HAZELWOOD RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES

ABN 88 118 738 999

ANNUAL REPORT

For the year ended 30 June 2012

CONTENTS

Corporate Information

ABN 88 118 738 999

ASX Code: HAZ

Directors
Mr Terence Butler- Blaxell (Managing Director and Acting Chairman)
Mr John Chegwidden
Mr Frank Ashe

Company Secretaries
Mr John Chegwidden
Ms Carol New

Registered Office
Unit 2, 13 Oxleigh Drive
Malaga WA 6090
Telephone: (08) 9320 5220
Facsimile: (08) 9481 6343
Email: info@hazelwood.com.au

Solicitors
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 %
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	100
E46/0883	100
E46/0884	100
E46/0885	100
E46/0940	100
E46/0941	100
L46/70	100
M46/0514 (Application)	100
Cookes Creek Joint Venture (Copper Gorge)	
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

*Under a Joint Venture Agreement, Hazelwood holds a 70 per cent interest in tungsten and molybdenum rights. The title to the tenements is held 100% by Gindalbie Metals Ltd.

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 2012.

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.

Terence Butler-Blaxell **BSc, GDipApFin, MBA, MAusIMM, FFin MAICD**
Executive Chairman (Acting) and Managing Director
Mr Butler-Blaxell is a founding director of Hazelwood with 20 years' experience in the resources sector in commodities including gold, industrial minerals, vanadium, base metals, nickel, tungsten, magnetite iron ore and titanomagnetite. Operational experience has been gained on operating gold mines in production, laboratory operations and operation of plant and machinery. As an exploration geologist he was an integral part of teams that delineated multi-million ounce gold discoveries. Mr Butler-Blaxell has directed the economic evaluation of numerous projects, being involved in resource estimation and feasibility studies. He has significant experience in financial modelling and valuation of mining projects, project and company transactions, due diligence reviews, market event studies and quantitative market event studies. 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, Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Company Directors. Terry was appointed as Acting Executive Chairman on 23 August 2012.

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.

Frank Ashe **B Com, CA**
Non-Executive Director – Appointed 31 August 2012
Mr Ashe is a Chartered Accountant, commencing his career at a first tier professional services firm in Perth. Having gained experience with resource sector clientele he moved into the mining service and civil sectors developing his skills into broader operational and general management roles including project development/financing and business establishment/development in several countries throughout Latin America and the Caribbean. He has worked directly in senior executive roles for public companies in the primary industry and resources sectors having recently performed non-executive duties for Bathurst Resources Ltd. Currently Mr Ashe provides consulting services to companies in areas of general management and business development mainly in the mining services sector.

Mark McAuliffe B.Juris, LLB, MAICD

Executive Chairman – Resigned 23 August 2011 Mark McAuliffe is a solicitor with over 29 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. Mark resigned on 23 August 2012.

Ian Richer Dip. Met. Min. M Aus IMM

Non-Executive Director – Resigned 31 August 2011

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. Ian resigned on 31 August 2012.

Company Secretaries

John Chegwidden (see above)

Carol New

Joint Company Secretary

Carol has over 30 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 holds a Bachelor in Accounting and 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 Terence Butler-Blaxell	2,837,778	1,000,000
Mr John Chegwidden	1,555,001	2,000,000
Mr Terence Butler-Blaxell[1]	1,000,000	-
Mr Frank Ashe	-	-

Note:

1. Terence Butler-Blaxell has a beneficial interest in 1,000,000 ordinary shares held by Siren Mining Limited

Directors' Report Continued

Directors Meetings

The number of Directors meetings 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	9	4
Mr Terence Butler-Blaxell	9	9
Mr Ian Richer	9	4
Mr John Chegwidden	9	9
Mr Frank Ashe	5	2

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
T Butler-Blaxell	Accent Resources NL	2007 - 2010
I Richer	Accent Resources NL	2007 - 2012
	3D Resources Limited	2008 - current
J Chegwidden	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 2012 was $6,291,832 (2011: $7,133,509).

Financial Position

The net assets of the Consolidated Group have decreased by $6,344,279 from $27,487,887 at 30 June 2011 to $21,143,606 in 2012. This decrease is largely due to the following factors:

- Decline in cash reserves of $5,433,705;
- Increase in financial liabilities – Director loans $225,000
- Increase in financial liabilities – Shareholder loans $701,856;

The Consolidated Group's working capital, being current assets less current liabilities, has reduced from $5,309,648 in 2011 to $(2,056,292) in 2012.

Hazelwood owns a 60% interest in Asia Tungsten Products Co. Ltd (ATC). During the reporting period, construction activities at the ATC Ferrotungsten Project in Vietnam were completed. The ferrotungsten plant was mechanically and electrically commissioned ("cold commissioned") and remains on standby until sufficient funds can be obtained to procure all first fill inventory items and commence production. Ferrotungsten is used in the production of high speed steels, tool steels and high temperature alloys.

The Entity's holdings in joint venture entities have increased by $661,452.

The Company has an agency and sales financing agreement with Wogen Resources Ltd for the worldwide distribution of all ferrotungsten produced by ATC. Under the agreement, Wogen will distribute the product to its existing network of customers in the steel industry.

Directors’ Report Continued

Through a procurement agent, a tungsten feedstock supply agreement was negotiated with a North American based supplier for the supply of tungsten concentrates from its own mine and processing facilities. It is projected that the North American supplier could provide up to half of the required feedstock for the first 12 months of operation at the ATC ferrotungsten plant. Multiple local suppliers of tungsten feedstock were contacted and samples were provided for analysis. Other sources of feedstock have been identified in South America, Africa, Mongolia and Russia,

Exploration and evaluation work continued at relatively low levels on the Company’s Australian mineral assets. Comprehensive comminution (crushing and grinding) metallurgical testwork was completed on bulk samples of large diameter core from the Big Hill Tungsten Deposit in the East Pilbara of Western Australia as part of the definitive feasibility study. Terms were also agreed with the sole registered Native Title party for the grant of a Mining Lease at Big Hill.

Also in the East Pilbara of Western Australia, extensive geological mapping and data interpretation was carried out by specialist consultants at the Copper Gorge area (Hazelwood 70%, Atlas Iron Ltd 30%) and on the Company’s 100% owned Cookes Creek nickel sulphide targets. A significant volcanogenic massive sulphide (VMS) target was confirmed at Copper Gorge and the State Government approved a drilling grant to test that target.

During September 2012, a terms sheet was signed with a private investment group for the provision of $1.5 million of bridging finance. The facility is secured over the Company’s assets with an interest rate of 20% pa and maturing 31 March 2013.

Significant Changes in the State of Affairs

During the year 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

Claims, liability and litigation: The Company received a creditor’s statutory demand from Asian Commodity Services Limited, a service company associated with former Executive Chairman, Mark McAuliffe, for the amount of $151,500. The Company made an application to the Supreme Court of Western Australia for an order setting aside the creditor’s statutory demand. On 24 September 2012, the Supreme Court made orders (with the consent of Asian Commodity Services Limited) that the statutory demand to be set aside with no order as to costs.

During September 2012, a terms sheet was signed with a private investment group for the provision of $1.5 million of bridging finance. The facility is secured over the Company’s assets with an interest rate of 20% pa and maturing 31 March 2013.

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 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.

Directors' Report Continued

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.

Subject to the availability of sufficient funds, it is anticipated that hot commissioning and first production can be scheduled at the ATC Ferrotungsten Project in the current year. The Company also intends to progress exploration and evaluation activities on its Australian mineral assets.

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
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
Director Options	5,000,000	$0.25	06/08/2015	06/08/2010
Consultant Options	3,000,000	$0.20	06/08/2013	06/08/2010
Employee Options	525,000	$0.20	22/12/2013	22/12/2010
Consultant Options	200,000	$0.20	22/12/2013	22/12/2010
Total	**19,725,000**			

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 2012. 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)
Mr F Ashe (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 2012:

Consolidated	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	95,886	221,484	314,462	156,376	217,070
Net loss before tax	(6,344,956)	(7,133,509)	(4,744,312)	(1,973,411)	(1,725,486)
Net loss after tax	(6,344,956)	(7,133,509)	(4,744,312)	(1,973,411)	(1,725,486)
Share price at start of year	$0.14	$0.19	$0.10	$0.22	$0.30
Share price at end of year	$0.08	$0.14	$0.19	$0.10	$0.22
Interim dividend		-	-	-	-
Final dividend		-	-	-	-
Basic earnings per share (cents)	(2.41)	(3.00)	(2.85)	(2.15)	(2.44)

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 2011 and ending 30 June 2012 based on the following agreements.

Remuneration of Executive Directors

Executive Services Agreement with Mr Mark McAuliffe – Resigned 23 August 2011

The Company entered into an Executive Services Agreement with Mark McAuliffe on 24 July 2006, as varied by a Deed of Variation dated 30 April 2008 and two Deeds of Further Variation dated 1 December 2009, and 9 April 2010 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 dated 1 December 2009
- Remuneration - $200,000pa plus superannuation
- Reimbursements – Vehicle costs to $10,000pa, parking, mobile and email costs.
- Options – 1,000,000 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 12 months salary. 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.

The Company and its 60% owned subsidiary Asia Tungsten Products Co Limited ("**ATCHK**") entered into an Executive Services Agreement with Mark McAuliffe on 1 May 2010 in relation to his appointment as a Director of ATCHK and a Member of the Members' Council of Asia Tungsten Products Vietnam Limited.

The terms of this agreement are:

- Term – 5 years from 1 May 2010.
- Remuneration - $120,000pa and is to increase to $200,000pa upon achieving Practical Completion.
- Reimbursements – Vehicle costs to $18,000pa, parking, mobile and email costs, a lap top computer and IT costs.
- Options – 1,000,000 Hazelwood Options exercisable at 25 cents per Option, vesting immediately; and
  Options - 1,000,000 Hazelwood Options exercisable at 25 cents per Option, vesting upon Practical Completion.
- Termination – ATCHK may terminate this agreement by giving notice and through payment of an amount equal to 12 months salary. 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.

Directors' Report Continued

Remuneration of Executive Directors continued

Executive Services Agreement with Mr Terence Butler-Blaxell

The Company entered into an Executive Services Agreement with Terence Butler-Blaxell on 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 – 1,000,000 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 12 months salary. 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.

The Company and its 60% owned subsidiary Asia Tungsten Products Co Limited ("**ATCHK**") entered into an Executive Services Agreement with Terence Butler-Blaxell on 1 May 2010 in relation to his appointment as a Director of ATCHK and a Member of the Members' Council of Asia Tungsten Products Vietnam Limited.

The terms of this agreement are:

- Term – 5 years from 1 May 2010.
- Remuneration - $120,000pa and is to increase to $200,000pa upon achieving Practical Completion.
- Reimbursements – Vehicle costs to $18,000pa, parking, mobile and email costs, a lap top computer and IT costs.
- Options – 1,000,000 Hazelwood Options exercisable at 25 cents per Option, vesting immediately; and
  Options - 1,000,000 Hazelwood Options exercisable at 25 cents per Option, vesting upon Practical Completion.
- Termination – ATCHK may terminate this agreement by giving notice and through payment of an amount equal to 12 months salary. 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 Executive Directors continued

Executive Services Agreement with Mr John Chegwidden
The Company and its 60% owned subsidiary Asia Tungsten Products Co Limited ("**ATCHK**") entered into an Executive Services Agreement with John Chegwidden on 1 May 2010 in relation to his appointment as Inspector of ATCHK and Inspector of Asia Tungsten Products Vietnam Limited.

The terms of this agreement are:

- Term – 5 years from 1 May 2010.
- Remuneration - $120,000pa
- Reimbursements – Vehicle costs to $18,000pa, parking, mobile and email costs, a lap top computer and IT costs.
- Options – 1,000,000 Hazelwood Options exercisable at 25 cents per Option, vesting immediately; and
  Options - 1,000,000 Hazelwood Options exercisable at 25 cents per Option, vesting upon Practical Completion.
- Termination – ATCHK may terminate this agreement by giving notice and through payment of an amount equal to 12 months salary. Mr Chegwidden 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.

Mr Chegwidden holds a non-executive director position with Hazelwood Resources Ltd.

Executive Services Agreement with Chen Guang Yu
The Company and its 60% owned subsidiary Asia Tungsten Products Co Limited ("**ATCHK**") entered into an Executive Services Agreement with Chen Guang Yu on 1 May 2010 in relation to his appointment as a President of ATCHK and President of Asia Tungsten Products Vietnam Limited.

The terms of this agreement are:

- Term – 5 years from 1 May 2010.
- Remuneration - HKD120,000 per month
- Reimbursements – expenses incurred in relation to the role of President, a lap top computer and IT costs.
- Shares – 1,000,000 Hazelwood Shares upon signing this agreement; and
  Shares - 1,000,000 Hazelwood Shares within 5 days of the receipt by Hazelwood of a certificate from a Hazelwood Resources Ltd nominated engineer that the construction of the facility for the production of ferro-tungsten in Haiphong has been completed to the stage of Practical Completion; and
  Shares to the value of 5% of the cost savings measured as the difference between the total cost at Practical Completion and the sum of US$16.3 million. The issue price is to be based on VWAP in the 14 days preceding Practical Completion;
- Termination – ATCHK may terminate this agreement by giving notice and through payment of an amount equal to 12 months salary. Chen Guang Yu 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

The Company entered into an Employment Agreement with Martin McQuade on 1 November 2009 which was further extended to 30 June 2012.

Key management personnel compensation disclosures

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

2012

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[(1)]	**442,321**	-	-	**3,944**	**2,538**	**-**	**-**	**-**	448,803	-	-
I Richer	**55,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	55,000	-	-
J Chegwidden*	**175,600**	**-**	**-**	-	**-**	**-**	**-**	**-**	175,600	-	-
T Butler-Blaxell**	**320,000**	**-**	**-**	**-**	**18,000**	**-**	**-**	**-**	**338,000**	-	-
F Ashe***	**50,000**				**4,500**				**54,500**	-	-
C New	**178,768**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	178,768	-	-
M McQuade****	**250,000**	**-**	**-**	**-**	**22,500**	**-**	**-**	**-**	**272,500**	-	-
Chen Guang Yu	**185,370**	-	-	**-**	**-**	**-**	**-**	**-**	**185,370**	-	-
	1,657,059	-	-	**3,944**	**47,538**	**-**	**-**	**-**	**1,708,541**		

(1) Mr McAuliffe received a total of $210,000 in cash, salary and commissions during the reporting period. The remainder of $215,654 has been accrued.

*Mr Chegwidden received a total of $89,600 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $86,000, which have been accrued for the purpose of this report.

** Mr Butler-Blaxell received a total of $203,333 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $116,667, which have been accrued for the purpose of this report.

*** Mr Ashe received a total of $20,000 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $30,000, which have been accrued for the purpose of this report.

**** Mr McQuade received a total of $187,500 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $62,500, which have been accrued for the purpose of this report.

Directors' Report Continued

Key management personnel compensation disclosures continued

2011 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	338,678	-	-	13,781	18,000	-	-	232,970	603,429	38.61%	-
I Richer	92,792	-	-	-	-	-	-	-	92,792	-	-
J Chegwidden	219,055	-	-	-	-	-	38,250	232,970	490,275	47.52%	-
T Butler-Blaxell	339,221	-	-	-	18,000	-	25,500	116,485	499,206	23.33%	-
C New	183,590	-	-	-	-	-	-	23,710	207,300	11.43%	-
M McQuade	238,333	-	-	-	21,450	-	-	23,710	283,493	8.36%	-
Chen Guang Yu	218,117	-	-	-	-	-	240,000	-	458,117	-	-
	1,629,786	-	-	13,781	57,450	-	303,750	629,845	2,634,612		

Key management equity holdings

Options

Options held by key management personnel at balance date are:

30 June 2012	Balance at beginning of period	Granted as remuneration	Exercised/ Expired	Net change	Balance at end of period	Options vested at 30 June 2012
J Chegwidden	3,000,000	-	-	-	3,000,000	2,000,000
T Butler-Blaxell	3,500,000	-	-	-	3,500,000	3,500,000
M McQuade	2,200,000	-	(2,000,000)	(2,000,000)	200,000	200,000
C New	200,000	-	-	-	200,000	200,000
M McAuliffe*	4,500,000	-	-	-	4,500,000	3,500,000
I Richer**	1,000,000	-	-	-	1,000,000	1,000,000

*Mark McAuliffe resigned on 23 August 2011.
** Ian Richer resigned on 31 August 2011

30 June 2011	Balance at beginning of period	Granted as remuneration	Exercised	Net change	Balance at end of period	Options vested at 30 June 2011
M McAuliffe	2,500,000	2,000,000	-	2,000,000	4,500,000	3,500,000
I Richer	1,000,000	-	-	-	1,000,000	1,000,000
J Chegwidden	1,000,000	2,000,000	-	2,000,000	3,000,000	2,000,000
T Butler-Blaxell	2,500,000	1,000,000	-	1,000,000	3,500,000	3,500,000
M McQuade	2,000,000	200,000	-	200,000	2,200,000	2,200,000
C New	-	200,000	-	200,000	200,000	200,000

Directors' Report Continued

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

	Balance 1 July 2011	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2012
Mr T Butler-Blaxell	2,837,778	-	-	-	2,837,778
Mr J Chegwidden	1,555,001	-	-	-	1,555,001
Mr T Butler-Blaxell& Mr I Richer[1]	1,000,000	-	-	-	1,000,000
Mr M McQuade	70,000	-	-	-	70,000
Ms C New	40,011	-	-	-	40,011
Mr Chen Guang Yu	1,000,000	-	-	-	1,000,000
Mr M McAuliffe*	1,087,778	-	-	(1,087,777)	1
Mr I Richer**	1,527,778	-	-	-	1,527,778

Terence Butler-Blaxell & Ian Richer both have a beneficial interest in 1,000,000 ordinary shares held by Siren Mining Limited.
*Mark McAuliffe resigned on 23 August 2011.
** Ian Richer resigned on 31 August 2011

	Balance 1 July 2010	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30 June 2011
Mr M McAuliffe	1,087,778	-	-	-	1,087,778
Mr T Butler-Blaxell	2,687,778	-	-	150,000	2,837,778
Mr I Richer	1,527,778	-	-	-	1,527,778
Mr J Chegwidden	1,330,001	-	-	225,000	1,555,001
Mr T Butler-Blaxell & Mr I Richer[2]	1,000,000	-	-	-	1,000,000
Mr M McQuade	70,000	-	-	-	70,000
Ms C New	-	-	-	40,011	40,011
Mr Chen Guang Yu	1,000,000	-	-	-	1,000,000

(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 $38,350.

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.

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 17.

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

Terence Butler-Blaxell
Director
Perth, 28 September 2012

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 Terence Butler-Blaxell, acting Executive Chairman, also holds the executive position of Managing Director.. The Board has ppointed Frank Ashe to act as an 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 Terence Butler-Blaxell 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 their 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

As lead audit director for the audit of the financial statements of Hazelwood Resources Limited and its controlled entities for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC CA
Director

DATED at PERTH this 28 day of September 2012

Bentleys
THINKING AHEAD

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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 consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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 is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of $6,291,832 during the year ended 30 June 2012. This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2012. The directors of the Company 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 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC CA
Director

DATED at PERTH this 28th day of September 2012

Consolidated Statement of Comprehensive Income
For The Year Ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	63,541	221,484
Administration expenses		(394,295)	(630,398)
Consulting expenses		(1,283,790)	(1,322,053)
Director fees and salaries		(1,213,998)	(984,164)
Financing costs		(193,276)	(113,769)
Legal and professional expenses		(289,072)	(291,811)
Depreciation		(442,382)	(144,548)
Impairment of asset		(40,000)	(80,000)
Loss on sale of asset		(200,000)	-
Marketing expenses		(224,307)	(502,645)
Travel and accommodation		(353,982)	(670,746)
Occupancy expenses		(256,820)	(388,279)
Employment expenses		(1,356,631)	(1,049,738)
Share based payments	26	-	(980,462)
Exploration written off		(138,918)	(196,380)
Loss before income tax		(6,323,930)	(7,133,509)
Income tax (expense)/benefit	3	32,098	-
Loss for the year		(6,291,832)	(7,133,509)
Other comprehensive income			
Foreign currency translation differences		(52,449)	(347,964)
Total comprehensive income		(6,344,281)	(7,481,473)
Loss attributable to:			
Members of the parent entity		(5,510,122)	(6,433,000)
Non-controlling interest		(781,710)	(700,509)
		(6,291,832)	(7,133,509)
Total comprehensive income attributable to:			
Members of the parent entity		(5,541,591)	(6,641,779)
Non-controlling interest		(802,690)	(839,694)
		(6,344,281)	(7,481,473)
Earnings per share (cents per share)			
Basic loss per share	17	(2.39)	(3.00)

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

Consolidated Statement of Financial Position
As At 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	4	359,610	5,793,315
Trade and other receivables	5	442,840	711,174
Other assets	6	134,359	842,312
Total current assets		936,809	7,346,801
Non-current assets			
Property, plant and equipment	7	5,517,742	5,060,705
Investments	8	-	320,000
Exploration and evaluation	9	20,299,861	19,239,320
Total non-current assets		25,817,603	24,620,025
TOTAL ASSETS		**26,754,412**	31,966,826
LIABILITIES			
Current liabilities			
Trade and other payables	10	1,925,303	1,861,085
Provisions	11	139,942	174,953
Financial liabilities	12	927,856	1,115
Total current liabilities		2,993,101	2,037,153
Non-current liabilities			
Financial liabilities	13	2,617,705	2,441,786
Total non-current liabilities		2,617,705	2,441,786
TOTAL LIABILITIES		**5,610,806**	4,478,939
Net assets		**21,143,606**	27,487,887
Equity			
Issued capital	14	40,807,730	40,807,730
Reserves	15	1,630,358	2,175,991
Accumulated losses		(20,117,980)	(15,122,021)
Parent interest		22,320,108	27,861,700
Non-controlling interest		(1,176,502)	(373,813)
TOTAL EQUITY		**21,143,606**	27,487,887

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 2012

	Members of parent entity			Non-controlling Interest	Total Equity
	Issued Capital	Reserves	Accumulated Losses		
	$	$	$	$	$
Balance at 1 July 2010	31,612,435	1,717,560	(9,002,273)	465,881	24,793,603
Loss for the year	-	-	(6,433,000)	(700,509)	(7,133,509)
Other comprehensive income					
FX translation differences	-	(208,779)	-	(139,185)	(347,964)
Total comprehensive income	-	(208,779)	(6,433,000)	(839,694)	(7,481,473)
Transaction with owner, directly recognised in equity					
Issues of shares	9,803,850	-	-	-	9,803,850
Cost of share issues	(608,555)	-	-	-	(608,555)
Share based payments	-	667,210	313,252	-	980,462
Balance at 30 June 2011	**40,807,730**	**2,175,991**	**(15,122,021)**	**(373,813)**	**27,487,887**
Balance at 1 July 2011	40,807,730	2,175,991	(15,122,022)	(373,812)	27,487,887
Loss for the year	-	-	(5,510,122)	(781,710)	(6,291,832)
Other comprehensive income					
FX translation differences	-	(31,469)	-	(20,980)	(52,449)
Total comprehensive income	-	(31,469)	(5,510,122)	(802,690)	(6,344,281)
Transaction with owner, directly recognised in equity					
Issues of shares	-	-	-	-	-
Cost of share issues	-	-	-	-	-
Share based payments	-	(514,164)	514,164	-	-
Balance at 30 June 2012	**40,807,730**	**1,630,358**	**(20,117,980)**	**(1,176,502)**	**21,143,606**

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 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,924,381)	(5,557,882)
Interest received		63,097	171,448
Payments for exploration expenses		(1,373,187)	(2,222,461)
Net cash used in operating activities	**21(c)**	**(5,234,471)**	(7,608,895)
Cash flows from investing activities			
Construction		(1,002,084)	(2,957,490)
Proceeds from sale of asset		80,000	-
Property, plant and equipment		(387,916)	(290,905)
Net cash used in investing activities		**(1,310,000)**	(3,248,395)
Cash flows from financing activities			
Proceeds from borrowings		1,110,766	1,586,778
Proceeds from issue of shares		-	9,114,544
Net cash provided by financing activities		**1,110,766**	10,701,322
Net increase in cash and cash equivalents		(5,433,705)	(155,968)
Cash and cash equivalents at beginning of period		5,793,315	5,949,283
Cash and cash equivalents at end of period	**21(a)**	**359,610**	5,793,315

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 ("the Parent Entity") and controlled entities ('Consolidated Group' or 'Group'). 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 28 September 2012.

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.

Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The consolidated entity incurred an operating loss of $6,291,832 for the year ended 30 June 2012 (2011: $7,133,509).

The net working capital position of the consolidated entity at 30 June 2012 was $(2,056,292) (2011: $5,309,648) and the net movement in cash held during the year was a decrease of $5,433,705 (2011: decrease of $155,968).

The ability of the Consolidated Entity to continue to pay its debts as and when they fall due is dependent upon the Consolidated Entity settling $1.5 million bridging finance, raising additional share capital, and developing, joint venturing or selling one or more of its mineral properties or other assets.

These conditions indicate a material uncertainty that may cast doubt about the ability of the Consolidated Entity to continue as a going concern.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

The Directors have an appropriate plan to raise additional funds as and when they are required. In light of the consolidated entity's current exploration projects, the Directors believe that the additional capital required can be raised in the market; and

The Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Consolidated Entity not achieve the matters set out above, there is material uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

1. Significant accounting policies continued

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.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated balance sheet and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(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.

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.

1. Significant accounting policies continued

(c) Business combinations continued

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. Annual leave entitlement for geological staff are capitalised to Exploration and Evaluation.

1. Significant accounting policies continued

(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).

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 2012 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.

1. Significant accounting policies continued

(e) Income tax continued

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 2012 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.

(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:

Office furniture and equipment	3 - 5 years
Computer equipment	2 - 3 years
Plant and equipment	4 – 30 years
Vehicles	5 - 6 years
Buildings	50 years
Leasehold Land & Improvements	1 – 50 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 as the Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations.

(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) 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 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

  The key 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;
  - requiring financial assets to be reclassified 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; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

  This Standard is not expected to impact the Group.

1. Significant accounting policies continued

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

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

  - for-profit private sector entities that have public accountability; and
  - the Australian Government and state, territory and local governments.

  Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

  AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

- 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 2012).

  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 IFRSs 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.

  The amendments are not expected to impact the Group.

1. Significant accounting policies continued

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

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2012).

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

  - clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
  - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
  - amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
  - adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
  - making sundry editorial amendments to various Standards and Interpretations.

  This Standard is not expected to impact the Group.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2012).

  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2012).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

1. Significant accounting policies continued

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

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes. The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112. The amendments are not expected to impact the Group.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

1. Significant accounting policies continued

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

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.
To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:
  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are not expected to significantly impact the Group.

- AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

  The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

  This Standard affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

1. Significant accounting policies continued

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

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

(w) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. Revenue

	2012 $	2011 $
Interest received	60,738	221,484
Other income	2,803	-
Total	63,541	221,484

3. Income Tax Expense

Major components of income tax expense for the years ended 30 June 2012 and 30 June 2011 are:

	2012	2011
Income statement		
Current income		
Current income tax charge	(32,098)	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Income tax expense (benefit) reported in income statement	(32,098)	-

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 2012 and 30 June 2011 is as follows:

	2012	2011
Accounting loss before income tax	(6,323,930)	(7,133,509)
At the statutory income tax rate of 30% (2011: 30%)	(1,897,180)	(2,140,053)
Add:		
Non-deductible expenses	25,928	240,449
Temporary differences and tax losses not brought to account as a deferred tax asset	1,839,154	1,899,604
At effective income tax rate of 0% (2011: 0%)	(32,098)	-
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 2012 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-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
	$	$	$	$	$	$
Accrued Liabilities	(43,944)	(17,423)	-	-	(43,944)	(17,423)
Accrued Income	-	-	193,946	878	193,946	878
Capital Raising Costs	(270,058)	(438,112)	-	-	(270,058)	(438,112)
Employee Entitlements	(41,983)	(52,486)	-	-	(41,983)	(52,486)
Property Plant and Equipment	-	-	44,829	35,039	44,829	35,039
Investments	-	(24,000)	-	-	-	(24,000)
Exploration Expenditure	-	-	5,270,432	4,951,191	5,270,432	4,951,191
Tax Losses	(5,153,222)	(4,455,087)	-	-	(5,153,222)	(4,455,087)
Tax (assets) liabilities	(5,509,207)	(4,987,108)	5,509,207	4,987,108	-	-
Set off of tax	5,509,207	4,987,108	(5,509,207)	(4,987,108)	-	-
Net tax (assets) liabilities	-	-	-	-	-	-

Movement in temporary differences during the year	**Balance 1 July 2010**	**Recognised in Income**	**Recognised in Equity**	**Balance 30 June 2011**
Accrued Liabilities	(22,752)	5,329		(17,423)
Accrued Income	695	183		878
Capital Raising Costs	(391,965)	(46,147)		(438,112)
Employee Entitlements	(33,806)	(18,680)		(52,486)
Property Plant and Equipment	8,008	27,031		35,039
Investments	(168,416)	144,416		(24,000)
Exploration Expenditure	4,420,668	530,523		4,951,191
Tax Losses	(3,812,432)	(642,655)		(4,455,087)
	-	-	-	-

Movement in temporary differences during the year	**Balance 1 July 2011**	**Recognised in Income**	**Recognised in Equity**	**Balance 30 June 2012**
Accrued Liabilities	(17,423)	(26,521)		(43,944)
Accrued Income	878	193,068		193,946
Capital Raising Costs	(438,112)	168,054		(270,058)
Employee Entitlements	(52,486)	10,503		(41,983)
Property Plant and Equipment	35,039	9,790		44,829
Investments	(24,000)	24,000		-
Exploration Expenditure	4,951,191	319,241		5,270,432
Tax Losses	(4,455,087)	(698,135)		(5,153,222)
	-	-	-	-

Unrecognised deferred tax assets	**2012**	**2011**
Deferred tax assets have not been recognised in respect of the following items	**$**	**$**
Capital Raising Costs	(96,000)	-
Tax Losses	(5,090,142)	(4,342,684)
	(5,186,142)	(4,342,684)

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.

		2012 $	2011 $
4.	**Cash and cash equivalents**		
	Cash at bank and on hand	359,610	5,793,315

The weighted average interest rate for the year was 3.0% (2011: 3.0%); these deposits have an average maturity of 365 days.

5.	**Trade and other receivables**		
	Current		
	Trade debtors	301,402	598,856
	Other receivables	141,438	112,318
		442,840	711,174
6.	**Other assets**		
	Current		
	Prepayments	-	834,441
	Other assets	134,359	7,871
		134,359	842,312

7. Property plant and equipment

	Office Furniture & Equipment	Computer Equipment	Plant	Vehicles	Buildings	Construction Work in Progress	Leasehold Land & Improve-ments	TOTAL
Gross Carrying Amount	$	$	$	$	$	$	$	$
Balance at 30 June 2010	183,300	246,533	114,657	125,948	55,947	528,944	363,479	1,618,808
Additions	3,118	36,957	38,542	113,474	-	3,696,931	71,100	3,960,122
Balance at 30 June 2011	186,418	283,490	153,199	239,422	55,947	4,225,875	434,579	5,578,930
Additions	70,475	105,115	2,100,358	46,464	-	(3,299,972)	1,876,980	899,419
Balance at 30 June 2012	**256,893**	**388,605**	**2,253,556**	**285,886**	**55,947**	**925,903**	**2,311,559**	**6,478,349**
Accumulated Depreciation								
Balance at 30 June 2010	99,001	172,766	55,818	46,092	-	-	-	373,677
Depreciation expense	38,447	38,372	26,653	36,446	-	-	4,630	144,548
Balance at 30 June 2011	137,448	211,138	82,471	82,538	-	-	4,630	518,225
Depreciation expense	54,386	51,190	214,509	54,093	-	-	68,203	442,382
Balance at 30 June 2012	**191,834**	**262,328**	**296,980**	**136,631**	**-**	**-**	**72,834**	**960,607**
Net Book Value								
As at 30 June 2011	48,970	72,352	70,728	156,884	55,947	4,225,875	429,949	5,060,705
As at 30 June 2012	**65,059**	**126,277**	**1,956,576**	**149,255**	**55,947**	**925,903**	**2,238,725**	**5,517,742**

		2012 $	2011 $
8.	**Investments**		
	Shares held in Lithex Resources Ltd	-	320,000

During the year the company sold its shares in Lithex Resources.

9.	**Exploration and evaluation**		
	Exploration and evaluation phase		
	Expenditure capitalised	20,299,861	19,239,320

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

- continuance of the Consolidated Group'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 Group'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.

		2012 $	2011 $
10.	**Trade and other payables**		
	Unsecured:		
	Trade and other payables	1,925,303	1,861,085

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

11.	**Provisions**		
	Provision for annual leave	139,942	174,953

The provision for annual leave represents annual leave entitlements as 30 June 2012.

12.	**Financial liabilities short-term**		
	Secured:		
	Shareholder loans	702,856	-
	Director loans	225,000	-
	Current lease liabilities	-	1,115
	Total financial liabilities	927,856	1,115

The shareholder loans and director loans have a term 12 months at an interest rate of 12%. A lending fee of 3% is also payable. These loans may be settled through the issue of shares at the lender's election.

13.	**Financial liabilities long-term**		
	Loan – George Chen	2,617,705	2,441,786

Other liabilities represent the long term loan from the Joint Venture partner Chen Guang Yu. Under the terms of the original joint venture agreement simple interest at a rate of 6.8% pa is payable on these funds.

		2012 $	2011 $
14.	**Issued capital**		
	263,655,356 fully paid ordinary shares (2011: 263,655,356)	40,807,730	40,807,730

The company has issued capital amounting to 263,655,356 shares with no par value.

Fully paid ordinary shares	**2012**		**2011**	
	No.	**$**	**No.**	**$**
Balance at beginning of financial year	263,655,356	40,807,730	214,579,856	31,612,435
Issued 6 August 2010			14,875,500	2,963,850
Issued 10 March 2012			21,818,800	4,363,760
Issued 13 April 2012			12,381,200	2,476,240
			-	-
	263,655,356	40,807,730	263,655,356	41,416,285
Less cost of capital		-		(608,555)
Balance at end of financial year	**263,655,356**	**40,807,730**	263,655,356	40,807,730

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.

14. Issued capital continued

Options on Issue

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

Description	2012 No.	2011 No.
Balance at the beginning of the financial year	28,850,000	24,000,000
Granted during the financial year	-	8,850,000
Cancelled during the financial year	-	-
Forfeited during the financial year	(125,000)	-
Exercised during the financial year	-	-
Expired during the financial year	(9,000,000)	(4,000,000)
Balance at the end of financial year	19,725,000	28,850,000
Exercisable at the end of the financial year	19,725,000	28,850,000

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

The terms of the options on issue are:

- 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
- 3,000,000 exercisable at $0.20 on or before 6 August 2013
- 725,000 exercisable at $0.20 on or before 22 December 2013
- 5,000,000 exercisable at $0.25 on or before 6 August 2015

15. Reserves

	2012 $	2011 $
Options Reserve	1,843,116	2,357,280
Foreign Currency Translation Reserve	(212,758)	(181,289)
	1,630,358	2,175,991

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.

16. Capital management

The Consolidated Group'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 Group's activities, being mineral exploration, the Consolidated Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Consolidated Group's capital risk management is the current working capital position against the requirements of the Consolidated Group to meet exploration programmes and corporate overheads. The Consolidated Group'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 Group and the parent entity at 30 June 2012 and 30 June 2011 are as follows:

	2012 $	2011 $
Working capital position	(2,056,292)	5,309,648

17. Earnings per share

	2012 Cents per share	2011 Cents per share
Basic (loss) per share	(2.39)	(3.00)

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:

	2012 $	2011 $
Loss used in the calculation of basic EPS as per income statement	(6,291,832)	(7,133,509)
	No.	**No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	263,655,356	237,422,811

18. Commitments for expenditure

Exploration and evaluation exploration	2012 $	2011 $
Less than 1 year	735,142	727,992
1 year to 5 years	1,293,956	1,544,483
Greater than 5 years	276,906	401,521
	2,306,004	2,673,996

19. Contingent liabilities

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 2012 was $170,000.

Under the terms of the Executive Services Agreements with the directors, shares and options will be issued upon achievement of certain vesting conditions. These are detailed in the Remuneration Report on pages 9 and 10 of the Annual Report.

20. 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 2012 $	Minimum future lease payments 2011 $	Present value of minimum future lease payments 2012 $	Present value of minimum future lease payments 2011 $
Finance lease liabilities				
Not longer than 1 year	-	1,357	-	1,115
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
Minimum future lease payments	-	1,357	-	1,115
Less future finance charges	-	(242)	-	-
	-	1,115	-	1,115

	2012 $	2011 $
Included in the financial statements as Note 12		
Current lease liabilities	-	1,115
Long-term lease liabilities	-	-
	-	1,115

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.
- Warehouse premises with a lease term of 1 year commencing 1 June 2012, with an option to extend for a further 1 year. 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.

	2012 $	2011 $
Operating lease liabilities		
Not longer than 1 year	144,047	178,220
Longer than 1 year and not Longer than 5 years	8,800	93,818
Longer than 5 years	-	-
	152,847	272,038

21. 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

	2012 $	2011 $
Cash and cash equivalents	359,610	5,793,315

b) Non-cash financing and investing activities

No non-cash transactions took place during the financial year.

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

	2012 $	2011 $
Loss for the period	(6,291,832)	(7,133,509)
Non-cash items		
Impairment of asset	40,000	80,000
Depreciation	442,382	144,548
Share based payments	-	980,462
Exploration expenditure written off	138,918	196,380
Loss on sale of asset	200,000	(35,457)
R & D rebate	(32,098)	-
Interest expense	193,276	-
FX reserve	(59,440)	-
Changes in net assets and liabilities, net of effects from acquisition of business:		
(Increase)/decrease in assets:		
Trade and other receivables	508,656	349,069
Increase in exploration	(1,373,187)	(2,479,930)
Increase/(decrease) in liabilities		
Trade and other payables	107,124	234,234
Financial liabilities	926,741	-
Provisions	(35,011)	55,308
	(5,234,471)	(7,608,895)

	2012 $	2011 $
22. 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	59,300	58,950
KPMG Hong Kong	23,182	19,000
KPMG Vietnam	16,530	18,309
	99,012	96,259

23. Subsequent Events

Claims, liability and litigation: The Company received a creditor's statutory demand from Asian Commodity Services Limited, a service company associated with former Executive Chairman, Mark McAuliffe, for the amount of $151,500. The Company made an application to the Supreme Court of Western Australia for an order setting aside the creditor's statutory demand. On 24 September 2012, the Supreme Court made orders (with the consent of Asian Commodity Services Limited) that the statutory demand to be set aside with no order as to costs.

During September 2012, a terms sheet was signed with a private investment group for the provision of $1.5 million of bridging finance. The facility is secured over the Company's assets with an interest rate of 20% pa and maturing 31 March 2013.

24. Segment Information

During the year the Consolidated Group progressed its operations through its 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 ferrotungsten 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.

24. Segment Information continued

(i) Segment performance

Year ended 30 June 2012	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$
Revenue						
Interest revenue	-	-	-	3,215	187,887	191,102
Other	32,098	-	-	2,803	-	34,901
Total segment revenue	32,098	-	-	6,018	187,887	226,003
Segment net loss before tax	32,098	-	(114,947)	(1,035,392)	187,887	(930,354)
Reconciliation of segment result to group profit/(loss) before tax						
Amounts not included in segment result but reviewed by the Board						
Administrative expenses						(319,784)
Depreciation						(158,200)
Impairment of asset						(40,000)
Director's fees						(1,213,998)
Consultancy fees						(1,102,368)
Occupancy costs						(256,820)
Employee expenses						(1,178,969)
Marketing expenses						(224,307)
Loss on sale of asset						(200,000)
Legal and finance costs						(289,079)
Travel and accommodation						(353,982)
Other costs						(23,971)
Net loss before tax from continuing operations						(6,291,832)

24. Segment Information continued

(i) Segment performance continued

Year ended 30 June 2011	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$
Revenue						
Interest revenue	-	-	-	2,032	172,343	174,375
Other	-	-	-	11,771	35,338	47,109
Total segment revenue	-	-	-	13,803	207,681	221,484
Segment net loss before tax	-	-	(104,195)	(624,937)	-	(729,132)
Reconciliation of segment result to group profit/(loss) before tax						
Amounts not included in segment result but reviewed by the Board						
Administrative expenses						(595,877)
Depreciation						(126,531)
Impairment of asset						(80,000)
Director's fees						(984,164)
Consultancy fees						(1,065,247)
Occupancy costs						(256,150)
Employee expenses						(1,049,738)
Marketing expenses						(500,893)
Share based payments						(980,462)
Legal and finance costs						(223,868)
Travel and accommodation						(670,746)
Other costs						(92,185)
Net loss before tax from continuing operations						(7,133,509)

24. Segment Information continued

(ii) Segment assets

Year ended 30 June 2012	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$
Segment assets	18,971,097	1,328,763	-	5,232,698	256,307	25,788,865
Segment assets increased for the period						
Capital expenditure	1,009,383	156,158	9,947	100,791	-	1,276,279
Write downs	-	-	(114,947)	-	-	(114,947)
	1,009,383	156,158	(105,000)	100,791	-	1,161,332
Included in segment assets are						
Equity accounted associates and joint ventures	-	-	-	-	-	-
Reconciliation of segment assets to group assets						
Inter-segment eliminations	-	-	-	-	-	-
Unallocated assets						
Receivables						311,478
Investments						-
Property, plant & equipment						654,069
Total group assets from continuing operations						26,754,412

24. Segment Information continued

(ii) Segment assets continued

Year ended 30 June 2011	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$
Segment assets	17,961,714	1,172,605	105,000	6,149,696	5,346,082	30,735,097
Segment assets increased for the period						
Capital expenditure	917,909	1,117,413	79,195	3,107,569	-	5,222,086
Write downs	-	-	(104,195)	-	-	(104,195)
	917,909	1,117,413	(25,000)	3,107,569	-	5,117,891
Included in segment assets are						
Equity accounted associates and joint ventures	-	-	-	-	-	-
Reconciliation of segment assets to group assets						
Inter-segment eliminations	-	-	-	-	-	-
Unallocated assets						
Receivables						613,906
Investments						320,000
Property, plant & equipment						297,823
Total group assets from continuing operations						31,966,826

24. Segment Information continued

(iii) Segment liabilities

Year ended 30 June 2012	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$
Segment liabilities	62,382	12.516	-	638,139	-	713,037
Reconciliation of segment liabilities to group liabilities						
Unallocated liabilities:						
Payables and accruals						2,140,121
Provisions						139,942
Loan related company						2,617,705
Other liabilities						-
Total liabilities from continuing operations						5,610,805

Year ended 30 June 2011	Cookes Creek	Mt Mulgine	Vickers Well	Vietnam	Treasury	Total
	$	$	$	$	$	$
Segment liabilities	10,122	10,366	1,513	1,491,031	-	1,513,032
Reconciliation of segment liabilities to group liabilities						
Unallocated liabilities:						
Payables and accruals						348,052
Provisions						174,953
Loan related company						2,441,786
Other liabilities						1,116
Total liabilities from continuing operations						4,478,939

24. Segment Information continued

(iv) Revenue by geographical region

	Year Ended 30 June 2012 $	Year Ended 30 June 2011 $
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	89,621	207,705
Other foreign countries	6,018	13,779
Total revenue	95,639	221,484

(v) Assets by geographical location

	Year Ended 30 June 2012 $	Year Ended 30 June 2011 $
The location of segment assets is disclosed below by geographical location of the assets		
Australia	21,488,220	25,195,889
Other foreign countries	5,266,192	6,770,937
Total Assets	26,754,412	31,966,826

25. Financial Instruments

(a) Financial Risk Management

The Consolidated Group'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 Group for hedging purposes. The Consolidated Group 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 2012, 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 Group would have been $2,697 lower/higher (2011: $43,450 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.

25. 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.

	2012 $	2011 $
Cash and cash equivalents		
- AA Rated	256,306	5,346,081
- Indovina Bank Vietnam (not listed)	103,304	447,234
	359,610	5,793,315

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.

25. 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 2012	**Weighted average interest rate %**	**Variable interest rate $**	**Fixed interest rate $**	**Non-interest bearing $**	**Total $**
Financial Assets					
Cash and cash equivalents	4.0	359,610		-	359,610
Trade and other receivables			-	442,840	442,840
		359,610		442,840	802,450
Financial Liabilities - Current					
Trade and other payables		-	-	1,925,303	1,925,303
Financial liabilities	12.0	-	927,856	-	-927,856
		-	927,856	1,925,503	2,853,159
Financial Liabilities – Non-Current					
Financial liabilities	6.8	-	2,617,705	-	2,617,705
		-	2,617,705	-	2,617,705

Consolidated 2011	**Weighted average interest rate %**	**Variable interest rate $**	**Fixed interest rate $**	**Non-interest bearing $**	**Total $**
Financial Assets					
Cash and cash equivalents	4.0	5,793,315	-	-	5,793,315
Trade and other receivables		-	-	711,174	711,174
		5,793,315		711,174	6,504,489
Financial Liabilities - Current					
Trade and other payables		-	-	1,861,085	1,861,085
Financial liabilities	10.0	-	1,115	-	1,115
		-	1,115	1,861,086	1,862,200
Financial Liabilities – Non-Current					
Financial liabilities	6.8	-	2,441,786	-	2,441,786
		-	2,441,786	-	2,441,786

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.

26. Share-based payments

No share based payments were transacted during the year.

On 6 August 2010, 5,000,000 director options were issued to the directors under the terms of their executive services agreements with the 60% owned subsidiary Asia Tungsten Products Co. Limited Hong Kong. On 6 August 2010, 3,000,000 options were issued under the terms on a consultancy agreement. On 22 December 2010, 650,000 options were issued to employees and 200,000 options were issued to consultants under the terms of the employee share option plan. 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 $
06/08/2015 - $0.25	5,000,000	06/08/2010	06/08/2015	0.25	0.1165
06/08/2013 - $0.20	3,000,000	06/08/2010	06/08/2013	0.20	0.0991
22/12/2013 - $0.20	850,000	22/12/2010	22/12/2013	0.20	0.1185

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	06/08/2015 25 Cents	06/08/2013 20 Cents	22/12/2013 20 Cents
Grant date share price	$0.18	$0.175	$0.20
Exercise price	$0.25	$0.20	$0.20
Expected volatility	85.00%	90.00%	85.00%
Option life years	5.07	3.00	3.00
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	4.89%	4.72%	5.31%

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	2012 No.	2011 No.
Balance at the beginning of the financial year	28,850,000	24,000,000
Granted during the financial year	-	8,850,000
Cancelled during the financial year	-	-
Forfeited during the financial year	(125,000)	-
Exercised during the financial year	-	-
Expired during the financial year	(9,000,000)	(4,000,000)
Balance at the end of financial year	19,725,000	28,850,000
Exercisable at the end of the financial year	19,725,000	28,850,000

The weighted average remaining contractual life of options outstanding at year end was 1.24 years.

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

27. Related party transactions

Director loans

As at 30 June 2012, the directors had provided the loans to the value of $225,000. The terms of the loans are for a period of 12 months at an interest rate of 12% with a lending fee of 3%. The loans may be repaid through the issue of shares. The details of the loans are:

T Butler-Blaxell	$150,000
J Chegwidden	$75,000

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 $14,706,529. 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 Administration Trust	Mr M McAuliffe	6,600	Equipment rental
Asian Commodity Services Ltd	Mr M McAuliffe	20,000	Director fees
Ausnom Pty Ltd	Mr J Chegwidden	72,600	Consulting fees and directors fees
Ausnom Pty Ltd	Mr J Chegwidden	120,000	Inspector fees
Excelsior Minerals Pty Ltd	Mr T Butler-Blaxell	120,000	Director fees
Anycall Pty Ltd	Mr I Richer	55,000	Consulting fees and directors fees

28. 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 F Ashe	Non-executive Director
Mr I Richer	Non-executive Director
Ms C New	Company Secretary
Mr M McQuade	Project Manager
Mr Chen Guang Yu	General Director - Asia Tungsten Products Group

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

28. Key management personnel compensation continued

2012 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(1)	442,321	-	-	3,944	2,538	-	-	-	448,803	-	-
I Richer	55,000	-	-	-	-	-	-	-	55,000	-	-
J Chegwidden*	175,600	-	-	-	-	-	-	-	175,600	-	-
T Butler-Blaxell**	320,000	-	-	-	18,000	-	-	-	338,000	-	-
F Ashe***	50,000				4,500				54,500	-	-
C New	178,768	-	-	-	-	-	-	-	178,768	-	-
M McQuade****	250,000	-	-	-	22,500	-	-	-	272,500	-	-
Chen Guang Yu	185,370	-	-	-	-	-	-	-	185,370	-	-
	1,657,059	-	-	3,944	47,538	-	-	-	1,708,541		

(1) Mr McAuliffe received a total of $210,000 in cash, salary and commissions during the reporting period. The remainder of $215,654 has been accrued.

*Mr Chegwidden received a total of $89,600 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $86,000, which have been accrued for the purpose of this report.

** Mr Butler-Blaxell received a total of $203,333 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $116,667, which have been accrued for the purpose of this report.

*** Mr Ashe received a total of $20,000 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $30,000, which have been accrued for the purpose of this report.

**** Mr McQuade received a total of $187,500 in cash, salary and commissions during the reporting period and chose to defer the remainder of his entitlements totalling $62,500, which have been accrued for the purpose of this report.

28. Key management personnel compensation continued

2011

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	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
M McAuliffe	338,678	-	-	13,781	18,000	-	-	232,970	603,429	38.61%	-
I Richer	92,792	-	-	-	-	-	-	-	92,792	-	-
J Chegwidden	219,055	-	-	-	-	-	38,250	232,970	490,275	47.52%	-
T Butler-Blaxell	339,221	-	-	-	18,000	-	25,500	116,485	499,206	23.33%	-
C New	183,590	-	-	-	-	-	-	23,710	207,300	11.43%	-
M McQuade	238,333	-	-	-	21,450	-	-	23,710	283,493	8.36%	-
Chen Guang Yu	218,117	-	-	-	-	-	240,000	-	458,117	-	-
	1,629,786	-	-	13,781	57,450	-	303,750	629,845	2,634,612		

1. Equity J Chegwidden 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 as final settlement of the acquisition of the Arthur River tenements.
Equity T Butler-Blaxell relates to the issue of 150,000 shares to T Butler-Blaxell <The Butler-Blaxell Family Trust>, a company in which Terence Butler-Blaxell has a beneficial interest as final settlement of the acquisition of the Arthur River tenements.
Equity Chen Guang Yu relates to the terms of an executive services agreement.

(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 2012	Balance at beginning of period	Granted as remuneration	Exercised/ Expired	Net change	Balance at end of period	Options vested at 30 June 2012
J Chegwidden	3,000,000	-	-	-	3,000,000	2,000,000
T Butler-Blaxell	3,500,000	-	-	-	3,500,000	3,500,000
M McQuade	2,200,000	-	(2,000,000)	(2,000,000)	200,000	200,000
C New	200,000	-	-	-	200,000	200,000
M McAuliffe*	4,500,000	-	-	-	4,500,000	3,500,000
I Richer**	1,000,000	-	-	-	1,000,000	1,000,000

*Mark McAuliffe resigned on 23 August 2011.
** Ian Richer resigned on 31 August 2011

30 June 2011	Balance at beginning of period	Granted as remuneration	Exercised	Net change	Balance at end of period	Options vested at 30 June 2011
M McAuliffe	2,500,000	2,000,000	-	2,000,000	4,500,000	3,500,000
I Richer	1,000,000	-	-	-	1,000,000	1,000,000
J Chegwidden	1,000,000	2,000,000	-	2,000,000	3,000,000	2,000,000
T Butler-Blaxell	2,500,000	1,000,000	-	1,000,000	3,500,000	3,500,000
M McQuade	2,000,000	200,000	-	200,000	2,200,000	2,200,000
C New	-	200,000	-	200,000	200,000	200,000

28. Key management personnel compensation continued

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

	Balance 1 July 2011	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30 June 2012
Directors					
Mr T Butler-Blaxell	2,837,778	-	-	-	2,837,778
Mr J Chegwidden	1,555,001	-	-	-	1,555,001
Mr T Butler-Blaxell & Mr I Richer[2]	1,000,000	-	-	-	1,000,000
Senior Management					
Mr M McQuade	70,000	-	-	-	70,000
Ms C New	40,011	-	-	-	40,011
Mr Chen Guang Yu	1,000,000	-	-	-	1,000,000

(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 1 July 2010	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30 June 2011
Mr M McAuliffe	1,087,778	-	-	-	1,087,778
Mr T Butler-Blaxell	2,687,778	-	-	150,000	2,837,778
Mr I Richer	1,527,778	-	-	-	1,527,778
Mr J Chegwidden	1,330,001	-	-	225,000	1,555,001
Mr T Butler-Blaxell & Mr I Richer[2]	1,000,000	-	-	-	1,000,000
Mr M McQuade	70,000	-	-	-	70,000
Ms C New	-	-	-	40,011	40,011
Mr Chen Guang Yu	1,000,000	-	-	-	1,000,000

(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.

29. Controlled Entities

Hazelwood Resources Limited controls the following percentages in its subsidiaries.

Name of Subsidiary	Country of Incorporation	Percentage Owned (%) 2012	2011
BigHill Resources Limited	Australia	100%	100%
Asia Tungsten Products Co., Limited	Hong Kong	60%	60%
Asia Tungsten Products Vietnam Limited	Vietnam	60%	60%

30. Parent Entity Disclosures

	2012 $	2011 $
Financial Position		
Assets		
Current assets	933,820	5,324,241
Non-current assets	22,333,395	27,308,774
Total assets	23,267,215	32,633,015
Liabilities		
Current liabilities	2,346,622	617,652
Non-current liabilities	-	-
Total liabilities	2,346,622	617,652
Equity		
Issued capital	40,807,730	40,807,730
Option reserve	1,843,116	2,357,280
Accumulated losses	(21,730,253)	(11,149,647)
Total Equity	20,920,593	32,015,363
Financial Performance		
Loss for the year	(10,580,606)	(4,203,830)
Other comprehensive income	-	-
Total comprehensive income	(10,580,606)	(4,203,830)

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	**$**	**$**
Less than 1 year	-	1,115
1 year to 5 years	-	-
Greater than 5 years	-	-
Total	-	1,115

31. Capital Commitment

As at 30 June 2012, 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:

	2012 $	2011 $
Approved and contracted	276,619	833,632
Approved but not contracted	-	-
	276,619	833,632

Directors' Declaration

In accordance with a resolution of the directors of Hazelwood Resources Ltd, the directors of the company declare that:

1) the financial statement and notes, as set out on pages 20 to 65, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated group;

2) 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; and

3) the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Terence Butler-Blaxell
Director

Perth, Western Australia
28 September 2012

Additional Stock Exchange Information
As at 31 August 2012

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*	263,655,356	-	-	1,333
Options*				
HAZAO	4,000,000	$0.20	31/08/2012	4
HAZAS	1,000,000	$0.25	31/08/2012	2
HAZAZ	2,000,000	$0.30	31/08/2012	4
HAZAU	4,000,000	$0.20	09/04/2013	1
HAZAY	3,000,000	$0.20	06/08/2013	1
HAZAA	725,000	$0.20	22/12/2013	6
HAZAW	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	2,264	78
1,001 – 5,000	578,193	168
5,001 – 10,000	1,881,114	208
10,001 – 100,000	27,147,012	663
100,001 and over	234,046,773	216
	263,655,356	1,333

Unmarketable parcels

The Company has 257 shareholdings which are less than a marketable parcel.

Additional Stock Exchange Information
As at 31 August 2012

Top 20 holders

No.	Shareholder	Number of shares	% of issued shares
1	Valentino Nominees Pty Ltd <Colby Family A/C>	44,275,000	16.79
2	AET SFS Pty Ltd <A1/Jinji/Bus Ptnr Co Ltd>	15,000,000	5.69
3	Jemaya Pty Ltd <The Featherby Family A/C>	12,847,000	4.87
4	Creekwood Nominees Pty Ltd	7,849,715	2.98
5	Cen Pty Ltd	6,000,000	2.28
6	Hendricus Pty Ltd <Perth Select S/Food S/F A/C>	5,750,000	2.18
7	Mr Donald Norman Coultas	5,700,000	2.16
8	Baxchang Pty Ltd <Hutchinson Family S/F A/C>	5,250,000	1.99
9	Winko Investments Pty Ltd	4,620,000	1.75
10	Mr Nathan John Featherby	4,450,000	1.69
11	Giralia Resources Limited	4,000,000	1.52
12	Mr James Colby + Mrs Paula Charmaine Colby <Colby Super Fund A/C>	3,800,000	1.44
13	Jemaya Pty Ltd <JH Featherby Super Fund A/C>	3,550,000	1.35
14	Mr Hendricus Petrus Indrisie	3,000,000	1.14
15	S D C Pty Ltd	3,000,000	1.14
16	Strathdale Pty Ltd	2,750,000	1.04
17	Mr Terence Hugh Butler-Blaxell	2,510,001	0.95
18	Ms Shu Mei Chang	2,431,989	0.92
19	Fund Contribution Services Pty Ltd <FCS Superannuation Fund A/C>	2,316,329	0.88
20	Acumen Engineering Pty Ltd <Superannuation Fund A/C>	2,276,471	0.86
		141,376,505	53.62

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>	44,275,000
AET SFS Pty Ltd <A1/Jinji/Bus Ptnr Co Ltd>	15,000,000