

29 JANUARY 2016

## QUARTERLY ACTIVITIES REPORT 31 DECEMBER 2015

Hazelwood Resources Limited (**Hazelwood** or the **Company**)(ASX: HAZ) today released its Quarterly Activities Report for the quarter ending 31 December 2015 (**Quarter**).

### OPERATIONAL

#### ATC Ferrotungsten Plant, Vietnam

During the December 2015 Quarter, production was undertaken for part October and November at Hazelwood's 60% owned ATC ferrotungsten operation. There was no production during December.

Operations were conducted safely with further improvements in procedures, training and practices in medical, safety, training, conflict minerals auditing and inspection procedures, injury/accident care management and environment practices. The Company's LTIFR and MTIFR are 0.0 due to no recordable Lost Time or Medically treated injuries in the 12-month period. No First Aid injuries were recorded in the Quarter, the FAIFR is 2.86 with one first aid treatment in 12 months and the resultant TRFIR (Total Recordable Frequency Injury Rate) is 0.26.

Over 200 tonnes of ferrotungsten was produced in the October/November production, an increase on the previous Quarter. Wolframite and Scheelite tungsten concentrate feedstock for this production was sourced from a range of international suppliers and traders. ATC continues to develop supply channels and is in active discussions for supply contracts for 2016 production.

Importantly all production was allocated to contract sales as the Company maintains its "make to order" strategy. In September 2015, Hazelwood announced that the ATC ferrotungsten operation had signed sales contracts with three Japanese customers. The contracted volumes represent approximately 55% of the planned production volumes from September 2015 to March 2016.

During the Quarter over 140 tonnes was shipped pursuant to these sales contracts with further shipments made subsequent to the end of the Quarter. The October/November ferrotungsten production was completed at a profit, in line with budget and planning schedule. Additional cash inflows attributable to the production have been received post Quarter end whilst Cash outflows for the Quarter reflects the payment of outstanding creditors that existed from previous Quarters but had been deferred payment until after the Company's capital raising.

Hazelwood believes the award and delivery of the contracts demonstrates ATC's capability to produce premium grade ferrotungsten and strong customer acceptance of its product. These initial contracts provide a strategic opportunity to product increased production volumes into the Japanese market.

Whereas global market conditions and tungsten markets have been volatile, the spread between tungsten concentrate (feedstock) and ferrotungsten prices has remained relatively consistent. With a “make to order” strategy, ATC will endeavour to balance production with market conditions to optimise profitability and cash flow. Further production increases are planned in coming quarters consistent with this objective.

### **Tungsten Projects, Western Australia**

During the Quarter, Hazelwood negotiated and completed the sale of its Mt Mulgine and Big Hill tungsten assets to Tungsten Mining NL. In consideration for the sale of the assets, Hazelwood received A\$1.0 million in cash and 5,000,000 ordinary fully paid shares in Tungsten Mining NL. The shares are subject to a 12 month voluntary escrow period. The cash proceeds were used to reduce debt and to provide working capital towards ongoing production at ATC. Hazelwood will retain exposure to the WA projects and upside to higher tungsten prices through its shareholding in Tungsten Mining NL.

The disposal of these assets eliminates outgoings on tenement and exploration commitments of approximately A\$0.7 million per annum.

### **CORPORATE AND FINANCIAL**

During the Quarter, Hazelwood completed a convertible note issue to raise A\$1.2 million for operations, working capital and repayment of creditors. The convertible notes are convertible at \$0.001 per share and expire on 1 July 2018 and the terms are consistent with existing Hazelwood convertible notes. The issue of the convertible notes was approved by shareholders at the Company’s Annual General Meeting conducted on 16 December 2015.

A 4-for-1 pro rate renounceable entitlement issue prospectus was dispatched to shareholders in November 2016, seeking to raise up to approximately A\$7.4 million at \$0.001 per share. The entitlement issue was underwritten by GMP Securities Pty Ltd up to A\$3.0 million. In December 2015, the Company announced that shareholders took up 933,234,170 of their entitlements which raised A\$933,234. With the underwriting and shortfall shares the Company issued a further 2,559,673,340 shares before 31 December 2015, to raise a further A\$2.56 million, or a total of A\$3.49 million received to date. The Company reserves the right to continue receiving shortfall share application for up to A\$3.9 million until 2 March 2016.

During the Quarter, Hazelwood agreed with Siderian Resource Capital Limited (**Siderian**) to a revised repayment schedule for the US\$4 million debt that was due to be repaid on 25 September 2015. Under the revised repayment schedule Siderian was paid US\$2.0 million (plus accrued interest and costs) following the completion of the entitlements issue and convertible note raising, with A\$0.5 million due on 29 February 2016 and the balance due on 30 June 2016. The revised repayment schedule enabled Hazelwood to complete the capital raising and provide capacity to generate cash flow from operations over the remainder of the 2016 financial year to make the final payment.

The estimated cash outflows in the attached Appendix 5B have been prepared on the basis of projected sales revenue from ferrotungsten sales at ATC and funds from the issue of convertible notes and underwritten portion of the entitlement issue.

Hazelwood acknowledges the support provided by Siderian during this period and is confident of achieving a funding solution that will position the Company to realise the strategic value of the ATC ferrotungsten plant.

During the Quarter, Mr John Chegwidde resigned as a director of the Company. He was replaced by Mr John Arbuckle who is an experienced company director and company secretary. Mr Arbuckle was also subsequently appointed as the Company Secretary and Chief Financial Officer for the Company.

For further information, please contact:

Mark Warren  
Executive Chairman  
Hazelwood Resources Limited

Tel: +61 8 9320 5220  
Email: info@hazelwood.com.au

### About Hazelwood

Hazelwood Resources Limited (ASX: HAZ) is a specialty metals producer with a majority ownership interest in the ATC Ferrotungsten Project in Vietnam, the largest and most advanced facility of its type in the world.

Ferrotungsten is used in the production of high speed steels, tool steel and temperature resistant alloys. High quality product from ATC meets the specifications of the Japanese and European markets and can be produced from a range of different feedstock sources. ATC is an accredited smelter listed on table one of the e EICC - GeSI Conflict Free Smelter (CFS) program.

#### **Corporate summary (at 31 December 2015)**

ASX trading code:	HAZ
Quoted shares:	4,903,232,410
Unlisted options:	139,571,432 (\$0.055, expiring 27 November 2016) 483,157,667 (\$0.015, expiring 9 March 2017) 15,000,000 (\$0.0116, expiring 31 July 2018) 75,000,000 (\$0.015, expiring 31 July 2019)
Unlisted convertible notes:	35 x Face Value \$50,000 (\$0.005, expiring 1 July 2018) 2 x Face Value \$25,000 (\$0.005, expiring 1 July 2018) 23 x Face Value \$50,000 (\$0.001, expiring 1 July 2018) 6 x Face Value \$20,000 (\$0.001, expiring 1 July 2018) 2 x Face Value \$10,000 (\$0.001, expiring 1 July 2018)
Cash balance at end of quarter:	\$0.925 million
Postal address:	PO Box 670 West Perth, Western Australia 6872
Telephone:	(+61 8) 9320 5220
Facsimile:	(+61 8) 9420 9399
E-mail:	info@hazelwood.com.au
Web-site:	www.hazelwood.com.au

<b>Tenement directory</b>		
<b>Project</b>	<b>Tenement number</b>	<b>Beneficial interest</b>
<b>Western Australia</b>		
Cookes Creek	E45/2904	100%
Cookes Creek	E45/3199	100%
Cookes Creek	E46/0693	100%
Cookes Creek	E46/0740	100%
Cookes Creek	E46/0762	100%
Cookes Creek	E46/0883	100%
Cookes Creek	E46/0884	100%
Cookes Creek	E46/0885	100%
Cookes Creek	E46/0941	100%
Cookes Creek Joint Venture	E46/0562	70%
Cookes Creek Joint Venture	E46/0761	70%
Cookes Creek Joint Venture	E45/3177	70%

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

HAZELWOOD RESOURCES LTD

ABN

88 118 738 999

Quarter ended ("current quarter")

31 December 2015

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	3,178	3,538
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration+ marketing	(155) - (2,884) (826)	(213) - (3,359) (1,285)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	(548)	(548)
1.6 Income taxes paid	-	-
1.7 Other – Costs associated with Vietnam production	(311)	(398)
<b>Net Operating Cash Flows</b>	<b>(1,542)</b>	<b>(2,261)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - (4)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	886 - -	886 - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>886</b>	<b>882</b>
1.13 Total operating and investing cash flows (carried forward)	(656)	(1,379)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(656)	(1,379)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	3,421	3,421
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,179	1,279
1.17	Repayment of borrowings	(2,843)	(2,843)
1.18	Dividends paid	-	-
1.19	Other – Share issue costs	(243)	(243)
	<b>Net financing cash flows</b>	1,514	1,614
	<b>Net increase (decrease) in cash held</b>	858	235
1.20	Cash at beginning of quarter/year to date	72	687
1.21	Exchange rate adjustments to item 1.20	(5)	3
1.22	<b>Cash at end of quarter</b>	925	925

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	284
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments to directors for directors' fees for the December 2015 quarter and for prior periods that had been accrued but not paid due to insufficient cash reserves.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

3 x FV \$50,000 convertible notes were issued in settlement of creditor invoices and 68,400,000 ordinary fully paid shares were issued to GMP Securities Australia Pty Ltd in lieu of capital raising fees at a value of \$0.001 per share.

Hazelwood negotiated and completed the sale of its Mt Mulgine and Big Hill tungsten assets to Tungsten Mining NL. In consideration for the sale of the assets, Hazelwood received A\$1.0 million in cash and 5,000,000 ordinary fully paid shares in Tungsten Mining NL.

+ See chapter 19 for defined terms.

**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

---

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,775	2,775
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	10
4.2 Development	-
4.3 Production	4,200
4.4 Administration	725
<b>Total</b>	<b>4,935</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	925	72
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>925</b>	<b>72</b>

---

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	E46/822	Exploration Licence	100%	Nil
	E46/521	Exploration Licence	100%	Nil
	E46/692	Exploration Licence	100%	Nil
	E46/940	Exploration Licence	100%	Nil
	L46/70	Miscellaneous Licence	100%	Nil
	M46/514	Mining Lease (Appln)	100%	Nil
	E59/1324	Tungsten Rights	100%	Nil
	M59/386	Tungsten Rights	100%	Nil
	M59/387	Tungsten Rights	100%	Nil
	M59/425	Tungsten Rights	100%	Nil
	P59/1785	Tungsten Rights	100%	Nil
	P59/1786	Tungsten Rights	100%	Nil
	P59/1788	Tungsten Rights	100%	Nil
	P59/1789	Tungsten Rights	100%	Nil
6.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A		

#### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	4,903,232,410	4,903,232,410		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	3,561,307,510  -	3,561,307,510  -	\$0.001	\$0.001

+ See chapter 19 for defined terms.



**Appendix 5B**


**Mining exploration entity and oil and gas exploration entity quarterly report**

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.5	<b>+Convertible debt securities</b> <i>(description)</i>			
	35 x FV \$50,000	-	\$50,000.00	\$50,000.00
	2 x FV \$25,000	-	\$25,000.00	\$25,000.00
	23 x FV \$50,000	-	\$50,000.00	\$50,000.00
	6 x FV \$20,000	-	\$20,000.00	\$20,000.00
	2 x FV \$10,000	-	\$10,000.00	\$10,000.00
7.6	Changes during quarter			
	(a) Increases through issues			
	23 x FV \$50,000	-	\$50,000.00	\$50,000.00
	6 x FV \$20,000	-	\$20,000.00	\$20,000.00
	2 x FV \$10,000	-	\$10,000.00	\$10,000.00
	(b) Decreases through securities matured, converted	-	-	-
7.7	<b>Options</b> <i>(description and conversion factor)</i>		<i>Exercise price</i>	<i>Expiry date</i>
	139,571,432	-	5.5 Cents	27 November 2016
	483,157,667	-	1.5 Cents	9 March 2017
	15,000,000	-	1.16 Cents	31 July 2018
	75,000,000	-	1.5 Cents	31 July 2019
7.8	Issued during quarter			
	404,310,800	-	1.5 Cents	9 March 2017
	15,000,000	-	1.16 Cents	31 July 2018
	75,000,000	-	1.5 Cents	31 July 2019
7.9	Exercised during quarter	-		
7.10	Expired during quarter	(15,000,000)	5.0 Cents	30 November 2015
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 29 January 2016  
(Director/Company secretary)

Print name: John Arbuckle

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6 The quarterly report has being prepared on a consolidated basis and includes all the subsidiaries (including the 60% owned Asia Tungsten Products Co Ltd (ATC) that operates in Hong Kong & Vietnam).

== == == == ==

---

+ See chapter 19 for defined terms.