HAZELWOOD RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES

ABN 88 118 738 999

ANNUAL REPORT

For the year ended 30 June 2010

CONTENTS

Corporate Information

ABN 88 118 738 999

ASX Code: HAZ

Directors
Mr Mark McAuliffe (Executive Chairman)
Mr Terence Butler- Blaxell
Mr Ian Richer
Mr John Chegwidden

Company Secretaries
Mr John Chegwidden
Ms Carol New

Registered Office
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Steinepreis Paganin
Lawyers and Consultants
Level 4 Next Building
16 Milligan Street
Perth WA 6000

Bankers
Westpac Banking
109 St George's Terrace
Perth WA 6000

Share Registry
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45, St George's Terrace
Perth WA 6000
Telephone: (08) 9323 2000

Auditors
Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005
Telephone: (08) 9226 4500

Website
www.hazelwood.com.au

Schedule of Mineral Tenements

Project Name	Interest Held %
Arthur River	
E09/1066	100
E09/1067	100
Cookes Creek	
E45/2904	100
E45/3199	100
E46/0521	100
E46/0692	100
E46/0693	100
E46/0740	100
E46/0762	100
E46/0815	100
E46/0822 (Application)	100
L46/70 (Application)	100
M46/0514 (Application)	100
Cookes Creek Joint Venture	
E46/0562	70
E46/0761	70
E45/3177	70
Mt Mulgine	
E59/1057-I	70
E59/1324-I	70
M59/0386-I	70
M59/0387-I	70
M59/0425-I	70
P59/1785-I	70
P59/1786-I	70
P59/1788-I	70
P59/1789-I	70
Vickers Well	
E37/0858	100

Directors' Report

The directors of Hazelwood Resources Limited present their report, together with the financial statements of the Consolidated Group for the financial year ended 30 June 2010.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mark McAuliffe B.Juris, LLB, MAICD
Executive Chairman
Mark McAuliffe is a solicitor with over 28 years' experience in acting for and advising mining companies, public listed companies and institutions on a wide range of legal issues. Mr McAuliffe holds a Bachelor of Jurisprudence and a Bachelor of Laws from the University of Western Australia. His career includes advising and documenting a wide range of mining transactions from acquisitions, through joint ventures, initial public offerings and capital raisings. His mining experience extends beyond Australian jurisdictions and includes transactions in a number of countries in Africa and South East Asia. Mr McAuliffe commenced his career at Downing & Downing before establishing his own firm in 1989. Mr McAuliffe is presently a Legal Practitioner and director of McAuliffe Legal. He has sat on the board of a number of client companies and ASX listed companies, and is a member of the Institute of Company Directors.

Terence Butler-Blaxell BSc, GDipApFin, MBA, MAusIMM, FFin
Managing Director
Mr Butler-Blaxell is a resources company specialist with over 17 years experience across a range of commodities including gold, industrial minerals, vanadium, base metals, nickel, tungsten and titanomagnetite. He has written investment research for AFSL licensees, and has experience in financial modelling and valuation. Over the past five years Mr Butler-Blaxell has been involved in the compilation of fund raising documents, project and company transactions, due diligence reviews, quantitative market event studies, and company promotion activities. He has been involved in the Exploration and Evaluation of several titanomagnetite and vanadium deposits, including specification of testwork programs and pilot plants. Mr Butler-Blaxell has a Bachelor of Science in physical-inorganic chemistry and geology from the University of Western Australia, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and a Master of Business Administration from Murdoch University. Memberships include Fellow of the Financial Services Institute of Australasia and a Member of the Australasian Institute of Mining and Metallurgy.

Ian Richer Dip. Met. Min. M Aus IMM
Non-Executive Director
Mr Richer is an Engineer with more than 30 years experience in operations, project management and construction on a range of significant mining projects. He played a role in the Goldsworthy iron ore projects, laterite nickel projects in Indonesia and Queensland, mineral sands projects in New South Wales, titano-magnetite mining and processing in New Zealand and various domestic and offshore aluminium and copper - uranium projects. His technical and commercial expertise was gained in organisations including Consolidated Goldfields, INCO, Fluor International, Dravo Corporation and Minproc. Specific nickel sulphide experience was gained through active involvement at Widgiemooltha. Mr Richer has served more than 10 years as a director in banking and corporate finance, with Chase, Societe Generale and as a consultant to the World Bank. He is also a non-executive director of ASX Listed Accent Resources NL and a non-executive director and Chairman of 3D Resources Limited.

John Chegwidden CA

Non-Executive Director & Joint Company Secretary

Mr Chegwidden has over 20 years experience as an accountant, including managing his own chartered accounting practice, providing advice in management, accounting and taxation, and consulting to manufacturing, mining, primary production and earthmoving operations. Mr Chegwidden has a strong knowledge of the mining and resources sector in Australia, with key competencies in exploration, materials processing, marketing and financial management in relation to junior mining companies. More recently he has consulted to a number of listed companies and negotiated with capital financiers for junior exploration companies. He is also a director of ASX listed 3D Resources Limited, and has sat on several ASX listed and unlisted public company boards.

Company Secretaries

Carol New

Joint Company Secretary

Carol has over 29 years experience working in national retail and WA mineral exploration companies that involved company secretarial, accounting and administration roles with companies such as Coles Myer, Barrack House Group, Central Kalgoorlie Gold Mines NL, and Crescent Gold Limited. In late December 2006, Carol was invited to consult to Hazelwood Resources Ltd in the capacity of Chief Financial Officer and was appointed as Joint Company Secretary on 16 February 2007. Carol is an Affiliate Member of the Chartered Secretaries of Australia.

Interests in shares and options of the Company

As at the date of this report, the interests of the directors, either directly or indirectly, in the shares of Hazelwood Resources Limited were;

	Ordinary Shares	Options
Mr Mark McAuliffe	1,087,778	4,500,000
Mr Terence Butler-Blaxell	2,837,778	3,500,000
Mr Ian Richer	1,527,778	1,000,000
Mr John Chegwidden	1,555,001	3,000,000
Mr Terence Butler-Blaxell & Mr Ian Richer[1]	1,000,000	-

Note:

1. Terence Butler-Blaxell & Ian Richer both have a beneficial interest in 1,000,000 ordinary shares held by Siren Mining Limited

Directors Meetings

The number of Directors meetings of held and the number of meetings attended by each director during the period were as follows:

	Directors Meetings	
	Number of meetings eligible to attend	Number of meetings attended
Mr Mark McAuliffe	6	6
Mr Terence Butler-Blaxell	6	6
Mr Ian Richer	6	6
Mr John Chegwidden	6	6

Directors’ Report Continued

Directorships of Other Listed Companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
M McAuliffe	Swick Mining Services Ltd	2007 - 2007
	Vital Metals Limited	2004 – 2007
T Butler-Blaxell	Accent Resources NL	2007 - 2010
I Richer	Accent Resources NL	2007 – current
	3D Resources Limited	2008 - current
	Top End Uranium Limited	2007 – 2008
	North Australian Diamonds Ltd	2006 – 2008
J Chegwidden	Australian Waterwise Solutions Limited	2007 – 2007
	3D Resources Limited	2006 - current

Principal Activities

The principal activities of the Consolidated Group during the year were mineral exploration, identification of potential mining assets for acquisition and development, and raising capital to fund those opportunities. The Consolidated Group expanded its activities to include downstream processing.

Review and Results of Operations

The operating loss after tax for the year ended 30 June 2010 was $4,744,312 (2009: $1,973,411).

Financial Position

The net assets of the Consolidated Group have increased by $13,113,957 from 30 June 2009 to $24,793,603 in 2010. This increase is largely due to the following factors:

- Proceeds from share issues raising $16,234,300;
- Increase in exploration and evaluation assets of $7,183,743; and
- Construction in progress in Vietnam of $528,944.

The Consolidated Group’s working capital, being current assets less current liabilities, has improved from $1,139,791 in 2009 to $6,015,970 in 2010.

During the past financial year the Consolidated Group has invested in infrastructure to secure its long-term success. In particular, strategic investments have been made in joint venture operation to diversify its asset base as well as maintaining and expanding investment in key business segments. The Entity’s holdings in joint venture entities have increased by $2,871,244.

Significant Changes in the State of Affairs

During the period there were no changes in the state of affairs of the Consolidated Group other than those referred to elsewhere in this report of the financial statements or notes thereto.

Subsequent Events

On 6 August 2010, 14,500,000 shares were allotted at $0.20 cents each to raise $2,900,000 and completing the Tranche 2 capital raising approved by shareholders on 12 July 2010. The final consideration for the acquisition of the Arthur River tenements comprising 375,000 shares were also allotted to directors of the Entity as approved by shareholders on 12 July 2010. A further 500 shares were allotted at $0.20 cents each under the terms of the short form prospectus dated 3 June 2010.

On 6 August 2010, the Company issued 5,000,000 Options to the Directors as approved by shareholders on the 12 July 2010 and 3,000,000 options were issued under the terms of a consultancy agreement.

In September 2010, the Company completed its obligations under the Joint Venture with Giralia Resources and has now acquired a 70% interest in the Cookes Creek joint venture.

On 16 September 2010, the Company acquired the interest of Vital Metals Ltd in Mt Mulgine and now holds a 70% interest in the tungsten rights in accordance with the terms of a joint venture with Gindalbie Metals Ltd.

Environmental Regulation

The Consolidated Group is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with. The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current nor subsequent financial year. The directors will reassess this position as and when the need arises.

The Vietnam entity is subject to and compliant with all aspects of the Vietnam environmental regulations as set out in the Commitment Agreement on Environmental Protection.

Future Developments

Information on the likely developments in the operation of the Consolidated Group and the expected results of those operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Group.

In April 2010, the Company entered into a joint venture agreement to construct a ferrotungsten plant in Vietnam. Construction is expected to be completed towards the end of 2010, with production and first sales scheduled during the March 2011 quarter.

Share Options

Unissued shares

As at year end the Company had on issue the following options to acquire ordinary fully paid shares:

Description	Number	Exercise Price	Expiry Date	Grant Date
Consultant Options	1,000,000	$0.15	30/06/2011	08/08/2008
Consultant Options	2,000,000	$0.20	30/06/2011	08/08/2008
Consultant Options	1,000,000	$0.25	30/06/2011	08/08/2008
Consultant Options	5,000,000	$0.10	30/04/2012	08/04/2009
Consultant Options	2,000,000	$0.20	30/04/2012	08/04/2009
Manager Options	1,000,000	$0.25	30/06/2012	24/10/2008
Manager Options	1,000,000	$0.30	30/06/2012	24/10/2008
Director Options	4,000,000	$0.20	31/08/2012	20/08/2009
Director Options	1,000,000	$0.25	31/08/2012	20/08/2009
Director Options	2,000,000	$0.30	31/08/2012	20/08/2009
Consultant Options	4,000,000	$0.20	09/04/2013	09/04/2010
Total	**24,000,000**			

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Entity nor any entitlement to vote at a meeting of shareholders. No options were exercised during the year.

Dividends

No dividend has been paid since the end of the financial period and no dividend is recommended for the current year.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Remuneration Report

This report outlines the remuneration arrangements in place for Hazelwood Resources Limited's directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of directors and senior management
- Key terms of executive service agreements or consultancy agreements

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

Mr M McAuliffe (Executive Chairman)
Mr T Butler-Blaxell (Managing Director)
Mr J Chegwidden (Non-executive Director & Joint Company Secretary)
Mr I Richer (Non-executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Ms C New (Joint Company Secretary)
Mr M McQuade (Project Manager)

Company performance, shareholder wealth and directors' and senior management's remuneration

The Company's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing remuneration packages comprising of a fixed remuneration component and an options component. The Board believes the remuneration policy for its directors and senior management to be appropriate and effective to attract and retain people with the necessary qualifications, skills and experience to assist the company in achieving its desired results. Due to the size of the company a remuneration committee has not been formed.

The tables below set out summary information about the Consolidated Group's earnings and movements in shareholder wealth for the four years to 30 June 2010:

Consolidated	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue	314,462	156,376	217,070	121,717
Net profit before tax	(4,744,312)	(1,973,411)	(1,725,487)	(1,160,967)
Net profit after tax	(4,744,312)	(1,973,411)	(1,725,487)	(1,160,967)
Share price at start of year	$0.10	$0.22	$0.30	$0.10
Share price at end of year	$0.19	$0.10	$0.22	$0.30
Interim dividend	-	-	-	-
Final dividend	-	-	-	-
Basic earnings per share (cents)	(2.85)	(2.15)	(2.44)	(2.29)

Relationship between the remuneration policy and company performance

Remuneration is reviewed on an annual basis, taking into consideration a number of performance indicators. While no performance based remuneration component has been built into director and senior management remuneration packages it is envisaged that as the Consolidated Group further progresses, consideration will be given to this component of remuneration.

Remuneration of Directors and Senior Management

The board conducted a performance review in November 2009 based on the relevant skills contributed by each director. The directors (both executive and non executive) and senior management of the entity received remuneration during the period commencing 1 July 2009 and ending 30 June 2010 based on the following agreements.

Remuneration of Executive Directors

Executive Services Agreement with Mr Mark McAuliffe

The Company entered into an Executive Services Agreement with Mark McAuliffe on the 24 July 2006, as varied by a Deed of Variation dated 30 April 2008 and a Deed of Further Variation dated 1 December 2009, in relation to his appointment as Executive Chairman.

The terms of this agreement are:

- Term – 3 years from the date of the Deed of Further Variation
- Remuneration - $200,000pa plus superannuation
- Reimbursements – Vehicle costs to $10,000pa, parking, mobile and email costs.
- Options – 1,500,000 Options exercisable at 20 cents per Option;
  500,000 Options exercisable at 25 cents per Option; and
  500,000 Options exercisable at 30 cents per Option
- Termination – The Company may terminate this agreement by giving notice and through payment of an amount equal to the balance of Mr McAuliffe's agreement. Mr McAuliffe can terminate the Services Agreement by giving 3 months notice to the Company.
- The Company may terminate the agreement at any time without notice if serious misconduct has occurred.

Executive Services Agreement with Mr Terence Butler-Blaxell

The Company entered into an Executive Services Agreement with Terence Butler-Blaxell on the 24 July 2006, as varied by Deed of Variation dated 30 April 2008 and a Deed of Further Variation dated 1 December 2009, in relation to his appointment as an Executive Director and Managing Director.

The terms of this agreement are:

- Term – 3 years from the date of the Deed of Further Variation
- Remuneration - $200,000pa plus superannuation
- Reimbursements – Vehicle costs to $10,000pa, parking, mobile and email costs.
- Options – 1,500,000 Options exercisable at 20 cents per Option;
  500,000 Options exercisable at 25 cents per Option; and
  500,000 Options exercisable at 30 cents per Option
- Termination – The Company may terminate this agreement by giving notice and through payment of an amount equal to the balance of Mr Butler-Blaxell's agreement. Mr Butler-Blaxell can terminate the Services Agreement by giving 3 months notice to the Company.
- The Company may terminate the agreement at any time without notice if serious misconduct has occurred.

Remuneration of Non-executive Directors

The total amount paid to non-executive directors is determined by the board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is fixed at $150,000.

The non-executive directors are paid a set amount per year. The non executive directors may receive consultant's fees through related entities for services rendered on a commercial basis.

Remuneration of Senior Management

Ms Carol New

The Company has an agreement with Ms New whereby fees are paid through a related entity for services rendered on a commercial basis.

Mr Martin McQuade

Martin McQuade was re-employed by the Company on 1 November 2009 in the capacity of Project Manager.

Key management personnel compensation disclosures

Directors and key management personnel are remunerated under the terms of executive services agreements or consultancy agreements.

2010

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Repre-sented by Options	Performance Related
	Cash, salary & commis-sions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$		$	$	$	$	$	$	$	%	%
M McAuliffe	**166,666**	-	-	**24,254**	**15,000**	-	-	**101,957**	**307,877**	33.12%	-
I Richer	**66,000**	-	-	-	-	-	-	**39,053**	**105,053**	37.17%	-
J Chegwidden	**72,600**	-	-	-	-	-	-	**39,053**	**111,653**	34.98%	-
T Butler-Blaxell	**185,416**	-	-	-	**16,887**	-	-	**101,957**	**304,260**	33.51%	-
C New	**115,390**	-	-	-	-	-	-	-	**115,390**	-	-
M McQuade	**175,000**	-	-	-	**31,900**	-	-	-	**206,900**	-	-
	781,072	-	-	**24,254**	**63,787**	-	-	**282,020**	**1,151,133**		

2009

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Repre-sented by Options	Performance Related
	Cash, salary & commis-sions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity[1]	Options[2]			
	$		$	$	$	$	$	$	$	%	%
M McAuliffe	**180,000**	-	-	**53,689**	**16,200**	-	-	-	**249,889**	-	-
I Richer	**72,732**	-	-	-	-	-	-	-	**72,732**	-	-
J Chegwidden	**85,800**	-	-	-	-	-	**27,000**	-	**112,800**	-	-
T Butler-Blaxell	**165,000**	-	-	-	**12,994**	-	**18,000**	-	**195,994**	-	-
C New	**60,335**	-	-	-	-	-	-	-	**60,335**	-	-
M McQuade	**175,917**	-	-	-	**10,432**	-	-	**46,372**	**232,721**	19.9	-
	739,784	-	-	**53,689**	**39,626**	-	**45,000**	**46,372**	**924,471**		

Note:

1. Equity relates to the issue of 225,000 ordinary shares to Ausnom Pty Ltd <J & K Chegs Shares Trust> a company in which John Chegwidden has a beneficial interest and 150,000 shares to T Butler-Blaxell <The Butler-Blaxell Family Trust>, a company in which Terence Butler-Blaxell has a beneficial interest. These issues were in partial settlement of the acquisition of the Arthur River tenements.
2. The options issued to M McQuade are Hazelwood Resources Ltd options that were issued to replace the BigHill Resources Limited options that were issued last year and have since been cancelled.

Key management equity holdings

Options

Options held by key management personnel at balance date are:

30 June 2010	Balance at beginning of period	Granted as remuneration	Exercised	Net change	Balance at end of period	Options vested at 30 June 2010
M McAuliffe	2,500,000	-	-	-	2,500,000	2,500,000
I Richer	1,000,000	-	-	-	1,000,000	1,000,000
J Chegwidden	1,000,000	-	-	-	1,000,000	1,000,000
T Butler-Blaxell	2,500,000	-	-	-	2,500,000	2,500,000
M McQuade	2,000,000	-	-	-	2,000,000	2,000,000

30 June 2009	Balance at beginning of period	Granted as remuneration	Exercised	Net change	Balance at end of period	Options vested at 30 June 2009
M McAuliffe	2,500,000	-	-	-	2,500,000	2,500,000
I Richer	1,000,000	-	-	-	1,000,000	1,000,000
J Chegwidden	1,000,000	-	-	-	1,000,000	1,000,000
T Butler-Blaxell	2,500,000	-	-	-	2,500,000	2,500,000
M McQuade	3,000,000	(3,000,000)	-	(3,000,000)	-	-
M McQuade	-	2,000,000		2,000,000	2,000,000	2,000,000

Each director has an entitlement of director's options under the terms of their respective director's service agreements. These director options expired on 31 August 2009 and were reissued once shareholder approval had been gained at a general meeting of shareholders held on 20 August 2009.

Further details of the options issued in the current financial year are:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
31/08/2009 - $0.20	(4,000,000)	8/08/2008	31/08/2009	0.20	Expired
31/08/2009 - $0.25	(1,000,000)	8/08/2008	31/08/2009	0.25	Expired
31/08/2009 - $0.30	(2,000,000)	8/08/2008	31/08/2009	0.30	Expired
31/08/2012 - $0.20	4,000,000	20/08/2009	31/08/2012	0.20	0.0436
31/08/2012 - $0.25	1,000,000	20/08/2009	31/08/2012	0.25	0.0385
31/08/2012 - $0.30	2,000,000	20/08/2009	31/08/2012	0.30	0.0345

These options vested on date of issue and were priced using a Black and Scholes' option pricing model and applying the following inputs:

Inputs into the model	31/08/2012 20 Cents	31/08/2012 25 Cents	31/08/2012 30 Cents
Grant date share price	$0.10	$0.10	$0.10
Exercise price	$0.20	$0.25	$0.30
Expected volatility	85.00%	85.00%	85.00%
Option life years	3.16	3.16	3.16
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	4.77%	4.77%	4.77%

Shareholdings
Shares held by key management personnel at balance date are:

	Balance 30 June 2009	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30 June 2010
Directors					
Mr M McAuliffe	1,060,001	-	-	27,777	1,087,778
Mr T Butler-Blaxell	2,660,001	-	-	27,777	2,687,778
Mr I Richer	1,500,001	-	-	27,777	1,527,778
Mr J Chegwidden	1,330,001	-	-	-	1,330,001
Mr T Butler-Blaxell & Mr I Richer[2]	1,000,000	-	-	-	1,000,000
Senior Management					
Mr M McQuade	70,000	-	-	-	70,000

(1) Net change other refers to Shares that have been purchased or sold, or received as vendors during the financial year.
(2) Terence Butler-Blaxell & Ian Richer both have a beneficial interest in 1,000,000 ordinary shares held by Siren Mining Limited.

	Balance 30 June 2008	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30 June 2009
Directors					
Mr M McAuliffe	1,060,001	-	-	-	1,060,001
Mr T Butler-Blaxell	2,510,001	-	-	150,000	2,660,001
Mr I Richer	1,500,001	-	-	-	1,500,001
Mr J Chegwidden	1,105,001	-	-	225,000	1,330,001
Mr T Butler-Blaxell & Mr I Richer[2]	1,000,000	-	-	-	1,000,000
Senior Management					
Mr M McQuade	70,000	-	-	-	70,000

(1) Net change other refers to Shares that have been purchased or sold, or received as vendors during the financial year.
(2) Terence Butler-Blaxell & Ian Richer both have a beneficial interest in 1,000,000 ordinary shares held by Siren Mining Limited.

Officers' Indemnities and Insurance

During the year the Company entered into an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors' and Officers' Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the premium paid is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities. The premium for Director's and Officer's insurance was $15,750.

Neither the Company nor any of its related bodies corporate have provided any insurance for any auditor of the Company or a related body corporate.

Directors' Report Continued

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

No non audit services were provided by Bentleys during the period.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

This Director's Report incorporating the Remuneration Report is signed in accordance with a resolution of the Directors.

John Chegwidden
Director
Perth, 30 September 2010

Corporate Governance

Hazelwood has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable the Company has adopted the Eight Essential Corporate Governance Principles and Best Practice Recommendations ("**Recommendations**") as published by ASX Corporate Governance Council.

Further information about the Company's corporate governance practices is set out on the Company's website at www.hazelwood.com.au. In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Principle 2 Recommendation 2.2

The Chairman does not satisfy the test of independence as set out in Box 2.1 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations Independence ("**Independence Test**").

Whilst the Board recognises the importance of independence in decision making, it does not comply with best practice recommendation 2.2 as Mark McAuliffe, the current Chairman, does not satisfy paragraphs 2 and 3 of the Independence Test, that is he has an executive role in the Company and he is a principal of a material professional advisor. The Board believes that Mark McAuliffe is the most appropriate person for the position as Chairman because of his industry experience and pivotal role in preparing the Company for listing. The Board has appointed Ian Richer to act as a lead independent director, and the board believes this will enable the board to act independently in the event any conflict arises which would make it inappropriate for Mark McAuliffe to act in the capacity of Chairman.

Principle 2 Recommendation 2.4

There is no nomination committee. The Board considers those matters and issues arising that would usually fall to a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Principle 8 Recommendation 8.1

There is no separate remuneration committee. Due to the small size and structure of the Board, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the directors and key executives. The Board considers that it is more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. When considering matters of remuneration, the Board functions in accordance with the Remuneration Committee Charter which was adopted on 17 July 2006.

In addition, all matters of remuneration will continue to be determined in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding his or her own remuneration or related issues.

Bentleys
Thinking ahead

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of Hazelwood Resources Limited and Controlled Entities for the year ended 30 June 2010 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 30th day of September 2010

Independent Auditor's Report

To the Members of Hazelwood Resources Limited

We have audited the accompanying financial report of Hazelwood Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of Hazelwood Resources Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of Hazelwood Resources Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Company and the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2010. The directors of Hazelwood Resources Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Hazelwood Resources Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 30th day of September 2010

Consolidated Statement of Comprehensive Income
For The Year Ended 30 June 2010

	Note	2010 $	2009 $
Revenue	2	314,462	156,376
Administration expenses		(443,575)	(227,190)
Consulting expenses		(504,246)	(421,517)
Director fees and salaries		(358,772)	(252,000)
Financing costs		(7,881)	(6,166)
Legal and professional expenses		(454,360)	(40,727)
Depreciation		(122,543)	(120,458)
Impairment of intangible asset		(234,556)	-
Marketing expenses		(168,905)	(29,665)
Travel and accommodation		(451,145)	(55,067)
Occupancy expenses		(202,347)	(100,445)
Employment expenses		(705,639)	(210,629)
Share based payments	25	(952,473)	(359,624)
Prospectus costs recouped/(written off)		-	28,465
Exploration written off		(452,332)	(334,764)
Loss before income tax		(4,744,312)	(1,973,411)
Income tax expense	3	-	-
Loss after income tax		(4,744,312)	(1,973,411)
Other comprehensive income			
Foreign currency translation differences		45,816	-
Total comprehensive income for the period		(4,698,496)	(1,973,411)
Loss attributable to:			
Members of the parent entity		(4,491,187)	(1,973,411)
Non-controlling interest		(253,125)	-
		(4,744,312)	(1,973,411)
Total comprehensive income attributable to:			
Members of the parent entity		(4,463,697)	(1,973,411)
Non-controlling interest		(234,799)	-
		(4,698,496)	(1,973,411)
Earnings per share (cents per share)			
Basic loss per share	16	(2.85)	(2.15)

The above statement of consolidated comprehensive income should be read in conjunction with the attached notes.

Consolidated Balance Sheet
As At 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	4	5,949,283	1,693,118
Trade and other receivables	5	599,292	124,163
Other assets	6	1,351,978	-
Total current assets		7,900,553	1,817,281
Non-current assets			
Other assets	6	22,500	-
Property, plant and equipment	7	1,245,131	237,560
Exploration and evaluation	8	17,511,999	10,328,255
Total non-current assets		**18,779,630**	10,565,815
TOTAL ASSETS		**26,680,183**	**12,383,096**
LIABILITIES			
Current liabilities			
Trade and other payables	9	874,808	492,122
Financial liabilities	12	24,845	27,137
Other liabilities	10	872,008	-
Provisions	11	112,687	158,231
Total current liabilities		1,884,348	677,490
Non-current liabilities			
Financial liabilities	12	2,232	25,960
Total non-current liabilities		2,232	25,960
TOTAL LIABILITIES		**1,886,580**	**703,450**
Net assets		**24,793,603**	**11,679,646**
Equity			
Issued capital	13	31,612,436	15,378,135
Reserves	14	1,717,560	1,316,437
Accumulated losses		(9,002,273)	(5,014,926)
Parent interest		24,327,722	
Non-controlling interest		465,881	-
TOTAL EQUITY		**24,793,603**	**11,679,646**

The above consolidated balance sheet should be read in conjunction with the attached notes.

Consolidated Statement of Changes in Equity
For The Year Ended 30 June 2010

	Members of parent entity			Non-controlling Interest	Total Equity
	Issued Capital	Reserves	Accumulated Losses		
	$	$	$	$	$
Balance at 1 July 2008	11,305,188	503,840	(3,041,515)	-	8,767,513
Loss attributable to members of the parent entity	-	-	(1,973,411)	-	(1,973,411)
Loss attributable to non-controlling interest	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	(1,973,411)	-	(1,973,411)
Transaction with owner, directly recognised in equity					
Issues of shares	4,801,480	-	-	-	4,801,480
Cost of share issues	(728,533)	-	-	-	(728,533)
Share based payments	-	812,597	-	-	812,597
Balance at 30 June 2009	**15,378,135**	**1,316,437**	**(5,014,926)**	**-**	**11,679,646**
Balance at 1 July 2009	15,378,135	1,316,437	(5,014,926)	-	11,679,646
Loss attributable to members of the parent entity			(4,491,187)	-	(4,491,187)
Loss attributable to non-controlling interest	-	-	-	(253,125)	(253,125)
Other comprehensive income	-	-	-	-	-
FX translation differences	-	27,490		18,326	45,816
Total comprehensive income	-	27,490	(4,491,187)	(234,799)	(4,698,496)
Transaction with owner, directly recognised in equity					
Issues of shares	17,256,315	-	-	700,680	17,956,995
Cost of share issues	(1,022,015)	-	-	-	(1,022,015)
Share based payments	-	373,633	503,840	-	877,473
Balance at 30 June 2010	**31,612,435**	**1,717,560**	**(9,002,273)**	**465,881**	**24,793,603**

The above consolidated statement of changes in equity should be read in conjunction with the attached notes.

Consolidated Cash flow Statement
For The Year Ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Payments to suppliers and employees		(4,452,552)	(1,257,613)
Interest received		148,036	24,427
Payments for exploration expenses		(7,617,067)	(2,422,875)
Net cash used in operating activities	**20(c)**	**(11,991,583)**	**(3,656,061)**
Cash flows from investing activities			
Exploration and evaluation expenditure		(22,500)	(16,300)
Construction in progress		(419,518)	-
Property, plant and equipment		(263,711)	(29,953)
Net cash used in investing activities		**(705,729)**	**(46,253)**
Cash flows from financing activities			
Proceeds from issue of shares		16,953,478	4,273,766
Net cash provided by financing activities		**16,953,478**	**4,273,766**
Net increase in cash and cash equivalents		4,256,166	571,452
Cash and cash equivalents at beginning of period		1,693,118	1,121,666
Cash and cash equivalents at end of period	**20(a)**	**5,949,283**	**1,693,118**

The above consolidated cash flow statement should be read in conjunction with the attached notes.

1. Significant accounting policies

The financial report includes the consolidated financial statements and notes of Hazelwood Resources Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Hazelwood Resources Limited as an individual parent entity ('Parent Entity'). Hazelwood Resources Limited is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue by the directors on 30 September 2010.

Basis of preparation

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they may apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

This financial report has been prepared on an accruals basis and is based on historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

1. Significant accounting policies continued

(c) Business combinations continued

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the reporting date.

(e) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

1. Significant accounting policies continued

(e) Income tax continued

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are the differences between the tax base of an asset or liability and their carrying amounts in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is possible that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

As at 30 June 2010 deferred tax assets were re-assessed and have not been recognised as it has not yet become probable that they will be recovered and utilised.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and its 100% owned controlled entities formed a tax consolidated group with effect from 1 October 2006. The head entity within the tax consolidated group is Hazelwood Resources Ltd with the only other member at 30 June 2010 being BigHill Resources Limited. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the ‘stand-alone taxpayer’ approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

1. Significant accounting policies continued

(f) Interests in Joint Ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the Consolidated Entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

(g) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charges directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising from operating leases are recognised as an expense in the period in which they are incurred.

(h) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

1. Significant accounting policies continued

(i) Property, plant and equipment continued

Freehold land and buildings carried at fair value
On 11 March 2008, the Company acquired a house at Nullagine for a total cost of $27,911. The carrying value of this asset is at cost and will be tested for impairment on an annual basis as required by AASB 116.

Plant and equipment
Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually be directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation
Depreciation is provided on plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	4 years
Office furniture and equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1. Significant accounting policies continued

(j) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

(k) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to that asset's net carrying value.

(l) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details of how the fair value of equity-settled share-based transactions has been determined can be found in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included.

The amount of GST recoverable from the taxation authority is included as part of the receivables in the Balance Sheet. The amount of GST payable to the taxation authority is included as part of the payables in the Balance Sheet.

Cash flows are included in the Cash Flows Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1. Significant accounting policies continued

(n) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment loss. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment loss is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(o) Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

(iii) Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (p)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

(iv) Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

(v) When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

1. Significant accounting policies continued

(p) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities represent unallocated shareholder contributions.

(r) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(s) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Judgements – Deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(o).

Key Judgements Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 25.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

1. Significant accounting policies continued

(s) Critical Accounting Estimates and Judgments continued

Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

(t) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

1. Significant accounting policies continued

(t) Financial instruments continued

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(u) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

1. Significant accounting policies continued

(u) Foreign Currency Transactions and Balances continued

Group companies
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(v) Adoption of New and Revised Accounting Standards
During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements.

Recognition and measurement impact
<u>Recognition of acquisition costs</u> — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

As such costs associated with the acquisition of an ownership interest Asia Tungsten Products Co. Limited were expensed during the current financial year.

<u>Measurement of non-controlling interest</u> — For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the *full goodwill method*) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

In accounting for the acquisition of an ownership interest in Asia Tungsten Products Co., Limited, the Group has applied the previous version of AASB 3.

<u>Recognition of contingencies</u> — The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

There were no contingencies associated with the acquisition of an ownership interest in Asia Tungsten Products Co. Limited.

1. Significant accounting policies continued

(v) Adoption of New and Revised Accounting Standards

Disclosure impact
The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

AASB 8: Operating Segments
In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact
Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill
AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

1. Significant accounting policies continued

(v) Adoption of New and Revised Accounting Standards

AASB 101: Presentation of Financial Statements
In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact
Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(w) New Accounting Standards for Application in Future Periods
The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

1. **Significant accounting policies continued**

(w) New Accounting Standards for Application in Future Periods continued

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

1. Significant accounting policies continued

(w) New Accounting Standards for Application in Future Periods continued

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

1. Significant accounting policies continued

(w) New Accounting Standards for Application in Future Periods continued

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

2. Revenue

	2010 $	2009 $
Interest received	176,754	25,171

3. Income Tax Expense

Major components of income tax expense for the years ended 30 June 2010 and 30 June 2009 are:

	2010	2009
Income statement		
Current income		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Income tax expense (benefit) reported in income statement	-	-

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2010 and 30 June 2009 is as follows:

	2010	2009
Accounting loss before income tax	(4,744,312)	(1,973,411)
At the statutory income tax rate of 30% (2009: 30%)	(1,423,294)	(592,024)
Add:		
Non-deductible expenses	485,571	215,926
Temporary differences and tax losses not brought to account as a deferred tax asset	937,723	376,098
At effective income tax rate of 0% (2009: 0%)	-	-
Income tax expense reported in income statement	-	-

Tax consolidation

The company and its 100% owned controlled entities formed a tax consolidated group with effect from 1 October 2006. The head entity within the tax consolidated group is Hazelwood Resources Ltd with the only other member at 30 June 2010 being BigHill Resources Limited.

3. Income Tax Expense continued

Recognised deferred tax assets and liabilities

Deferred tax assets and liabiities are attributable to the following:

	Assets		Liabilities		Net	
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	$	$	$	$	$	$
Accrued Liabilities	(22,752)	(38,036)	-	-	(22,752)	(38,036)
Accrued Income	-	-	695	223	695	223
Capital Raising Costs	(391,965)	(230,810)	-	-	(391,965)	(230,810)
Employee Entitlements	(33,806)	(17,469)	-	-	(33,806)	(17,469)
Property Plant and Equipment	-	-	8,008	13,998	8,008	13,998
Investments	(168,416)	-	-	-	(168,416)	-
Exploration Expenditure	-	-	4,420,668	2,235,545	4,420,668	2,235,545
Loans	-	-	-	4,461	-	4,461
Tax Losses	(3,812,432)	(1,967,912)	-	-	(3,812,432)	(1,967,912)
Tax (assets) liabilities	(4,429,371)	(2,254,227)	4,429,371	2,254,227	-	-
Set off of tax	4,429,371	2,254,227	(4,429,371)	(2,254,227)	-	-
Net tax (assets) liabilities	-	-	-	-	-	-

Movement in temporary differences during the year	**Balance 1 July 2008**	**Recognised in Income**	**Recognised in Equity**	**Balance 30 June 09**
Accrued Liabilities	(33,222)	(4,814)	-	(38,036)
Accrued Income	384	(161)	-	223
Capital Raising Costs	(81,623)	(149,187)	-	(230,810)
Employee Entitlements	(16,141)	(1,328)	-	(17,469)
Property Plant and Equipment	2,424	11,574	-	13,998
Exploration Expenditure	1,539,518	696,027	-	2,235,545
Loans	-	4,461	-	4,461
Tax Losses	(1,411,340)	(556,572)	-	(1,967,912)
	-	-	-	-

Movement in temporary differences during the year	**Balance 1 July 2009**	**Recognised in Income**	**Recognised in Equity**	**Balance 30 June 10**
Accrued Liabilities	(38,036)	15,284	-	(22,752)
Accrued Income	223	472	-	695
Capital Raising Costs	(230,810)	(161,155)	-	(391,965)
Employee Entitlements	(17,469)	(16,337)	-	(33,806)
Property Plant and Equipment	13,998	(5,990)	-	8,008
Investments	-	(168,416)	-	(168,416)
Exploration Expenditure	2,235,545	2,185,123	-	4,420,668
Loans	4,461	(4,461)	-	-
Tax Losses	(1,967,912)	(1,844,520)	-	(3,812,432)
	-	-	-	-

Unrecognised deferred tax assets	**30-Jun-10**	**30-Jun-09**
Deferred tax assets have not been recognised in respect of the following items	**$**	**$**
Capital Raising Costs	-	-
Tax Losses	3,406,221	2,332,543
	3,406,221	2,332,543

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company can utilise these benefits.

		2010 $	2009 $
4.	**Cash and cash equivalents**		
	Cash at bank and on hand	5,949,283	1,693,118

The weighted average interest rate for the year was 3.0% (2009: 3.0%).

		2010 $	2009 $
5.	**Trade and other receivables**		
	Current		
	Trade debtors	454,708	38,057
	Other receivables	144,584	86,106
		599,292	124,163
6.	**Other assets**		
	Current		
	Prepayments (i)	934,185	-
	Bank security for construction contract	394,103	-
	Other assets	23,690	-
		1,351,978	-

(i) Prepayments for machinery and equipment relate to deposits paid to the suppliers of the machinery and equipment for the ferrotungsten plant in Vietnam. Delivery of this machinery and equipment will occur when the construction of the facility is complete.

	2010 $	2009 $
Non-current		
Options over exploration tenements	22,500	-

7. Property plant and equipment

	Office Furniture & Equipment	Computer Equipment	Plant	Vehicles	Buildings	Construction Work in Progress	Leasehold Land & Improvements	TOTAL
Gross Carrying Amount	$	$	$	$	$	$	$	$
Balance at 1 July 2008	172,335	160,516	61,410	63,962	27,911	-	-	486,134
Additions	144	2,672	-	-	-	-	-	2,816
Balance at 30 June 2009	172,479	163,188	61,410	63,962	27,911	-	-	488,950
Additions	10,821	83,345	53,247	61,986	28,036	528,944	363,479	1,129,858
Balance at 30 June 2010	**183,300**	**246,533**	**114,657**	**125,948**	**55,947**	**528,944**	**363,479**	**1,618,808**
Accumulated Depreciation								
Balance at 1 July 2008	29,807	72,968	15,364	12,793	-	-	-	130,932
Depreciation expense	34,272	56,873	16,521	12,792	-	-	-	120,458
Balance at 30 June 2009	64,079	129,841	31,885	25,585	-	-	-	251,390
Depreciation expense	34,922	42,925	23,933	20,507	-	-	-	122,287
Balance at 30 June 2010	**99,001**	**172,766**	**55,818**	**46,092**	**-**	**-**	**-**	**373,677**
Net Book Value								
As at 30 June 2009	108,400	33,347	29,525	38,377	27,911	-	-	237,560
As at 30 June 2010	**84,299**	**73,767**	**58,839**	**79,856**	**55,947**	**528,944**	**363,479**	**1,245,131**

		2010 $	2009 $
8.	**Exploration and evaluation**		
	Exploration and evaluation phase		
	Expenditure capitalised	17,511,999	10,328,255

The value of the Consolidated Entity's interest in exploration expenditure is dependent upon the:

- continuance of the Consolidated Entity's right to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Consolidated Entity's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, of the quantum of such claims. It should be noted that the areas around BigHill and McLeods have already been the subject of an anthropological heritage review and were cleared for the current exploration programs.

		2010 $	2009 $
9.	**Trade and other payables**		
	Unsecured:		
	Trade and other payables	874,808	492,122

Trade and other payables are non interest bearing usually settled on 30 day terms.

10.	**Other liabilities**		
	Other liabilities	872,008	-

Other liabilities represent unallocated shareholder contributions. At the discretion of the shareholders, these funds may be treated as loan funds or settled through the issue of shares. As at 30 June 2010, the treatment of these funds had not been determined.

11.	**Provisions**		
	Provision for annual leave	112,687	58,231
	Provision for stamp duty payable	-	100,000
		112,687	158,231

The provision for annual leave represents annual leave entitlements as 30 June 2010. The provision for stamp duty payable represents an estimate of stamp duty payable on an agreement between the Company and its wholly owned subsidiary BigHill Resources Limited.

12.	**Financial liabilities**		
	Secured:		
	Current lease liabilities	24,845	27,137
	Secured:		
	Long term lease liabilities	2,232	25,960
	Total financial liabilities	27,077	53,097

The carrying amounts of assets that are financed under these leases are pledged as security for these leases are:

•	Photocopiers	$20,167
•	Vehicle	$25,585
	Total	$45,752

		2010 $	2009 $
13.	**Issued capital**		
	214,579,856 fully paid ordinary shares (2009: 117,820,439)	31,612,435	15,378,135

The company has issued capital amounting to 214,579,856 shares with no par value.

Fully paid ordinary shares	**2010**		**2009**	
	No.	**$**	**No.**	**$**
Balance at beginning of financial year	117,820,439	15,378,135	72,017,238	11,305,188
Issued 8 August 2008	-	-	7,500,000	1,125,000
Issued 12 August 2008	-	-	300,000	45,000
Issued 2 October 2008	-	-	659,333	98,900
Issued 19 November 2008	-	-	4,000,000	300,000
Issued 28 November 2008	-	-	6,666,667	500,000
Issued 16 December 2008	-	-	10,000,000	750,000
Issued 8 April 2009	-	-	415,200	31,140
Issued 28 May 2009	-	-	5,000,000	600,000
Issued 30 June 2009	-	-	11,262,001	1,351,440
Issued 13 August 2009	11,112,999	1,333,560	-	-
Issued 31 August 2009	70,000	14,000	-	-
Issued 2 November 2009	19,000,000	3,420,000	-	-
Issued 30 November 2009	3,576,418	643,755	-	-
Issued 2 December 2009	34,050,001	6,129,000	-	-
Issued 17 December 2009	4,449,999	801,000	-	-
Issued 18 December 2009	500,000	75,000	-	-
Issued 9 April 2010	1,000,000	240,000	-	-
Issued 4 June 2010	12,340,000	2,468,000	-	-
Issued 10 June 2010	10,660,000	2,132,000	-	-
	214,579,856	32,634,450	117,820,439	16,106,668
Less cost of capital	-	(1,022,015)	-	(728,533)
Balance at end of financial year	214,579,856	31,612,435	117,820,439	15,378,135

On 13 August 2009, the Company placed 11,112,999 shares under a short-form prospectus.
On 31 August 2009, 70,000 shares were issued upon the exercise of 70,000 options at $0.20.
On 2 November 2009, 19,000,000 shares were issued via a placement.
On 30 November 2009, 3,576,418 shares were issued under the terms of share purchase plan.
On 2 December 2009, 34,050,001 shares were issued via tranche 1 of a placement.
On 17 December 2009, 4,449,999 shares were issued via tranche 2 of a placement.
On 18 December 2009, 500,000 shares were issued under the terms of a consultancy agreement.
On 9 April 2010, 1,000,000 shares were issued under the terms of an executive services agreement.
On 4 June 2010, 12,340,000 shares were issued via tranche 1 of a placement.
On 10 June 2010, 10,660,000 shares were issued via tranche 1 of a placement.

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the company.

13. Issued capital continued

Options on Issue

The following reconciles the outstanding share options at the beginning and end of the financial year:

Description	2010 No.	2009 No.
Balance at the beginning of the financial year	20,750,000	10,750,000
Granted during the financial year	11,000,000	13,000,000
Cancelled during the financial year	-	(3,000,000)
Forfeited during the financial year	-	-
Exercised during the financial year	(70,000)	-
Expired during the financial year	(7,680,000)	-
Balance at the end of financial year	24,000,000	20,750,000
Exercisable at the end of the financial year	24,000,000	20,750,000

Each option entitles the holder to one fully paid ordinary share in the Company.

The terms of the options on issue are:

1,000,000 exercisable at $0.15 on or before 30 June 2011
2,000,000 exercisable at $0.20 on or before 30 June 2011
1,000,000 exercisable at $0.25 on or before 30 June 2011
5,000,000 exercisable at $0.10 on or before 30 April 2012
2,000,000 exercisable at $0.20 on or before 30 April 2012
1,000,000 exercisable at $0.25 on or before 30 June 2012
1,000,000 exercisable at $0.30 on or before 30 June 2012
4,000,000 exercisable at $0.20 on or before 31 August 2012
1,000,000 exercisable at $0.25 on or before 31 August 2012
2,000,000 exercisable at $0.30 on or before 31 August 2012
4,000,000 exercisable at $0.20 on or before 9 April 2013

14. Reserves

	2010 $	2009 $
Options Reserve	1,690,070	1,316,437
Foreign Currency Translation Reserve	45,816	-

The options reserves comprise share based payment made to directors, consultants and key management personnel refer Note 25.

The foreign currency translation reserve represents exchange differences as at balance date.

15. Capital management

The Consolidated Entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Consolidated Entity's activities, being mineral exploration, the Consolidated Entity does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Consolidated Entity's capital risk management is the current working capital position against the requirements of the Consolidated Entity to meet exploration programmes and corporate overheads. The Consolidated Entity's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Consolidated Entity and the parent entity at 30 June 2010 and 30 June 2009 are as follows:

	2010 $	2009 $
Cash and cash equivalents	5,949,283	1,693,118
Trade and other receivables	1,951,270	124,163
Trade and other payables	(874,808)	(492,122)
Working capital position	7,025,745	1,325,159

16. Earnings per share

	2010 Cents per share	2009 Cents per share
Basic (loss) per share	(2.85)	(2.15)

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2010 $	2009 $
Loss used in the calculation of basic EPS as per income statement	(4,744,312)	(1,973,411)
	No.	**No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	166,408,748	91,864,391

17. Commitments for expenditure

Exploration and evaluation	2010 $	2009 $
Not longer than 1 year	717,800	334,000
Longer than 1 year and not Longer than 5 years	1,613,670	409,750
Longer than 5 years	1,181,000	-
	3,512,470	743,750

18. Contingent liabilities

The Company has exercised the option to purchase tenements located at Arthur River. The final tranche of consideration payable upon exercise of this option comprises the allotment to the vendors of 375,000 fully paid ordinary shares in the Company. The value of these shares at 30 June 2010 was $71,250.

Under the terms of the agreement for the acquisition of BigHill Resources Limited (formerly Kiora Holdings Pty Ltd) 2,000,000 fully paid ordinary shares are to be allotted upon the Company completing a bankable feasibility study. The value of these shares at 30 June 2010 was $380,000.

19. Leases

Finance leases

Leasing arrangements

Finance leases relate to office equipment with a lease for a 5 year term which at the end of the term will be owned by the Company.

	Minimum future lease payments		Present value of minimum future lease payments	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Finance lease liabilities				
Not longer than 1 year	31,611	33,302	24,845	27,137
Longer than 1 year and not longer than 5 years	2,714	31,822	2,231	25,960
Longer than 5 years	-	-	-	-
Minimum future lease payments	34,325	65,124	27,076	53,097
Less future finance charges	(7,249)	(12,027)	-	-
	27,076	53,097	27,076	53,097

	2010	2009
Included in the financial statements as Note 12		
Current lease liabilities	24,845	27,137
Long-term lease liabilities	2,232	25,960
	27,077	53,097

Operating leases

Leasing arrangements

Operating leases relate to:

- Office premises with a lease term of 2 years commencing 1 January 2010, with an option to extend for a further 3 years. The rental component is subject to an annual increment of 4%.
- Warehouse premises with a lease term of 3 years commencing 1 June 2010, with an option to extend for a further 4 years. Rental is reviewed annually.
- Land with a lease term of 3 years commencing 1 June 2010, with an option to extend for a further 4 years. Rental is reviewed annually.
- Land lease commitment in Vietnam for the first year.

The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

	2010	**2009**
	$	**$**
Operating lease liabilities		
Not longer than 1 year	263,538	48,860
Longer than 1 year and not Longer than 5 years	220,412	-
Longer than 5 years	-	-
	483,950	48,860

20. Notes to the cash flow statement

a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows

	2010 $	2009 $
Cash and cash equivalents	5,949,283	1,693,118

b) Non-cash financing and investing activities

During the current financial year 500,000 shares were issued under the terms of a consultancy agreement and 1,000,000 shares were issued under the terms of an executive services agreement.

c) Reconciliation of loss for the period to net cash flows from operating activities

	2010 $	2009 $
Loss for the period	(4,744,312)	(1,973,411)
Non-cash items		
Impairment of intangible asset	234,556	-
Depreciation	122,543	120,458
Share based payments	952,473	359,624
Exploration expenditure written off	452,332	-
Changes in net assets and liabilities, net of effects from acquisition of business:		
(Increase)/decrease in assets:		
Trade and other receivables	(1,827,107)	(25,433)
Increase in exploration	(7,610,298)	(2,219,316)
Increase/(decrease) in liabilities		
Trade and other payables	382,686	77,590
Provisions	45,544	4,427
	(11,991,583)	(3,656,061)

d) Acquisition of Entities

On 9 April 2010, the Company acquired a 60% interest in Asia Tungsten Products Co., Limited, Hong Kong. Details of the transaction are:

Purchase consideration:

Cash	1,009,306	-

Assets and liabilities held at acquisition date:

Cash at bank	1,009,306	-

	2010 $	2009 $
21. Auditor's Remuneration		
Amounts received or due and received for:		
An audit or review of the financial report of the Consolidated Entity		
Bentleys Audit and Corporate (WA) Pty Ltd	51,645	42,950
KPMG Hong Kong	14,000	-
KPMG Vietnam	7,000	-
	72,645	42,950

22. Subsequent Events

On 6 August 2010, 14,500,000 shares were allotted at $0.20 cents each to raise $2,900,000 and completing the Tranche 2 capital raising approved by shareholders on 12 July 2010. The final consideration for the acquisition of the Arthur River tenements comprising 375,000 shares were also allotted to directors of the Company as approved by shareholders on 12 July 2010. A further 500 shares were allotted at $0.20 cents each under the terms of the short form prospectus dated 3 June 2010.

On 6 August 2010, the Company issued 5,000,000 Options to the Directors as approved by shareholders on the 12 July 2010 and 3,000,000 options were issued under the terms of a consultancy agreement.

In September 2010, the Company completed its obligations under the Joint Venture with Giralia Resources and has now acquired a 70% interest in the Cookes Creek joint venture.

On 16 September 2010, the Company acquired the interest of Vital Metals Ltd in Mt Mulgine and now holds a 70% interest in the tungsten rights in accordance with the terms of a joint venture with Gindalbie Metals Ltd.

23. Segment Information

During the year the Consolidated Group expanded its operations to include a 60% interest in a Hong Kong entity of which the Vietnam entity is a wholly owned subsidiary. Mineral exploration and prospecting for minerals is conducted in Australia. In Vietnam a ferro-tungsten plant is under construction. The Hong Kong entity will facilitate the marketing of products once the plant has been built.

Identification of reportable segments

The Consolidated Group has identified its operating segments by project based on internal reports that are reviewed and used by the Boards of Directors in determining the allocation of resources. The Consolidated Group is managed primarily on a project basis.

Accounting policies adopted

Unless otherwise stated, all amounts reported to the Boards of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Group.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. Inter-segment loans receivable and payable are at commercial terms.

23. Segment Information continued

(i) Segment performance

Year ended 30 June 2010	Arthur River	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$	$
Revenue							
Interest revenue	-	-	-	-	3,549	173,206	176,755
R & D Refund	-	-	-	-	-	137,707	137,707
Total segment revenue	-	-	-	-	3,549	310,913	314,462
Reconciliation of segment revenue to group revenue							
Inter-segment elimination	-	-	-	-	-	-	-
Total group revenue	-	-	-	-	-	-	314,462
Segment net loss before tax	(284,401)	-	-	(130,434)	(95,587)	-	(510,422)
Reconciliation of segment result to group profit/(loss) before tax							
Amounts not included in segment result but reviewed by the Board							
Administrative expenses							(395,840)
Depreciation							(122,287)
Impairment of asset							(234,556)
Director's fees							(358,772)
Consultancy fees							(579,246)
Occupancy costs							(196,565)
Employee expenses							(683,677)
Marketing expenses							(596,825)
Share based payments							(877,473)
Legal and finance costs							(462,067)
Other costs							(41,044)
Net loss before tax from continuing operations							(4,744,312)

23. Segment Information continued

(i) Segment performance continued

Year ended 30 June 2009	Arthur River	Cookes Creek	Vickers Well	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$	$
Revenue							
Interest revenue	-	-	-	-	-	25,171	25,171
R & D Refund	-	-	-	-	-	131,205	131,205
Total segment revenue	-	-	-	-	-	156,376	156,376
Reconciliation of segment revenue to group revenue							
Inter-segment elimination	-	-	-	-	-	-	-
Total group revenue	-	-	-	-	-	-	156,376
Segment net loss before tax	(2,112)	(145,008)		-	-	-	(147,120)
Reconciliation of segment result to group profit/(loss) before tax							
Amounts not included in segment result but reviewed by the Board							
Administrative expenses							(227,191)
Depreciation							(120,458)
Director's fees							(252,000)
Consultancy fees							(421,517)
Occupancy costs							(100,445)
Employee expenses							(210,629)
Marketing costs							(84,732)
Share based payments							(359,624)
Legal and financing costs							(46,893)
Other costs							(159,178)
Net loss before tax from continuing operations							(1,973,411)

23. Segment Information continued

(ii) Segment assets

Year ended 30 June 2010	Arthur River	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$	$
Segment assets	283,000	17,043,806	55,193	130,000	3,042,127	5,127,567	25,681,693
Segment assets increased for the period							
Capital expenditure	42,630	7,558,310	55,193	42,446	3,042,127	-	10,740,706
Write downs	(284,401)	-	-	(130,434)	-	-	(414,835)
	(241,771)	7,558,310	55,193	(87,988)	3,042,127	-	10,325,871
Included in segment assets are							
Equity accounted associates and joint ventures	-	-	-	-	528,944	-	528,944
Reconciliation of segment assets to group assets							
Inter-segment eliminations	-	-	-	-	-	-	-
Unallocated assets							
Receivables							623,283
Property, plant & equipment							375,208
Total group assets from continuing operations							26,680,183

23. Segment Information continued

(ii) Segment assets continued

Year ended 30 June 2009	Arthur River	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$	$
Segment assets	524,771	9,585,495	-	217,989	-	1,693,118	12,021,373
Segment assets increased for the period							
Capital expenditure	94,885	2,681,449	-	59,173	-	-	2,835,507
Write downs	(2,112)	(145,008)	-	-	-	-	(147,120)
Acquisitions	-	-	-	-	-	-	
	92,773	2,536,441	-	59,173	-	-	2,688,387
Included in segment assets are							
Equity accounted associates and joint ventures	-	-	-	-	-	-	-
	-	-		-	-	-	-
Unallocated assets							
Receivables							124,163
Property, plant & equipment							237,560
Total group assets from continuing operations							12,383,096

23. Segment Information continued

(iii) Segment liabilities

Year ended 30 June 2010	Arthur River	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$	$
Segment liabilities	194	99,012	958	177	1,387,501	-	1,487,842
Reconciliation of segment liabilities to group liabilities							
Unallocated liabilities:							
Payables and accruals							258,975
Provisions							112,687
Other liabilities							27,076
Total liabilities from continuing operations							1,886,580

Year ended 30 June 2009	Arthur River	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$	$
Segment liabilities	394	182,078	-	359	-	-	182,831
Reconciliation of segment liabilities to group liabilities							
Unallocated liabilities:							
Payables and accruals							309,291
Provisions							158,231
Other liabilities							53,097
Total liabilities from continuing operations							703,450

23. Segment Information continued

(iv) Revenue by geographical region

	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	310,913	156,376
Other foreign countries	3,549	-
Total revenue	314,462	156,376

(v) Assets by geographical location

	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
The location of segment assets is disclosed below by geographical location of the assets		
Australia	23,638,056	12,383,096
Other foreign countries	3,042,127	-
Total Assets	26,680,183	12,383,096

24. Financial Instruments

(a) Financial Risk Management

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for the Consolidated Entity's operations.

Derivatives are not currently used by the Consolidated Entity for hedging purposes. The Consolidated Entity does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management

The board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the Consolidated Entity's is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's cash on deposit.

Sensitivity analysis

At 30 June 2010, if interest rates had changed by -/+ 75 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Consolidated Entity would have been $44,498 lower/higher (2009 - $12,698 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

24. Financial Instruments

(a) Financial Risk Management continued

(iii) Financial Risks continued

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Consolidated Entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Credit risk related to balances with banks is managed in accordance with Board approvals. The following table provides information regarding the credit risk relating to cash based on Standard & Poor's counterparty credit ratings.

	2010 $	2009 $
Cash and cash equivalents		
- AA Rated	5,127,568	1,693,118
- Indovina Bank Vietnam (not listed)	821,715	-
	5,949,283	1,693,118

Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Consolidated Entity holds instruments which are other than the AUD functional currency of the Consolidated Entity.

Once the Consolidated Entity enters into production instruments held by overseas operations, it will be exposed to fluctuations in foreign currencies which may impact on the Group's financial results unless those exposures are appropriately hedged. The Consolidated Entity will be required to implement appropriate hedging policies to limit this exposure.

(b) Fair Value Estimation

The fair value of the financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Consolidated Entity at the balance date are recorded amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

24. Financial Instruments continued

(c) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Consolidated **2010**	**Weighted average interest rate** **%**	**Variable interest rate** **$**	**Non-interest bearing** **$**	**Total** **$**
Financial Assets				
Cash and cash equivalents	4.0	5,949,283	-	5,946,386
Trade and other receivables		-	599,291	599,291
		5,949,283	599,291	6,545677
Financial Liabilities				
Trade and other payables		-	874,808	874,808
Other liabilities		872,008	-	872,008
Finance leases	10.0	24,845	-	24,845
		896,853	874,808	1,771,661

Consolidated **2009**	**Weighted average interest rate** **%**	**Variable interest rate** **$**	**Non-interest bearing** **$**	**Total** **$**
Financial Assets				
Cash and cash equivalents	3.0	1,693,118	-	1,693,118
Trade and other receivables		-	124,163	124,163
		1,693,118	124,163	1,817,281
Financial Liabilities				
Trade and other payables		-	492,122	492,122
Finance leases	10.0	53,097	-	53,097
		53,097	492,122	545,219

All financial assets, trade and other payables and other liabilities are expected to be settled within 12 months. Finance leases are expected to be settled within 24 months. The carrying amount of all financial assets and financial liabilities approximate their fair values.

25. Share-based payments

On 20 August 2009, and as per the terms of their relevant contracts 7,000,000 new director options were issued to replace the director options that were due to expire on 31 August 2009. On 9 April 2010, 4,000,000 options were issued under the terms on a consultancy agreement. The options hold no voting or dividend rights, and are not transferable.

The details of the options are:

Options series	Number	Grant date	Expiry date	Exercise price$	Fair value at grant date $
31/08/2012 - $0.20	4,000,000	20/08/2009	31/08/2012	0.20	0.0436
31/08/2012 - $0.25	1,000,000	20/08/2009	31/08/2012	0.25	0.0385
31/08/2012 - $0.30	2,000,000	20/08/2009	31/08/2012	0.30	0.0345
09/04/2013 - $0.20	4,000,000	09/04/2009	09/04/2013	0.20	0.1489

These options vested on date of issue and were priced using a Black and Scholes' option pricing model and applying the following inputs:

Inputs into the model	31/08/2012 20 Cents	31/08/2012 25 Cents	31/08/2012 30 Cents	09/04/2013 20 Cents
Grant date share price	$0.10	$0.10	$0.10	$0.23
Exercise price	$0.20	$0.25	$0.30	$0.20
Expected volatility	85.00%	85.00%	85.00%	90.00%
Option life years	3.16	3.16	3.16	3.00
Dividend yield	0.00%	0.00%	0.00%	0.00
Risk-free interest rate	4.77%	4.77%	4.77%	5.29%

Share based payments are shown in the Statement of Changes in Equity under the Reserves heading and are included in the director fees and salaries and consulting expenses lines in the Income Statement.

The following reconciles the outstanding share options at the beginning and end of the financial year:

Consolidated Description	2010 No.	2009 No.
Balance at the beginning of the financial year	20,750,000	10,750,000
Granted during the financial year	11,000,000	13,000,000
Cancelled during the financial year	-	(3,000,000)
Forfeited during the financial year	-	-
Exercised during the financial year	(70,000)	-
Expired during the financial year	(7,680,000)	-
Balance at the end of financial year	24,000,000	20,750,000
Exercisable at the end of the financial year	24,000,000	20,750,000

As at the date of exercise, the weighted average share price of options exercised during the year was $0.20.

The weighted average remaining contractual life of options outstanding at year end was 1.96 years.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

26. Related party transactions

Loan to subsidiary

At the date of this report the loan from the parent entity Hazelwood Resources Ltd to the Australian subsidiary company BigHill Resources Limited had a balance of $10,958,188. Interest is calculated on this loan at commercial rates. As the tungsten asset is held by the subsidiary company it is intended that this loan be repaid upon the development of this asset in the future.

Contracts for services

Consultancy agreements on commercial terms are entered into for non-executive directors and other non-salaried key personnel via companies in which each key management person has a controlling interest. The companies that each non-executive director or key management person has a controlling interest are:

Company	Interest held by	Amount $	Description of payment
McAuliffe Legal	Mr M McAuliffe	-	Legal services
McAuliffe Administration Trust	Mr M McAuliffe	39,600	Equipment rental
Ausnom Pty Ltd	Mr J Chegwidden	72,600	Consulting fees and directors fees
Anycall Pty Ltd	Mr I Richer	66,000	Consulting fees and directors fees

27. Key management personnel compensation

(a) Names and positions of key management personnel

The names and positions of the consolidated and parent entity key management personnel in the financial office at any time during the financial year are:

Key Management Person	Position
Mr M McAuliffe	Executive Chairman
Mr T Butler-Blaxell	Executive Director
Mr J Chegwidden	Non-executive Director
Mr I Richer	Non-executive Director
Ms C New	Company Secretary
Mr M McQuade	Project Manager

Directors and key management personnel are remunerated under the terms of executive services agreements or consultancy agreements.

2010

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Repre-sented by Options	Performance Related
	Cash, salary & commis-sions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$		$	$	$	$	$	$	$	%	%
M McAuliffe	166,666	-	-	24,254	15,000	-	-	101,957	307,877	33.12%	-
I Richer	66,000	-	-	-	-	-	-	39,053	105,053	37.17%	-
J Chegwidden	72,600	-	-	-	-	-	-	39,053	111,653	34.98%	-
T Butler-Blaxell	185,416	-	-	-	16,887	-	-	101,957	304,260	33.51%	-
C New	115,390	-	-	-	-	-	-	-	115,390	-	-
M McQuade	175,000	-	-	-	31,900	-	-	-	206,900	-	-
	781,072	-	-	24,254	63,787	-	-	282,020	1,151,133		

27. Key management personnel compensation continued

2009

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity[1]	Options[2]			
	$		$	$	$	$	$	$	$	%	%
M McAuliffe	180,000	-	-	53,689	16,200	-	-	-	249,889	-	-
I Richer	72,732	-	-	-	-	-	-	-	72,732	-	-
J Chegwidden	85,800	-	-	-	-	-	27,000	-	112,800	-	-
T Butler-Blaxell	165,000	-	-	-	12,994	-	18,000	-	195,994	-	-
C New	60,335	-	-	-	-	-	-	-	60,335	-	-
M McQuade	175,917	-	-	-	10,432	-	-	46,372	232,721	19.9	-
	739,784	-	-	53,689	39,626	-	45,000	46,372	924,471		

Note:

1. Equity relates to the issue of 225,000 ordinary shares to Ausnom Pty Ltd <J & K Chegs Shares Trust> a company in which John Chegwidden has a beneficial interest and 150,000 shares to T Butler-Blaxell <The Butler-Blaxell Family Trust>, a company in which Terence Butler-Blaxell has a beneficial interest. These issues were in partial settlement of the acquisition of the Arthur River tenements.
2. The options issued to M McQuade are Hazelwood Resources Ltd options that were issued to replace the BigHill Resources Limited options that were issued last year and have since been cancelled.

(b) **Options Holdings -** The number of options held by key management personnel are:
Options held by key management personnel at balance date are:

30 June 2010	Balance at beginning of period	Granted as remuneration	Exercised	Net change	Balance at end of period	Options vested at 30 June 2010
M McAuliffe	2,500,000	-	-	-	2,500,000	2,500,000
I Richer	1,000,000	-	-	-	1,000,000	1,000,000
J Chegwidden	1,000,000	-	-	-	1,000,000	1,000,000
T Butler-Blaxell	2,500,000	-	-	-	2,500,000	2,500,000
M McQuade	2,000,000	-	-	-	2,000,000	2,000,000

(c) **Shareholdings -** The Number of shares held by key management personnel are:

	Balance 30 June 2009	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30 June 2010
Directors					
Mr M McAuliffe	1,060,001	-	-	27,777	1,087,778
Mr T Butler-Blaxell	2,660,001	-	-	27,777	2,687,778
Mr I Richer	1,500,001	-	-	27,777	1,527,778
Mr J Chegwidden	1,330,001	-	-	-	1,330,001
Mr T Butler-Blaxell & Mr I Richer[2]	1,000,000	-	-	-	1,000,000
Senior Management					
Mr M McQuade	70,000	-	-	-	70,000

(1) Net change other refers to Shares that have been purchased or sold, or received as vendors during the financial year.
(2) Terence Butler-Blaxell & Ian Richer both have a beneficial interest in 1,000,000 ordinary shares held by Siren Mining Limited.

28. Controlled Entities

Hazelwood Resources Limited controls the following percentages in its subsidiaries.

Name of Subsidiary	Country of Incorporation	Percentage Owned (%) 2010	2009
BigHill Resources Limited	Australia	100%	100%
Asia Tungsten Products Co., Limited	Hong Kong	60%	-
Asia Tungsten Products Vietnam Limited	Vietnam	60%	-

29. Business Combinations

On 9 April 2010, the Company acquired a 60% interest in Asia Tungsten Products Co., Limited, Hong Kong. Details of the transaction are:

Purchase consideration:		
Cash	1,009,306	-
Assets and liabilities held at acquisition date:		
Cash at bank	1,009,306	-

30. Parent Entity Disclosures	**2010 $**	**2009 $**
Financial Position		
Assets		
Current assets	5,034,096	1,795,319
Non-current assets	21,535,853	11,149,935
Total assets	26,569,949	13,145,254
Liabilities		
Current liabilities	524,281	635,982
Non-current liabilities	2,231	25,960
Total liabilities	526,512	661,942
Equity		
Issued capital	31,612,436	15,378,135
Option reserve	1,690,070	1,012,572
Accumulated losses	(7,259,069)	(3,907,395)
Total Equity	26,043,437	12,483,312
Financial Performance		
Loss for the year	(3,551,649)	(1,652,759)
Other comprehensive income	-	-
Total comprehensive income	(3,551,649)	(1,652,759)

Contingent Liabilities of the Parent Entity

Please refer to Note 18.

Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity

Property, plant and equipment	
Not longer than 1 year	24,845
Longer than 1 year and not longer than 5 years	1,115
Longer than 5 years	-
Total	25,960

31. Capital Commitment

As at 30 June 2010, the Consolidated Group had the following outstanding capital commitments relating to the construction of the ferrotungsten facility in Vietnam approved but not provided for in the statement of financial position:

	2010 $	2009 $
Approved and contracted	2,228,002	-
Approved but not contracted	-	-
	2,228,002	-

Directors' Declaration

The directors of the company declare that:

1) the financial statement and notes, as set out on pages 17 to 60, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;

   (c) are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board; and

2) the Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001;*

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (d) the financial statements and notes for the financial year give a true and fair view;

3) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors

John Chegwidden
Director

Perth, Western Australia
30 September 2010

Additional Stock Exchange Information
As at 27 September 2010

The Company's ordinary shares are quoted by the Australian Stock Exchange Limited. The Home Exchange is Perth and the ASX code is HAZ. Options over ordinary shares in the Company are not quoted on the ASX.

Holders of classes of equity securities

Class	Number on issue	Exercise price	Expiry date	Number of holders
Shares				
Ordinary*	229,455,356	-	-	1,148
Options*				
HAZAI	1,000,000	$0.15	30/06/2011	1
HAZAI	2,000,000	$0.20	30/06/2011	2
HAZAI	1,000,000	$0.25	30/06/2011	1
HAZAK	1,000,000	$0.25	30/06/2012	1
HAZAM	1,000,000	$0.30	30/06/2012	1
HAZAQ	5,000,000	$0.10	30/04/2012	1
HAZAQ	2,000,000	$0.20	30/04/2012	1
HAZAU	4,000,000	$0.20	31/08/2012	4
HAZAW	1,000,000	$0.25	31/08/2012	2
HAZAY	2,000,000	$0.30	31/08/2012	4
HAZ	4,000,000	$0.20	09/04/2013	1
HAZ	3,000,000	$0.20	06/08/2013	1
HAZ	5,000,000	$0.25	06/08/2015	3

Distribution of holders of equity securities

Ordinary shares

Range	Number of shares	Number of holders
1 - 1,000	2,811	39
1,001 – 5,000	463,574	138
5,001 – 10,000	1,624,455	182
10,001 – 100,000	23,796,424	585
100,001 and over	203,568,392	204
	229,455,356	1,148

Unmarketable parcels

The Company has 89 shareholdings which are less than a marketable parcel.

Additional Stock Exchange Information
As at 27 September 2010

Top 20 holders

No.	Shareholder	Number of shares	% of issued shares
1	Valentino Nominees Pty Ltd <Colby Family A/C>	39,575,000	17.25
2	Jemaya Pty Ltd <The Featherby Family A/C>	9,097,000	3.96
3	Creekwood Nominees Pty Ltd	7,849,715	3.42
4	Minatek Pty Ltd	7,481,000	2.70
5	Mr Nathan John Featherby	5,500,000	2.40
6	Hendricus Pty Ltd <Perth Select S/Food S/F A/C>	5,500,000	2.40
7	Winko Investments Pty Ltd	5,122,000	2.23
8	Jemaya Pty Ltd <JH Featherby Super Fund A/C>	4,750,000	2.07
9	Sino Italy Development Co Ltd	4,500,000	1.96
10	Mr Donald Norman Coultas	4,250,000	1.85
11	Citicorp Nominees Pty Limited	4,094,417	1.78
12	Giralia Resources Limited	4,000,000	1.74
13	Mr Anjia Hong	3,930,000	1.71
14	Cen Pty Ltd	3,200,000	1.39
15	Mr Hendricus Petrus Indrisie	3,000,000	1.31
16	King Fame Group Limited	3,000,000	1.31
17	S D C Pty Ltd	3,000,000	1.31
18	Apache Investments Limited	2,650,000	1.15
19	Mr Terence Hugh Butler-Blaxell	2,510,001	1.09
20	Acumen Engineering Pty Ltd	2,500,000	1.09
		123,301,133	54.70

Voting rights

Voting rights of members are set out in Article 2.1 of the Company's Constitution.

Only holders of ordinary shares are entitled to vote, either in person or by proxy, attorney or corporate representative:

- on a show of hands, to one vote, and
- on a poll, to one vote for each share held.

Holders of options do not have a right to vote.

Substantial shareholders

The following substantial shareholdings have been notified to the Company.

Name of shareholder	No. of shares held
Valentino Nominees Pty Ltd <The Colby Family A/C>	39,575,000
Jemaya Pty Ltd	13,847,000
	53,422,000