

ASX RELEASE

26 OCTOBER 2015

HAZELWOOD CONFIRMS RECAPITALISATION PLAN TO UNLOCK STRATEGIC VALUE OF ATC

- **Debt repayment schedule agreed with Siderian**
- **Hazelwood to raise a minimum of \$4.1 million via convertible notes and partly underwritten entitlement issue**
- **Proceeds to partly retire Siderian debt and fund production at ATC**
- **Strong operational progress at ATC and delivery of Japanese sales contracts**
- **Sale of WA exploration assets to realise immediate cash while maintaining upside to higher tungsten prices**

Hazelwood Resources Limited (ASX: HAZ) has today announced a comprehensive plan and funding solution to enable the Company to deliver value from its 60%-owned ATC ferrotungsten plant in Vietnam and deliver future growth for Shareholders.

SIDERIAN DEBT FACILITY

As Shareholders would be aware, Hazelwood has a US\$4.0 million debt facility with Siderian Resource Capital Limited (**Siderian**). The Siderian debt was due to be repaid on 25 September 2015.

Hazelwood is pleased to announce that Siderian has agreed to a revised repayment schedule: US\$2.0 million following completion of the upcoming capital raising and balance by 30 June 2016. The revised agreement with Siderian remains subject to execution of revised contractual documentation, provision to Siderian of accounts for the September quarter and approval by Siderian of Hazelwood's budget for the period to 30 June 2016. Hazelwood expects all of these matters to be finalised over the next week.

Hazelwood acknowledges the support provided by Siderian. This is a significant milestone for the Company. The repayment schedule enables Hazelwood to complete the interim capital raising described below and provide capacity to generate cash flow from operations over the remainder of financial year 2016 to make the final payment.

CAPITAL RAISING

In order to fund immediate working capital requirements, first payment to Siderian and ongoing production at ATC, Hazelwood will undertake a capital raising structured to ensure Hazelwood receives a minimum of \$4.1 million.

Entitlement Issue

Hazelwood will undertake a 4-for-1 pro-rata renounceable entitlement issue to raise up to approximately \$7.4 million at 0.1 cents per share (**Entitlement Issue**). The Entitlement Issue is underwritten by GMP Securities Australia Pty Limited (**GMP**) up to \$3.0 million. The underwritten amount ensures the first payment to Siderian can be made.

The Entitlement Issue is being undertaken at an attractive price, being a 75% discount to Hazelwood's last traded price, in order to assist Shareholders to maintain their pro-rata interest in the Company. Shareholders will also have the option to apply for additional shares above their entitlement. Convertible Noteholders are also entitled to participate in the Entitlements Issue in accordance with the terms of the convertible notes as approved by shareholders at the EGM held in July.

The Board believes the Entitlement Issue is in the best interests of the Company and will provide the Company with the financial platform to achieve its objectives and realise value from its interest in ATC, the largest and most advanced operating ferrotungsten plant in the world.

A Prospectus for the Entitlement Issue is expected to be lodged with ASIC and ASX within the next 7 days.

Convertible Notes

To fund immediate working capital during the Entitlements Issue period, Hazelwood has secured \$1.12 million of debt funding: comprising new convertible notes of \$150,000 as set out in the Appendix 3B lodged on 8 October and further loan funds of \$970,000 to be replaced with convertible notes subject to shareholder approval at the 2016 AGM (**Notes**).

The Notes are convertible at 0.1 cents per share and expire on 1 July 2018. The other terms of the notes are consistent with existing Hazelwood notes.

In addition, Hazelwood is negotiating with certain creditors to have all or part of the monies owed to them repaid through the issue of Notes, enhancing the working capital position of the Company.

Further details of the Notes will be set out in the notice of AGM to be despatched in coming weeks.

SALE OF WA EXPLORATION ASSETS

Given the imperative for Hazelwood to focus on realising the value in its ownership in the ATC ferrotungsten operation and to make best use of capital in volatile tungsten and equity markets the Hazelwood Board has undertaken a review of the ownership of the Australian exploration assets. Following that review, Hazelwood has agreed to sell its Western Australian tungsten exploration projects Mulgine and Big Hill to Tungsten Mining NL (**Tungsten Mining**) for cash consideration of \$1.0 million and 5,000,000 fully paid ordinary shares in Tungsten Mining (value \$0.2 million at \$0.04 per share, voluntary escrow 12-months).

The sale is conditional upon Tungsten Mining completing due diligence. The sale is expected to be completed in coming weeks.

The cash proceeds will enable a further reduction in the Siderian debt and also provide valuable working capital to fund ongoing production at ATC. Hazelwood will retain exposure to the WA projects and upside to higher tungsten prices through a shareholding in Tungsten Mining.

The disposal of these assets will eliminate outgoings on tenement and exploration commitments of approximately \$700,000 per annum.

ATC OPERATIONS SUCCESS

Hazelwood is pleased to report that current production at ATC is performing in-line with expectations, with delivery on sales contracts into Japan a key highlight.

As previously announced, ATC has signed sales contracts with three prestigious Japanese customers for approximately 55% of planned production volumes over the next 6 months. Production runs from August and September were utilised for exports from Haiphong in September and October. Shipments to date total approximately 100 tonnes of product. A further production run is planned in coming weeks to meet further monthly requirements under the contracts.

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

In addition to production, sales and marketing achievements, ATC has enacted a number of operational improvements and cost savings that will enhance future profitability.

While tungsten markets have been volatile, the spread between tungsten concentrate (feedstock) and ferrotungsten prices has remained relatively consistent. With a "make to order" strategy in-place under new management, ATC will endeavour to balance production with market conditions to optimise profitability and cash flow.

UPDATE ON SUSPENSION

Hazelwood will shortly be lodging its Annual Report and upon lodgement intends to request re-quotation of its shares to trading on ASX.

Mark Warren, Executive Chairman, said:

"As Shareholders are aware, Hazelwood has been seeking for some time to refinance the Siderian debt and fund production growth at ATC. Unfortunately, this period coincided with volatile tungsten and equity markets.

Despite the challenges I am pleased to report we have made significant achievements in reducing operating costs, stabilising the Company and creating a platform for growth.

I wish to acknowledge the support of Siderian in agreeing to a revised repayment plan. With the first payment covered by the underwritten portion of the Entitlement Issue, Hazelwood can move forward with confidence that the Company's financial position is assured.

I am excited by the operational achievements we have made at ATC. The award and delivery of the Japanese sales contracts re-affirms the Board's view that ATC is a first-class operation and provides a strategic market opportunity to expand production volumes.

I look forward to inviting all Shareholders to participate in the reinvigoration of our Company.”

For further information, please contact:

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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.