0.04)
Weighted average number of common shares outstanding	74,116,695	22,086,172	62,702,066	19,049,183

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

Hawthorne Gold Corp.
Interim Consolidated Statements of Cash Flows
(Unaudited - prepared by Management)

	<i>Three months ended May 31,</i>		<i>Six months ended May 31,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Cash provided by (used in)				
Operating activities				
(Loss) income for the period	\$ (829,210)	\$ (391,113)	\$ 1,707,943	\$ (730,813)
Items not involving cash:				
Amortization	10,403	4,049	19,541	6,643
Accretion of asset retirement obligations	9,488	-	18,976	-
Stock-based compensation	123,017	80,525	131,351	192,643
Future income tax recovery	-	-	(3,090,707)	-
Net changes in non-cash working capital				
Accounts receivable	(30,948)	6,828	91,471	93,437
Prepaid expenses	(47,284)	(484,137)	(92,387)	(403,413)
Accounts payable and accrued liabilities	(213,529)	405,006	(4,884)	660,225
Due to related parties	(56,812)	(35,355)	(56,902)	-
Net cash used in operating activities	(1,034,875)	(414,197)	(1,275,598)	(181,278)
Investing activities				
Property, plant and equipment	(1,112)	(8,395)	(11,838)	(27,953)
Mineral properties	(595,285)	(2,940,884)	(1,975,125)	(6,013,698)
Short term investments	(3,386,500)	-	(2,886,500)	(8,403,514)
Net cash used in investing activities	(3,982,897)	(2,949,279)	(4,873,463)	(14,445,165)
Financing activities				
Proceeds from shares issued, net of issue costs	(64,707)	11,424,683	6,721,504	14,338,025
Repayment of short term loan	(85,250)	-	(170,500)	-
Repayment of mortgage	(18,207)	-	(35,878)	-
Repayment of capital lease	(33,195)	(29,150)	(82,863)	(57,369)
Net cash provided by (used in) financing activities	(201,359)	11,395,533	6,432,263	14,280,656
(Decrease) increase in cash and cash equivalents	(5,219,131)	8,032,057	283,202	(345,787)
Cash and cash equivalents, beginning of period	5,598,644	2,775,307	96,311	1,203,151
Cash and cash equivalents, end of period	\$ 379,513	\$ 10,807,364	\$ 379,513	\$ 857,364
Interest paid	\$ 20,369	\$ 14,969	\$ 42,335	\$ 30,870
Income taxes	\$ -	\$ -	\$ -	\$ -

Supplemental cash flow information (Note 9).

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

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 1 Issuer on the TSX Venture Exchange.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using standards for interim financial statements and do not contain all of the information required for annual financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application of the most recent annual audited consolidated financial statements dated November 30, 2008. Accordingly, they should be read in conjunction with the Company's November 30, 2008 annual audited financial statements.

The Company is considered to be in the exploration stage with respect to its interests in mineral properties. The recoverability of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These unaudited interim consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Current Accounting Changes

Goodwill and Intangible Assets (Section 3064)

In December 2008, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets". This Section replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and on intangible assets. There was no material impact on the financial position or operational results of the Company as a result of the adoption of this standard.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC Abstract 173)

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Consolidated Financial Statements (Section 1601)

In January 2009, the AcSB issued CICA Handbook Section 1601 to establish standards for the preparation of consolidated financial statements. The Section will be applicable to financial statements relating to the Company’s interim and fiscal year beginning on or after December 1, 2011. The Company has not yet determined the impact of the adoption of this new Section.

Non-Controlling Interests (Section 1602)

This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Section will be applicable to financial statements relating to the Company’s interim and fiscal year beginning on or after December 1, 2011.

Hawthorne Gold Corp.
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3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	May 31, 2009 Net Book Value
	\$	\$	\$
Office furniture	61,473	12,048	49,425
Computer equipment	65,212	20,202	45,010
Computer software	22,281	14,697	7,584
Vehicles	172,040	69,732	102,308
Site equipment	516,286	46,518	469,768
Buildings	1,413,037	216,848	1,196,189
Land	13,000	-	13,000
	<u>2,263,329</u>	<u>380,045</u>	<u>1,883,284</u>

	Cost	Accumulated Amortization	November 30, 2008 Net Book Value
	\$	\$	\$
Office furniture	56,068	6,986	49,082
Computer equipment	60,057	13,034	47,023
Computer software	20,653	9,081	11,572
Vehicles	172,040	56,356	115,684
Site equipment	516,286	35,162	481,124
Buildings	1,413,387	156,546	1,256,841
Land	13,000	-	13,000
	<u>2,251,491</u>	<u>277,165</u>	<u>1,974,326</u>

Included in buildings at May 31, 2009, was \$286,480 (2008 – \$507,489) in capital leases. Amortization during the six months ended May 31, 2009 amounted to \$102,881 (2008 - \$78,712), which has been reflected in the financial statements as follows:

Six months ended May 31,	2009	2008
Mineral properties - balance sheet	\$ 83,340	\$ 72,069
Amortization - statement of operations and deficit	19,541	6,643
Total amortization recognized, credited to accumulated amortization	\$ 102,881	\$ 78,712

Mortgage Payable

In October, 2008, the Company purchased land and buildings adjacent to its Cassiar property for \$385,000 and financed the purchase with a mortgage of \$350,000. The mortgage has a four-year term, bears interest at an annual rate of 12% and is payable at \$9,217 per month. At May 31, 2009, the principal outstanding was \$302,631, of which \$78,513 was included in current liabilities.

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4. MINERAL PROPERTIES

	Cassiar Property \$	Frasergold Property \$	Carruthers Property \$	Total \$
Balance, November 30, 2007	-	3,999,900	151,191	4,151,091
Acquisition and maintenance	15,915,562	137,598	15,000	16,068,160
Amortization	24,502	144,139	-	168,641
Camp and expediting	1,067,892	714,723	11,545	1,794,160
Drilling	344,886	1,885,487	-	2,230,373
Equipment	206,771	76,027	2,837	285,635
Environmental and permits	23,219	380,127	-	403,346
Assaying and metallurgical	115,841	704,208	2,374	822,423
Geological and geophysics	850,814	286,138	19,605	1,156,557
Underground and rehabilitation	441,469	-	-	441,469
Professional and consulting	131,934	95,007	-	226,941
Stock-based compensation	-	71,586	-	71,586
Travel and transportation	209,417	76,771	4,970	291,158
Vehicles costs	23,057	40,611	-	63,668
Insurance and financing costs	11,374	-	-	11,374
Wages and benefits	1,467,704	1,199,123	-	2,666,827
Incurred during the year	20,834,442	5,811,545	56,331	26,702,318
Write-off of mineral property interests			(207,522)	(207,522)
Balance, November 30, 2008	20,834,442	9,811,445	-	30,645,887
Acquisition and maintenance	1,862,465	90,957	-	1,953,422
Amortization	83,340	-	-	83,340
Camp and expediting	61,865	22,959	-	84,824
Drilling	65,586	458,714	-	524,300
Equipment	55,377	316	-	55,693
Environmental and permits	6,051	32,086	-	38,137
Assaying and metallurgical	2,571	69,538	-	72,109
Geological and geophysics	61,134	5,928	-	67,062
Underground and rehabilitation	500	3,359	-	3,859
Professional and consulting	21,880	17,770	-	39,650
Stock-based compensation	44,975	-	-	44,975
Travel	36,723	267	-	36,990
Vehicle costs	26,339	-	-	26,339
Wages and benefits	622,811	42,008	-	664,819
Incurred during the period	2,951,617	743,902	-	3,695,519
Balance, May 31, 2009	23,786,059	10,555,347	-	34,341,406

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Canada.

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Cassiar Property, British Columbia

The Cassiar Property is a package of mineral claims located in northern British Columbia, Canada. The Cassiar Property, wholly owned by the Company, hosts a number of gold assets including the fully permitted Cassiar Gold mine and the Taurus deposit.

Table Mountain

The fully permitted Cassiar Gold mine is an underground mining operation located in northern British Columbia.

Taurus

Pursuant to an option agreement, the Company can acquire certain mineral claims near Cassiar, British Columbia from American Bonanza Gold Corp. ("Bonanza") 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), \$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. On December 23, 2008, the Company signed an amended option agreement and issued 6,750,000 common shares to Bonanza that eliminated all remaining cash and share payments and the Company now owns the underlying mineral claims.

Frasergold Property, British Columbia

At May 31, 2009, 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:

	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 (paid)	50,000	-
April 30, 2009 (expended)	-	1,000,000
October 31, 2009	50,000	-
April 30, 2010 (expended)	-	1,000,000
	\$ 175,000	\$ 3,500,000

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.

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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
November 30, 2009	-	150,000
November 30, 2010	-	200,000
	100,000	500,000

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% Net Smelter Royalty ("NSR").

Bourdon Property

In June 2007, the Company entered into an option agreement with a property vendor, Robert Bourdon ("Bourdon") to earn a 100% interest in a mineral claim. On May 29, 2009, the Company entered into an amended option agreement ("Amended Agreement") with Bourdon. Under the terms of the Amended Agreement, the Company issued 200,000 common shares to Bourdon as a replacement of the prior agreement which required the Company to make additional cash payments of \$90,000 and issue an additional 45,000 common shares to Bourdon over the next 12 months. Bourdon will retain a 2% NSR of which 50% can be purchased by the Company for the sum of \$1 million. In the event the Bourdon property is subject to a positive feasibility study, the Company is also obligated to issue 150,000 common shares to Bourdon.

	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 (issued)	-	200,000
	\$ 50,000	225,000

Asset Retirement Obligation

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

	May 31, 2009	November 30, 2008
Asset retirement obligation - beginning balance	\$ 732,205	\$ 22,179
Amount arising from acquisition of mineral properties	-	685,960
Accretion expense	18,976	24,066
Asset retirement obligation - ending balance	\$ 751,181	\$ 732,205

The total undiscounted amount of estimated cash flows required to settle the obligations is \$1,050,052, which was adjusted for inflation at the rate of 2% and then discounted at a credit adjusted risk free rate of 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 estimated in 2015. As at May 31, 2009, the Company has \$324,444 reclamation bonds held at the provincial government of British Columbia as a commitment to meet its regulatory obligations.

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5. SHARE CAPITAL

- a) Authorized
 Unlimited Class A common shares, without par value
- b) Issued

	Six months ended		Year ended	
	May 31, 2009		November 30, 2008	
	Shares #	Amount \$	Shares #	Amount \$
Common shares				
Balance, beginning of period	40,993,096	29,868,795	14,462,875	5,717,692
Private placements	26,169,251	7,365,000	20,331,005	17,672,483
Acquisition of Cusac Gold Mines Ltd.	-	-	6,054,228	10,292,188
Shares issued for mineral properties	6,950,000	1,904,500	15,000	20,700
Shares issued for finder's fees	-	-	92,813	148,501
Shares issued on warrant exercises	-	-	16,375	15,556
Shares issued on option exercises	-	-	20,800	22,506
Less:				
- Costs of financing		(3,179,066)		(4,020,831)
- Tax benefits renounced to subscribers		(3,090,707)		-
Balance, end of period	74,112,347	32,868,522	40,993,096	29,868,795

On December 1, 2008, the Company closed a non-brokered private placement for gross proceeds of \$633,500. The private placement consisted of 3,016,667 flow through shares priced at \$0.21 per share. The Company paid a cash commission of \$44,345 or 7% of the gross proceeds and issued 211,167 broker warrants equal to 7% of the number of flow through shares. Each broker warrant is exercisable at \$0.30 per share for a period of 12 months from the closing of the private placement.

On December 17, 2008, the Company closed another non-brokered private placement for gross proceeds of \$500,000. The private placement consisted of 2,380,952 flow through shares priced at \$0.21 per share. The Company paid cash commission of \$27,930 and issued 133,000 broker warrants which both equal to 7% of the number of certain flow through shares sold. Each broker warrant is exercisable at \$0.30 per share for a period of 12 months from the closing of the private placement.

On February 27, 2009, the Company closed a private placement for gross proceeds of \$6,231,500. It consisted of a \$3,892,250 non-brokered private placement of 12,974,166 units at a price of \$0.30 per unit and a \$2,339,250 brokered private placement of 7,797,500 units priced at \$.30 per unit. Each unit consists of one common share and one half of a transferable share purchase warrants. Each warrant is exercisable at a price of \$.40 per share for a period of 12 months from the closing of the private placement. The Company paid a \$163,748 cash commission or 7% of the gross proceeds of the brokered private placement and issued 545,825 broker warrants equal to 7% of the number of units sold under the brokered placement. On the non-brokered private placement, the Company paid cash commissions of \$246,435 and issued 821,450 broker warrants which are both equal to 7% of certain gross proceeds and number of units sold under the non-brokered private placement. Each broker warrant is exercisable at \$0.40 per share for a period of 12 months from the closing of the private placement.

In accordance with the terms of offerings and certain provisions of the Income Tax Act (Canada), in December 2008, the Company renounced for income tax purposes, exploration expenditures of \$9,780,717 to subscribers of the flow through common shares in private placement closed in April, November and December 2008, for which the Company incurred the eligible expenditures. The Company recorded \$3,090,707 for the future effect on income taxes related to flow through shares as a reduction of share capital and as a future income tax recovery in the statement of operations and deficit.

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c) Warrants

The continuity of warrants is as follows:

	Number of warrants	Weighted average exercise price
Balance, November 30, 2008	5,989,496	\$ 1.76
Issued	12,097,275	0.40
Expired	(863,180)	1.68
Balance, May 31, 2009	17,223,591	\$ 0.76

At May 31, 2009, warrants were outstanding enabling holders to acquire shares as follows:

Number of Broker Warrants	Number of Share Purchase Warrants	Total Number of Warrants	Exercise Price	Expiry Date
-	937,500	937,500	\$ 2.25	June 20, 2009
-	1,642,188	1,642,188	\$ 1.75	July 12, 2009
825,125	-	825,125	\$ 0.30	November 13, 2009
211,167	-	211,167	\$ 0.30	December 1, 2009
133,000	-	133,000	\$ 0.30	December 17, 2009
1,367,275	10,385,831	11,753,106	\$ 0.40	February 27, 2010
-	1,721,503	1,721,503	\$ 2.25	April 17, 2010
2,536,567	14,687,022	17,223,589		

During the period ended May 31, 2009 using fair-value-based method, \$2,209,960 (2008 - \$2,311,743) was recorded for the issuance of share purchase warrants in connection with private placements, which reduces the share capital and increases contributed surplus.

The fair value of share purchase warrants has been recorded estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Risk free interest rate	1.15%	4.00%
Expected dividend yield	- %	- %
Stock price volatility	126%	120%
Expected life of warrants	1 year	1.5 years
Fair value of warrants	\$ 0.21	\$ 0.83

During the period ended May 31, 2009 under the fair-value-based method, \$325,611 (2008 - \$287,500) was recorded as compensation expense for the issuance of broker warrants in connection with private placements, which is included in share issue costs and credited to contributed surplus.

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

	2009	2008
Risk free interest rate	1.42%	4.00%
Expected dividend yield	- %	- %
Stock price volatility	131%	114%
Expected life of warrants	1 year	1 year
Fair value of warrants	\$0.14	\$0.72

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d) Options

The Company adopted a rolling stock option plan, whereby 10% of the Company's issued and outstanding common shares on a non-diluted basis may be granted to officers, directors, employees and consultants of the Company. Options granted to consultants have one to two-year terms and are vested generally over a twelve-month period with 25% vested every three months from the date of grant. Options granted to directors, officers and employees have a five-year term and a vesting period of one year with 50% vested every six months from the grant date.

The continuity of options is as follows:

	Number of common shares	Weighted average exercise price
Balance, November 30, 2008	1,231,805	\$ 0.85
Cancelled	(25,000)	(2.00)
Expired	(15,789)	(4.18)
Granted	3,100,000	0.40
Balance, May 31, 2009	4,291,016	\$ 0.51

At May 31, 2009, the following options were outstanding:

Number of Options	Exercise Price	Number Exercisable	Expiry Date
26,316	\$ 3.04	26,316	September 5, 2009
20,000	\$ 1.60	20,000	October 2, 2009
1,016,700	\$ 0.60	1,016,700	April 25, 2012
78,000	\$ 1.60	78,000	July 22, 2012
50,000	\$ 1.60	50,000	October 2, 2012
100,000	\$ 0.40	-	April 1, 2010
100,000	\$ 0.40	-	April 1, 2011
2,900,000	\$ 0.40	-	April 1, 2014
4,291,016		1,191,016	

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,	2009	2008
Risk free interest rate	1.82%	4.25%
Expected dividend yield	- %	- %
Stock price volatility	114%	111%
Expected life of options	5 years	5 years
Fair value of options	\$ 0.32	\$ 0.66

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 above, the estimated fair value of all options granted during the six months ended May 31, 2009, have been reflected in the financial statement as follows:

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Six months ended May 31,	2009	2008
Mineral properties - balance sheet	\$ 44,975	\$ 91,867
Stock-based compensation - statement of operations and deficit	131,351	192,643
Total stock-based compensation recognized, credited to contributed surplus	\$ 176,326	\$ 284,510

e) Shares held in escrow

As at May 31, 2009, there were 1,374,000 common shares (2008 – 3,435,000) of the Company held in escrow. The escrowed shares are released every six months and the length of the agreement is 3 years. The final release date of the escrowed shares is April 25, 2010.

f) Contributed surplus

	Six months ended May 31, 2009	Year ended November 30, 2008
Balance, beginning of period	\$ 5,095,940	\$ 2,152,424
Stock-based compensation for stock options	176,326	315,647
Valuation of broker warrants	325,611	331,883
Valuation of share purchase warrants	2,209,960	2,311,743
Exercise of stock options	-	(10,026)
Exercise of broker warrants	-	(5,731)
Balance, end of period	\$ 7,807,837	\$ 5,095,940

6. CAPITAL LEASE

The Company is committed to a capital lease for its camp facilities as follows:

	2009	\$	2010
Total lease payments and buyout			88,240
Less: amount representing interest			198,240
Present value of minimum payments		\$	286,480
			(34,204)
		\$	252,276

7. SHORT TERM LOAN

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 Mines Ltd. ("Cusac"). Cusac became a wholly owned subsidiary of the Company and was renamed Cassiar Gold Corp. Under the terms of the Arrangement, the Company assumed a short term loan of \$341,000 due in four quarterly instalments of \$85,250. As at May 31, 2009, \$341,000 has been repaid including \$170,500 during the six month period.

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8. RELATED PARTY TRANSACTIONS

Included in current liabilities at May 31, 2009, was \$148,950 (2008 - \$205,852) payable to related parties which is non-interest bearing, unsecured and has no fixed terms of repayment.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

9. SUPPLEMENTAL CASH FLOW INFORMATION

Other than disclosed elsewhere in these financial statements, the significant non-cash transaction for the six months ended May 31, 2009, was the inclusion in accounts payable of \$671,099 (2008 - \$1,016,253) in mineral property expenditures.

During the six months period ended May 31, 2009, the Company issued 6,750,000 common shares valued at \$1,822,500 to American Bonanza Gold Corp. for the option payment on the Taurus property. The Company has also issued 200,000 common shares to Robert Bourdon for the Bourdon Property (see Note 4).

10. SEGMENTED INFORMATION

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

11. COMMITMENTS AND CONTINGENCIES

a) The Company is committed to certain cash payments and exploration expenditures as described in Notes 3 and 4.

b) Pursuant to the flow through common shares issued, the Company is committed to spending \$3,491,000 on qualified expenditures by December 31, 2009. As of May 31, 2009, the Company expended \$1,874,193 of the qualified expenditures leaving a balance of \$1,616,807 due by December 31, 2009.

c) The Company's commitment to office lease is as follows:

	Office lease \$
2009	82,641
2010	168,409
2011	173,770
2012	179,130
2013	184,491
2014	109,444

d) The Company qualifies for a British Columbia mining tax credit as it has incurred qualified mineral exploration expenditures for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as approximately 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred during the qualifying years. At May 31, 2009, the Company has filed for a refund of the British Columbia Mining Exploration Tax Credit in the amount of approximately \$1,800,000 from the 2007 and 2008 fiscal years, which may change pursuant to reviews or audits by the taxation authorities. The Company will record these amounts in its consolidated financial statements when confirmed by the taxation authorities or in receipt of said funds.

12. SUBSEQUENT EVENT

At the year ended November 30, 2008, the Company received a demand letter from a former drilling contractor. The demand letter is for certain delay charges relating to the suspension of a drilling project. Subsequent to the quarter ended May 31, 2009, the Company was served with a Writ of Summons and a Statement of Claim in an action commenced in the Supreme Court of British Columbia by the former drilling contractor. The Company and the former drilling contractor have entered into an agreement to settle this matter for a lump sum payment of \$587,500. Included in accounts payable at November 30, 2008, was \$128,786 of this amount and the Company has accrued an additional \$458,714 during the current quarter which is recorded as drilling costs at Frasergold in mineral properties.