



FINANCING UPDATE

Entitlement Issue and Convertible Note to raise a minimum of \$7.75 million

Recapitalisation to repay the Siderian debt facility

Successful recapitalisation will enable Hazelwood to deliver value from its strategic ownership in the ATC ferrotungsten plant and substantial tungsten resource base

Negotiations continuing with strategic cornerstone investors

Production to continue throughout recapitalisation process with ramp up to follow completion

Hazelwood Resources Limited (ASX:HAZ) wishes to provide an update on the Company's proposed recapitalisation.

The Company has resolved to proceed with a recapitalisation proposal in order to repay its US\$4.0 million debt facility (**Debt Facility**) with Siderian Resource Capital Limited (**Siderian**). The recapitalisation will comprise an issue of Convertible Notes (**subject to shareholder approval**) and an Entitlement Issue, to raise a minimum of \$7.75 million.

The purpose of the recapitalisation is to repay the Siderian Debt Facility and other creditors and working capital for operations at the Company's 60% owned ATC ferrotungsten plant in Vietnam.

Siderian has granted a forbearance for repayment of the Siderian Debt Facility to 25 September 2015 to enable the recapitalisation to proceed.

GMP Securities Australia Pty Ltd (GMP Securities) and Hartleys Limited (Hartleys) have been appointed joint lead managers to the issue of Convertible Notes and the Entitlement Issue.

Commenting on the recapitalisation, Hazelwood Executive Chairman, Mark Warren said:

"The Board has resolved that the recapitalisation is the best option available to discharge the Siderian facility within the required time frame and ensure the Company is capitalised to realise the value of our ownership in the ATC ferrotungsten plant.

A successful recapitalisation will enable Hazelwood to resume and expand production at ATC, the largest, most advanced operating ferrotungsten plant in the world, and advance development of Hazelwood's Australian tungsten mineral projects.

This proposal provides Hazelwood shareholders with an opportunity to participate in the recapitalisation and maintain exposure to Hazelwood's strategic ownership in ATC and substantial tungsten resource base."

ENTITLEMENT ISSUE

Hazelwood will undertake a 9-for-10 pro-rata non-renounceable entitlement issue to raise up to approximately \$11.6 million at an offer price of \$0.01 per share, with free attaching options as described below (**Entitlement Issue**).



In order to ensure Hazelwood has sufficient funds to repay the Siderian Debt Facility, the Entitlement Issue will be subject to a minimum subscription amount of \$6.5m that may be satisfied via the issue of shares under the Entitlement Issue and to the extent necessary, the placement of shortfall shares arising from the Entitlement Issue (**Shortfall Offer**).

Subscribers in the Entitlement Issue and Shortfall Offer will be issued with one free attaching option for every one share subscribed for in the Entitlement Issue and Shortfall Offer, with an exercise price of \$0.015 per share, expiring on 9 March 2017. The options are expected to be listed on the ASX, subject to compliance with ASX Listing Rules.

Further details of the Entitlements Issue, including an offer document and indicative timetable, will be announced shortly.

CONVERTIBLE NOTES

To provide working capital during the Entitlement Issue period, Hazelwood will seek to raise a minimum of \$1.25 million through an issue of secured, second-ranking, convertible notes to sophisticated and professional investors (**Notes**).

The Notes will have a principal amount of \$50,000 each, carry an interest rate of 12% per annum payable in new shares in Hazelwood (or cash in the event that necessary approvals are not received) and mature on 1 July 2018, unless converted sooner or redeemed by the Company. The Notes will be convertible into fully paid ordinary shares in Hazelwood at a conversion price of \$0.005, any time prior to maturity, at the election of the note holder.

Note holders will be issued one Hazelwood option for every one Hazelwood share the Notes could convert into, on the same terms as the options that will be issued with the Entitlement Issue.

The issue of the Notes will be subject to Hazelwood shareholder approval. The principal amount of the Notes will be provided to the Company in the form of secured loans and in the event that shareholder approval is not received, or certain other events occur, the principal amount of the loans and accrued interest will become immediately repayable to the lenders.

Any existing Hazelwood shareholders or other investors who wish to subscribe for Notes without requiring a disclosure document and are either a “sophisticated investor” or “professional investor” within the meaning of section 708 of the Corporations Act 2001 (Cth), may contact the Company or the joint lead managers to apply for Notes (see contact details on page 4). Acceptance of applications will be subject to Board discretion in consultation with the joint lead managers.

Full details of the Notes will be set out in a notice of meeting of shareholders to be despatched in coming weeks.

STRATEGIC INVESTORS

Throughout the past few months negotiations have been continuing with a number of other corporate entities that are experienced in the Tungsten sector. While these negotiations are incomplete, the interest level shown from these parties in Hazelwood is strong and the Board believes there is potential for one or more of these parties to further enhance the proposed recapitalisation as a cornerstone investor or future strategic partner.



OPERATIONAL UPDATE

Following difficult trading conditions in 2014 that saw significant falls in the prices for intermediate tungsten products (ferrotungsten and Ammonium Paratungstate (APT)) and our feedstock (Wolframite and Scheelite concentrates), 2015 has been more stable with a promising outlook for ferrotungsten. Importantly for Hazelwood and ATC, our feedstock prices have fallen to a greater extent than our ferrotungsten product in percentage terms, resulting in improved margins.

The successful deployment of a new recycling facility this year coupled with continued cost improvements has enabled the ATC ferrotungsten operation to operate at higher efficiency and improved margins throughout a profitable production run in February. A number of technical and commercial achievements were made during this first quarter production run notwithstanding the tight financial constraints the Company was operating under during the first 5 months of this year.

To capitalise on the improvements at ATC and current favourable market conditions the Company now plans to undertake a number of production runs throughout the recapitalisation period, with further ramp up to follow upon completion of the recapitalisation. Under new tactical operations plans, production quantities and costs will be matched to prevailing market conditions and the Company will dynamically adjust operating plans on a regular basis to match prevailing prices and sales requirements. Hazelwood will diligently manage stocks of raw materials, work in progress and finished goods to align with market conditions and long-term off take opportunities.

Our goal is to be the number one global producer of ferrotungsten. We believe our advanced facility, processing efficiency and cost improvements together with an appropriate capital base will position us achieve this goal.

Hazelwood has minimised expenditure on the Australian mining projects in-line with the Company's current financial situation. Notwithstanding Hazelwood believes there remains substantial upside possible from developing these assets and has commenced discussions with parties interesting in farming-in or acquiring an interest in these assets.

On 30 October 2014, Hazelwood announced that following a strategic review the Company would be initiating a four-part change management plan, this being to improve operational efficiency and profitability at ATC; to investigate the addition of complementary products; to accelerate study on the Australian projects to decision point and to strengthen the management team. Since then, Hazelwood has weathered difficult times given the need to prioritise the recapitalisation of the Company against a backdrop of weaker market conditions. Regardless the Company has advanced the management plan with the works to improve operational efficiency and profitability at ATC, foundations for funding the study of the Australian projects progressed, key advisors retained and used to provide interim assistance to the management team. On completion of the recapitalisation proposal, Hazelwood will be able to realise the efforts of the business initiatives that have already commenced and rapidly implement the remaining strategies outlined in the management plan.

FORBEARANCE TERMS

The Forbearance granted by Siderian referred to above is subject to a number of conditions including that \$1.25m is raised pursuant to the Convertible Notes offer by 10 June 2015, that these funds are used in accordance with budgets agreed between the Company and Siderian, and that no insolvency event occur with respect to the Company or its subsidiaries. In the event of a



breach of any of the conditions, Siderian shall be entitled to immediately terminate the forbearance and call upon all funds owing under the Siderian Debt Facility.

ASX QUOTATION

This announcement is not intended to lift the suspension of trading in the Company's securities.

On the basis that re-instatement of trading in the Company's securities is likely to be materially prejudicial to its ability to successfully complete the recapitalisation which is critical to the Company's continued financial viability, trading in the Company's securities will remain suspended until the Company finalises its recapitalisation. The Company is unaware of any reason why its securities should not remain suspended. The Company is not aware of any other information necessary to inform the market about the suspension.

For further information, please contact:

Mark Warren
Executive Chairman
Hazelwood Resources Limited

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

GMP Securities
Email: emosedale@gmpsecurities.com
Ref: Hazelwood Resources

Hartleys
Email: info@hartleys.com.au
Ref: Hazelwood Resources