



A.C.N. 118 738 999

Quarterly Activities Report for the period ending 30 June 2014



"Hazelwood Resources is in for a watershed year in 2014, with its ATC Plant in Vietnam continuing to kick goals and its long-term future looking rosy with an impressive resource upgrade for its Mt Mulgine Trench Deposit to feed said refinery"

- Resource Stocks Magazine, August 2014.



31 July 2014

Status: ASX Listed Public Co.

ASX Code: HAZ

Details

| | |
|-------------------------------------|---------------|
| Ordinary Fully Paid Shares | 1,215,098,800 |
| Quoted Ordinary Fully Paid Shares | 1,215,098,800 |
| Unlisted Options 5c (30 Nov 2015) | 15,000,000 |
| Unlisted Options 25 c (6 Aug 2015) | 5,000,000 |
| Unlisted Options 5.5c (27 Nov 2016) | 139,571,432 |

Directors

| | |
|----------------------|--------------------------|
| Terry Butler-Blaxell | Managing Director |
| John Chegwidan | Director & Co. Secretary |
| Frank Ashe | Non Executive Director |

Management

| | |
|----------------------|---------------------|
| George Chen | President, ATC |
| Terry Butler-Blaxell | Managing Director |
| Carol New | CFO & Co. Secretary |
| Martin McQuade | Operations Manager |
| Yen Nguyen | Principal Engineer |
| Jake Zhu | Senior Metallurgist |

Hazelwood Share Price



Quarterly Activities Summary

- ❑ As the ATC Ferrotungsten Project has successfully transitioned to regular operations, quarterly production reporting has now taken effect. During the June quarter, 254 tonnes of ferrotungsten was produced.
- ❑ Ferrotungsten grades continued to exceed 78% tungsten content. Process yields to date are approximately 96% and likely to increase as management of smelter fines improves (targeted yield 99%).
- ❑ Ferrotungsten (FeW) shipments of 275 tonnes occurred in the June quarter, with 80% provisional payment having been received. At the time of this report, a minimal level of ferrotungsten stock from the June quarter production remains unsold, having been retained to satisfy Long Term Contract obligations.
- ❑ To improve operational stability, an additional 15 tonnes of FeW from new production was retained in the furnace lining. This has resulted in some batches of ferrotungsten achieving up to **81% tungsten content** during subsequent operations in July.
- ❑ Cash receipts from product sales of **\$AUD 8.3 million** were received during the quarter. Final sales settlements continued to be received throughout July.
- ❑ **At June 30, the Company had cash and liquid assets (inventory) of approximately \$AUD 14 million.** Tungsten feedstock continued to arrive on site throughout July to sustain production.
- ❑ During the quarter, a term loan for \$US 4 million was drawn to facilitate on-going growth of the ferrotungsten business. A \$AUD 2 million placement was completed concurrently with the term loan in which **Hazelwood attracted investment from a Vietnam-focused institutional investor.**
- ❑ ATC has applied for audit under the **Conflict Free Smelter Program** and is now listed on the **Active Tungsten Smelters** list. This initiative is consistent with the Company's commitment to transparency and traceability of supply chains, consistent with an increasing number of end-users' requirements.
- ❑ The operations continue to be **Lost Time Injury Free** since the start of 2014, thanks to the diligence and care of ATC workers and management.

ATC Ferrotungsten Project, Vietnam

With the successful transition to regular refining operations, the Company has now moved to quarterly production reporting. A total of 254 tonnes of Ferrotungsten metal was lifted from the furnace during the June quarter. The average product grade continued to exceed 78% tungsten content with the impurity levels compatible with all end-user requirements.

Process yield to date is at approximately 96%, with a targeted metal yield of 99%. Since commencing operations in April of 2013, the majority of the temporary metal losses have been due to smelter fines. The fines have however been captured in the off-gas handling systems and the dust from the baghouse is stored on site. The operational management team is developing solutions for recovery of valuable tungsten metal from the smelter fines in the near-term and better management of the fines in the feedstock.

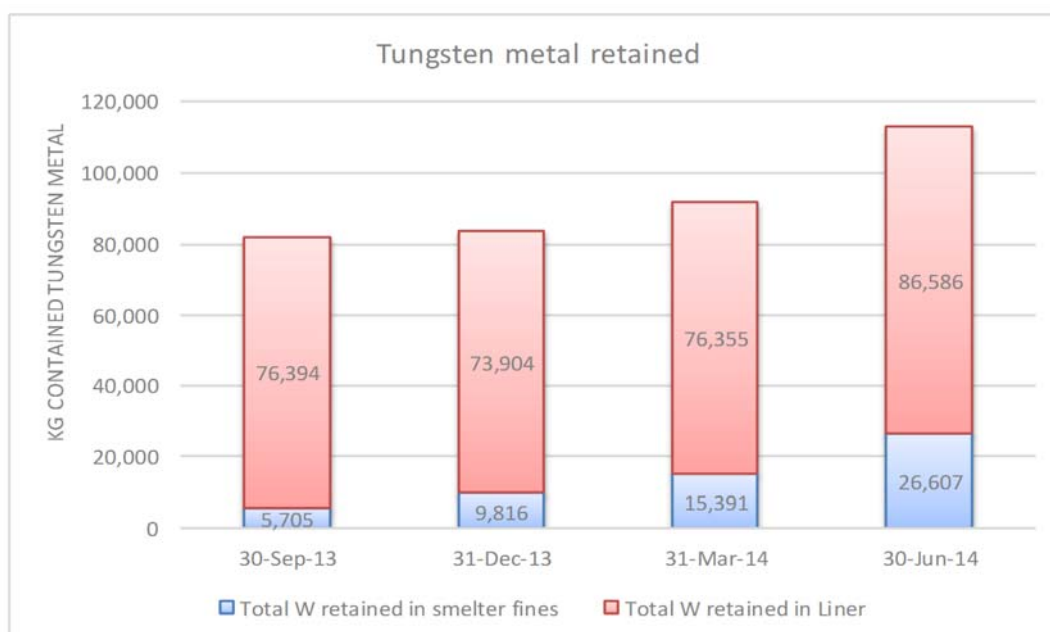
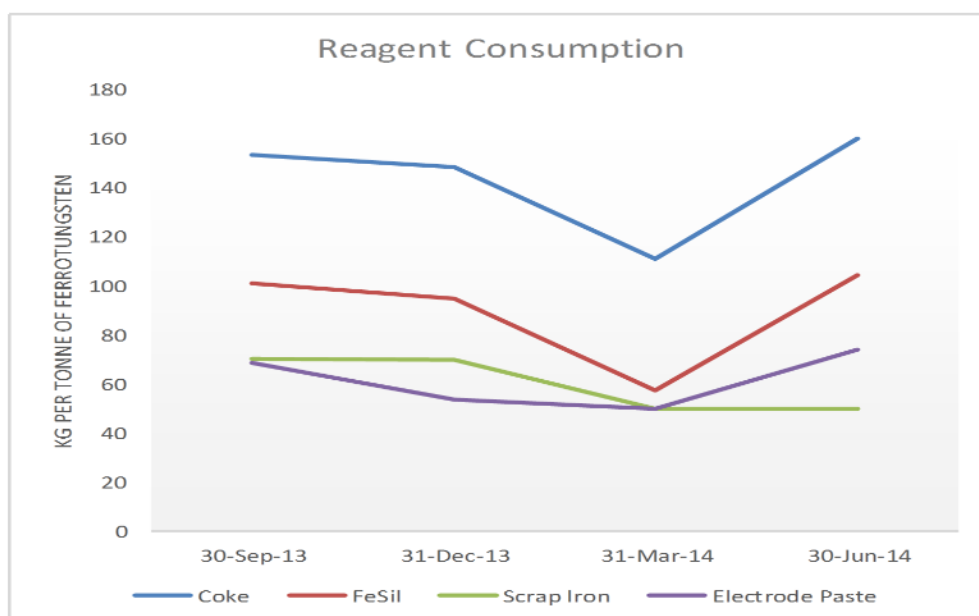
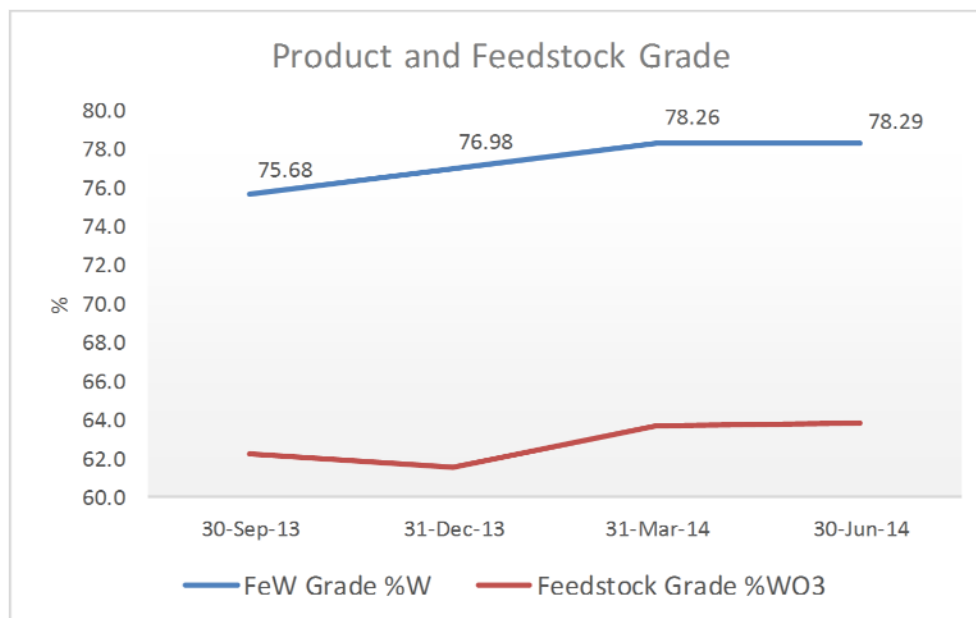
Unit reagent consumption was in-line with management's expectations. Cooling system modifications have been effective, allowing the furnace to operate during even the most demanding seasons of the year when ambient temperatures and humidity are at their extremes.

To improve operational stability, an additional 15 tonnes of new ferrotungsten product (representing ~11 tonnes contained W) from the June quarter's production was added to the furnace liner. Subsequent operation of the furnace during July showed improved furnace stability (shell temperatures). Recently, batches of ferrotungsten assaying up to 81% tungsten have been lifted from the furnace.

At June 30, approximately 115 tonnes of ferrotungsten metal representing 86.6 tonnes of contained tungsten metal remained in the furnace liner. A further 26.6 tonnes of contained tungsten metal was present as accumulated smelter fines which are stored on site.

Despite reports of isolated occurrences of civil unrest arising from disputes between China and Vietnam, the operations were not adversely affected and electrical power supply remained uninterrupted.

| QUARTER ENDING | | 30 Sep 13 | 31 Dec 13 | 31 Mar 14 | 30 Jun 14 |
|---|-------------------|-----------|-----------|-----------|-----------|
| Ferrotungsten product lifted from furnace | tonnes FeW | 132 | 117 ↓ | 243 ↑ | 247 ↑ |
| Average FeW grade | % W | 75.68 | 76.98 ↑ | 78.26 ↑ | 78.29 ↑ |
| Concentrate utilised | tonnes | 217 | 178 ↓ | 407 ↑ | 436 ↑ |
| Average feedstock grade | % WO ₃ | 62.18 | 61.53 ↓ | 63.64 ↑ | 63.80 ↑ |
| Process yield | % | 96.0 | 95.2 ↓ | 97.2 ↑ | 94.8 ↓ |
| Accumulated tungsten in furnace liner | tonnes W metal | 76.4 | 73.9 ↑ | 76.4 ↑ | 86.6 ↑ |
| Accumulated tungsten in smelter fines (baghouse dust retained) | tonnes W metal | 5.7 | 9.8 ↑ | 15.4 ↑ | 26.6 ↑ |



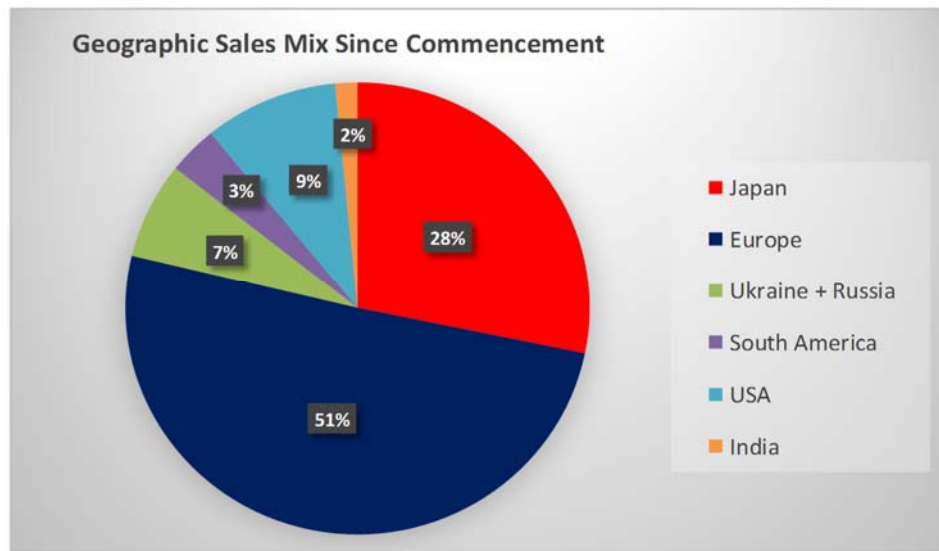
Product Sales

ATC Ferrotungsten continues to emerge as a reliable, compliant and truly global brand. 275 tonnes of ferrotungsten was dispatched during the June quarter. Provisional payment (80%) was effected on bill of lading ex -Haiphong under the global sales agency agreement with Wogen. The product was distributed to the usual range of mainstream end-users in Japan and Europe. New business was concluded with a customer based in India.

| QUARTER ENDING | | 31 Dec 13 | 31 Mar 13 | 30 Jun 14 |
|--------------------------|------------|-----------|-----------|-----------|
| Packaged product shipped | tonnes FeW | 109 | 217 | 275 |
| Contained tungsten | tonnes W | 84 | 170 | 216 |

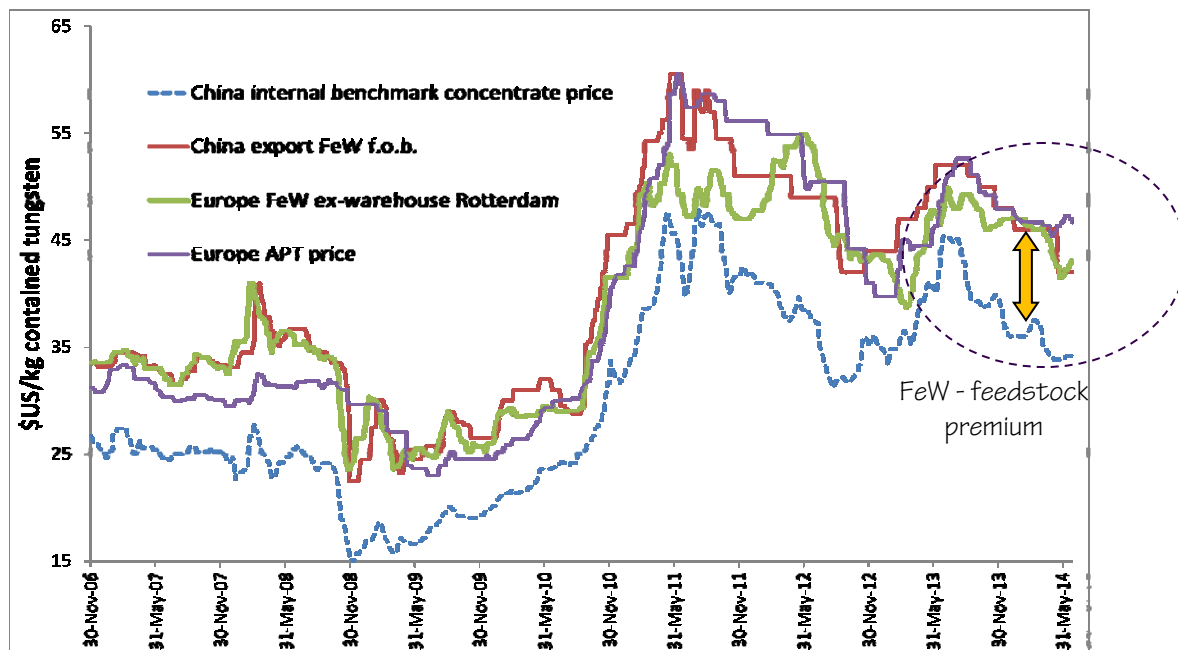
Final settlements with end-users occurred throughout July. At the time of this report, only minimal amounts of ferrotungsten stock from the June quarter's production remain unsold. Much of the remaining stock position has been kept to fulfil Long Term Contracts (offtakes) with certain customers in Japan and Europe. Approximately 25% of the proposed output for 2014 is under term-deals.

Cash receipts during the reporting period totalled approximately \$AUD8.3 million. Final settlements on sales continued to be received subsequent to the end of the quarter.



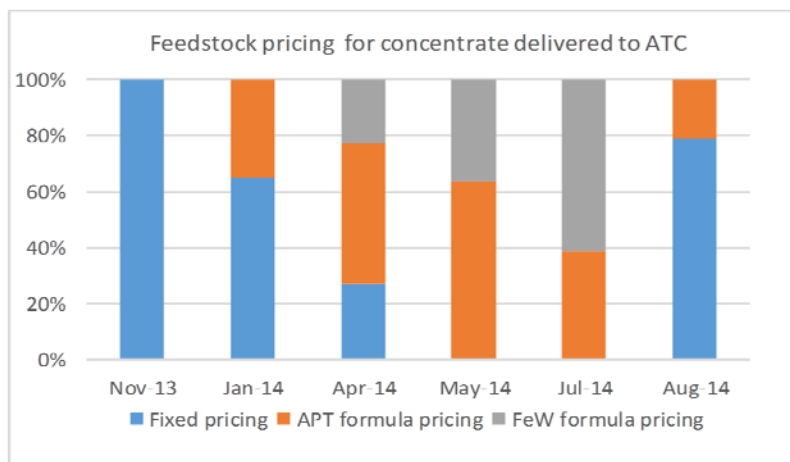
Tungsten Market & Feedstock Procurement

The ferrotungsten market has experienced typical seasonal volatility which gave rise to a 12-month price low of \$US41.50/kg during May 2014. The price subsequently recovered to around \$43/kg by the end of June. Trades of smuggled Chinese ferrotungsten, facilitated by European traders, continue to blight the European market, although it is understood the tonnages of such material are limited and facing increased scrutiny from Customs.



Where possible, the Company seeks to manage its feedstock pricing risk via APT (ammonium paratungstate) and ferrotungsten-based formula pricing mechanisms with an extended quotation period that better matches the period of production and sales.

Some recent softness in the tungsten APT market has provided opportunities for favourable fixed price feedstock contracts which have potential to improve the ferrotungsten refining margin.



Conflict Free Smelter Program

The ATC operating subsidiary in Vietnam, Asia Tungsten Products Vietnam Ltd, has applied for a near-term audit of its supply chain under the Conflict Free Smelter Program. ATC is now listed on the **Active Tungsten Smelters** list of the Conflict Free Smelter Program:

<http://www.conflictreesourcing.org/tungsten-conflict-free-smelters/>

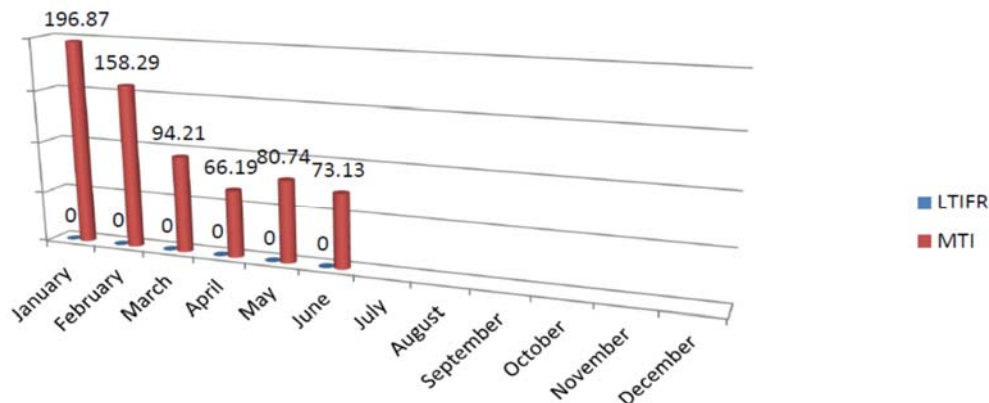
Hazelwood's and ATC's commitment to follow the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas* can be found on the Hazelwood website:

http://www.hazelwood.com.au/Profile/Tungsten_Minerals_Procurement_Policy/

Safety & Training

The Company is very pleased to report that ATC's **LTIFR (Lost Time Injury Frequency Rate)** remains at **0.0** due to no recordable LTI for the 2014 calendar year to date. This is an excellent achievement by the workers and management of ATC. The **MTIFR (Medically Treated Injury Frequency Rate)** is **73.13** with 5 recorded medical treated injuries in the 2014 calendar year, and which is a reduction from **196.87** since the start of 2014. There were zero FAI/MTI cases in the month of June on site.

The data are based on 68,367.3 hours worked for the six months of 2014.



Hazelwood & ATC have a strong and on-going commitment to safety. Hazelwood has facilitated the development and building of a suitable safety culture and will continue to develop this culture with the continual implementation of safety initiatives, improved safety structures and management, and commitment to safety training.

Corporate

At June 30, the Consolidated Entity had liquid assets of approximately **\$AUD 14 million, consisting of cash (\$AUD 2.8 million) and inventories of approximately \$AUD 11.2 million.**

During the quarter, a \$US 4 million Term Loan from Siderian Resource Capital Limited was drawn down. The Term Loan, supported by Wogen, has been utilised as working capital for the on-going growth of the ATC Ferrotungsten business.

Concurrent with the Term Loan, a share placement to raise \$AUD 2 million was completed at 3.5 cents per share to clients of Hartleys. The Company was pleased to welcome a specialist Vietnam-focused institutional investor to its share register.

Institutional analysts conducted site visits during production.

Most of the product from June quarter's production has been settled with end-users and minimal stock from that quarter has been held back to satisfy commitments under term deals.

About Hazelwood:

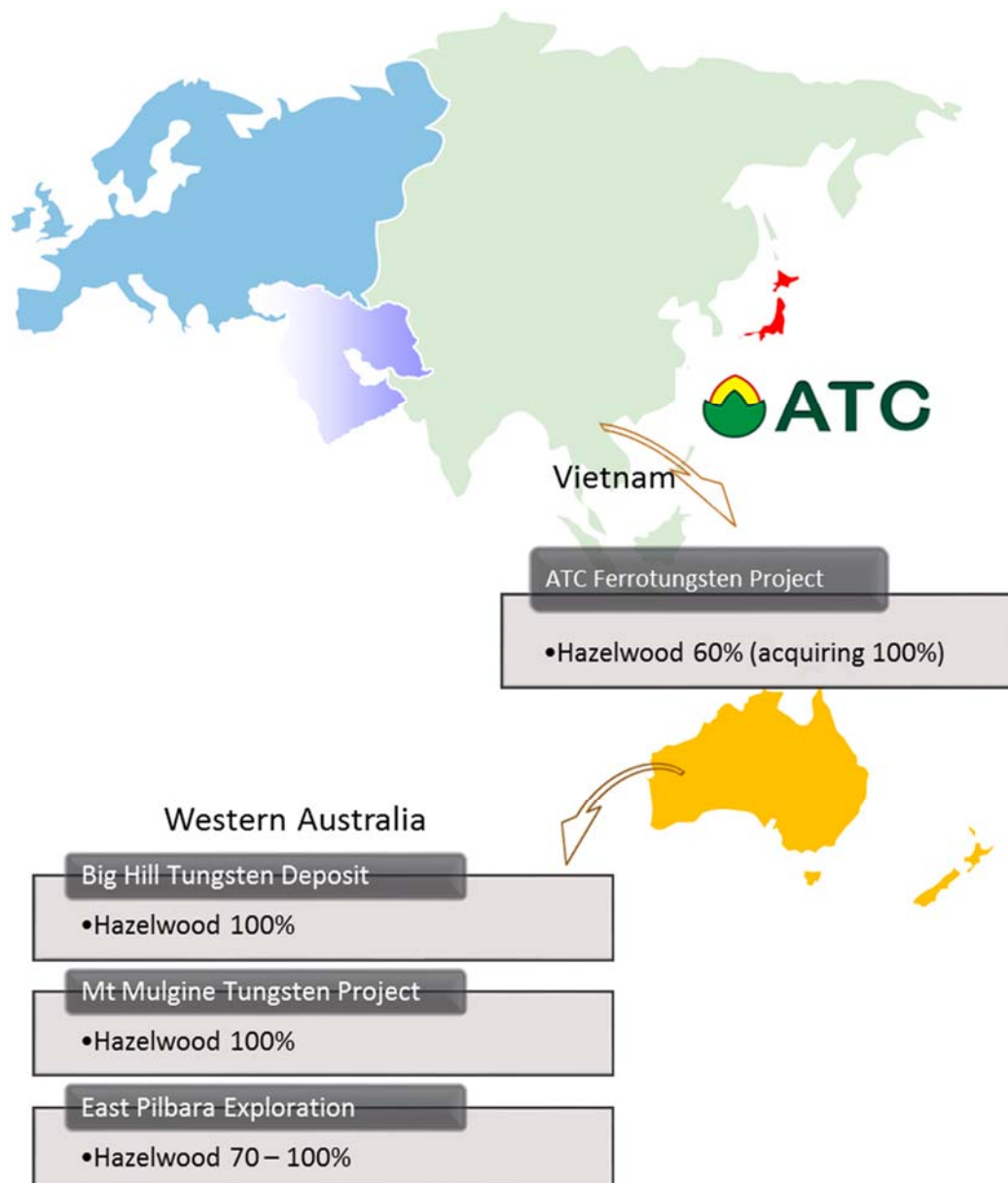
Hazelwood Resources Ltd is a new specialty metals producer with a majority stake in the ATC Ferrotungsten Project in Vietnam. Ferrotungsten is used in the production of high speed steels, tool steel and temperature resistant alloys.

The ATC Ferrotungsten plant is the largest capacity, most advanced facility of its type outside of China, with a highly experienced operations and management team. High quality product from ATC meets the specifications of end-users around the world and the brand has achieved a truly global presence.

With well - established specialty metals production credentials, Hazelwood has the ability to expand into other capital-efficient opportunities in downstream processing. The Company takes pride in the welfare of its workers, the quality of its product, the transparency of its business and its reputation in all theatres in which it operates.

There is potential for future vertical integration with Hazelwood's 100% owned primary tungsten projects in Western Australia. The Big Hill Tungsten Deposit and Mt Mulgine Tungsten Project host near surface resources and are being evaluated as potential future sources of feedstock for Hazelwood's downstream refining business.

Hazelwood has significant exposure to nickel sulphides and base metals exploration through its 100% owned Cookes Creek and Copper Gorge (HAZ 70% Atlas Iron 30%) areas in the East Pilbara of Western Australia.



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")

30 June 2014

Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter \$A'ooo | Year to date (.12.. months) \$A'ooo |
|---|--|----------------------------|---|
| 1.1 | Receipts from product sales and related debtors | 8,627 | 25,810 |
| 1.2 | Payments for (a) exploration & evaluation | (390) | (1,538) |
| | (b) development | Nil | Nil |
| | (c) production | (10,261) | (28,346) |
| | (d) administration+ marketing | (783) | (1,710) |
| 1.3 | Dividends received | Nil | Nil |
| 1.4 | Interest and other items of a similar nature received | 3 | 9 |
| 1.5 | Interest and other costs of finance paid | (417) | (1,136) |
| 1.6 | Income taxes paid | Nil | Nil |
| 1.7 | Other – Costs associated with Vietnam production | (383) | (1,557) |
| | Net Operating Cash Flows | (3,604) | (8,468) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a) prospects | Nil | (500) |
| | (b) equity investments | Nil | Nil |
| | (c) other fixed assets | (1) | (27) |
| 1.9 | Proceeds from sale of: (a) prospects | Nil | Nil |
| | (b) equity investments | Nil | Nil |
| | (c) other fixed assets | Nil | Nil |
| 1.10 | Loans to other entities | Nil | Nil |
| 1.11 | Loans repaid by other entities | Nil | Nil |
| 1.12 | Other (provide details if material) | Nil | Nil |
| | Net investing cash flows | (1) | (527) |
| 1.13 | Total operating and investing cash flows (carried forward) | (3,605) | (8,995) |

+ 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) | (3,605) | (8,995) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 2,000 | 7,907 |
| 1.15 | Proceeds from sale of forfeited shares | Nil | Nil |
| 1.16 | Proceeds from borrowings | 4,327 | 7,827 |
| 1.17 | Repayment of borrowings | Nil | (5,600) |
| 1.18 | Dividends paid | Nil | Nil |
| 1.19 | Other (provide details if material) | Nil | Nil |
| | Net financing cash flows | 6,327 | 10,134 |
| | Net increase (decrease) in cash held | 2,722 | 1,139 |
| 1.20 | Cash at beginning of quarter/year to date | 155 | 1,738 |
| 1.21 | Exchange rate adjustments to item 1.20 | Nil | Nil |
| 1.22 | Cash at end of quarter | 2,877 | 2,877 |

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

| | Current quarter \$A'ooo |
|---|----------------------------|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | 193 |
| 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

N/A

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

N/A

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

+ See chapter 19 for defined terms.

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 | 4,327 | 4,327 |
| 3.2 Credit standby arrangements | Nil | Nil |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|---------------|
| 4.1 Exploration and evaluation | 300 |
| 4.2 Development | - |
| 4.3 Production | 10,000 |
| 4.4 Administration | 600 |
| Total | 10,900 |

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 | 2,877 | 155 |
| 5.2 Deposits at call | Nil | Nil |
| 5.3 Bank overdraft | Nil | Nil |
| 5.4 Other (provide details) | Nil | Nil |
| Total: cash at end of quarter (item 1.22) | 2,877 | 155 |

+ See chapter 19 for defined terms.

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 | N/A | | |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | 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) (cents) | Amount paid up per security (see note 3) (cents) |
|-----|---------------|---------------|---|--|
| 7.1 | N/A | N/A | | |
| 7.2 | N/A | N/A | | |
| 7.3 | 1,215,098,800 | 1,215,098,800 | | |
| 7.4 | 57,142,863 | 57,142,863 | | |
| | Nil | Nil | | |
| 7.5 | N/A | N/A | | |
| 7.6 | N/A | N/A | | |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | | | |
|------|---|--|-------------------|--|--|
| 7.7 | Options (description and conversion factor) | 5,000,000 15,000,000 139,571,432 | Nil Nil Nil | Exercise price 25 Cents 5 Cents 5.5 Cents | Expiry date 6 August 2015 30 November 2015 27 November 2016 |
| 7.8 | Issued during quarter | Nil | Nil | | |
| 7.9 | Exercised during quarter | Nil | Nil | | |
| 7.10 | Expired during quarter | Nil | Nil | | |
| 7.11 | Debentures (totals only) | Nil | Nil | | |
| 7.12 | Unsecured notes (totals only) | Nil | Nil | | |

+ 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: 31 July 2014
(Director/Company secretary)

Print name: John Chegwiddden

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).

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+ See chapter 19 for defined terms.