

For personal use only

**HAZELWOOD RESOURCES LIMITED  
AND ITS CONTROLLED ENTITIES**

**ABN 88 118 738 999**

**ANNUAL REPORT**

**For the year ended 30 June 2015**

# CONTENTS

Corporate Information.....	1
Activities Report.....	2
Schedule of Mineral Tenements .....	5
Directors' Report .....	11
Corporate Governance.....	22
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	23
Consolidated Statement of Financial Position .....	24
Consolidated Statement of Changes in Equity .....	25
Consolidated Statement of Cash Flow.....	26
Notes to the Consolidated Financial Statements .....	27
Directors' Declaration .....	68
Auditor's Declaration of Independence .....	69
Independent Auditor's Report .....	70
Additional Stock Exchange Information.....	71

For personal use only

## Corporate Information

---

**ABN 88 118 738 999**

**ASX Code: HAZ**

### **Directors**

Mr Mark Warren (Executive Chairman)  
Mr Patrick Burke (Non-Executive Director)  
Mr John Chegwidden (Non-Executive Director)

### **Company Secretaries**

Mr John Chegwidden  
Ms Carol New

### **Registered Office**

Level 1, 33 Ord Street  
West Perth WA 6005  
Telephone: (08) 9320 5220  
Facsimile: (08) 9420 9399  
Email: [info@hazelwood.com.au](mailto: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](http://www.hazelwood.com.au)

# Activities Report

Hazelwood Resources Ltd (“the Company”) is a specialty metals producer with a majority stake in the ATC Ferrotungsten Project in Vietnam and ownership of two primary tungsten projects in Western Australia.

Significant milestones and events recorded in 2015:

- The ATC Ferrotungsten Project in Vietnam produced quantities of ferrotungsten to match softer tungsten market conditions
- A number of technical, management and governance initiatives to improve profitability at ATC were enacted
- Overheads significantly reduced
- Successfully agreed with lender Siderian Resource Capital to modify repayment terms
- Resource upgrade at Mt Mulgine Tungsten Project in Western Australia
- Safety and environmental incident-free

## ATC Ferrotungsten Project, Vietnam

### Production and Sales

During the year the ATC plant produced and shipped 362 tonnes of Ferrotungsten, being approximately 50% of the prior year’s production. Under new management guidance from September 2014 the Hazelwood chose to stop producing unsold product into the market for spot sales. Production was also reduced as a result of working capital constraints.

QUARTER ENDING		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr
Ferrotungsten Production	tonnes FeW	274	0	88	0

The reduced production that was undertaken in the March quarter was done profitably by taking advantage of reduced concentrate feedstock pricing and ensuring the product was sold promptly into the market. This planning to ensure profit is managed has been continued into the 2016 financial year. Refer to the further discussion on the “Tungsten Market and Feedstock Procurement” below and “Future Developments” in the Directors Report.

Notwithstanding this, sales for the year were \$19.2 million, just 11% down on last year. This was a consequence of a conscious plan to destock ferrotungsten finished goods throughout the September and March quarters of this year.



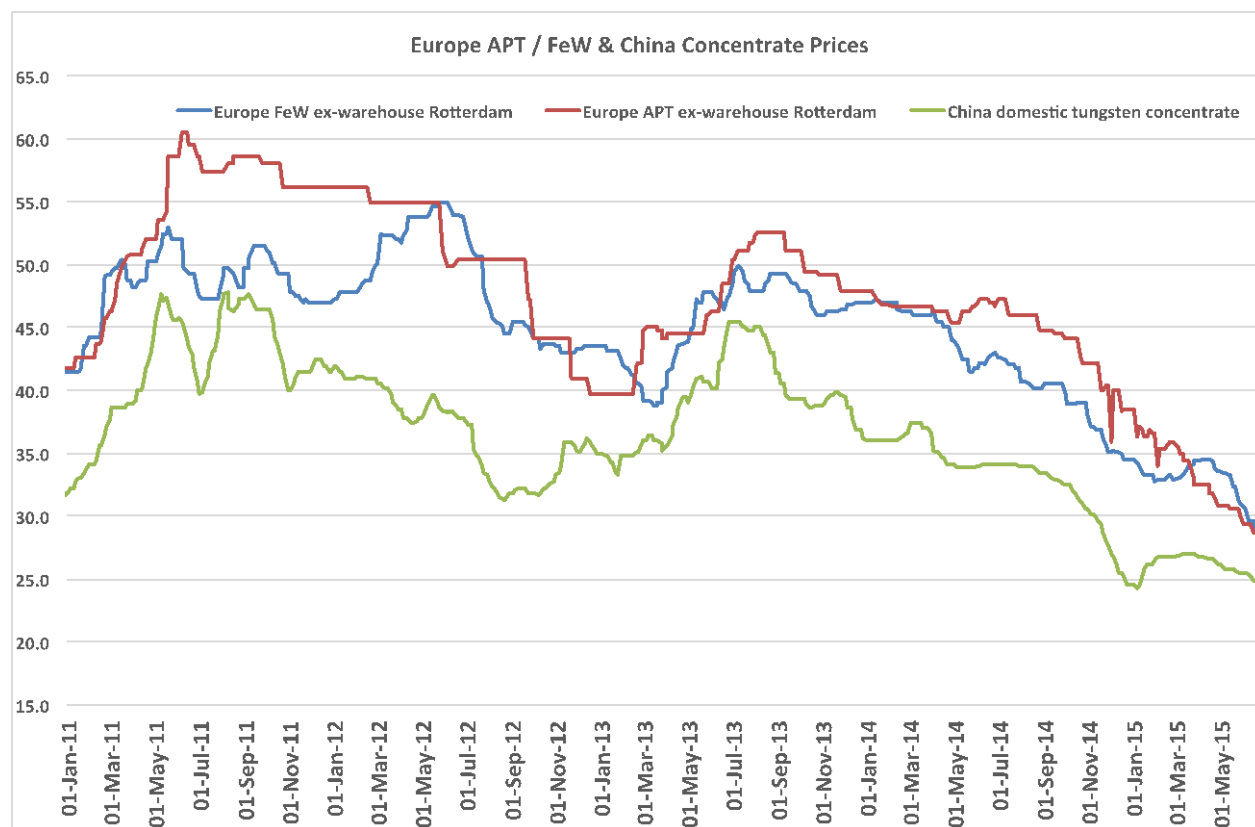
**Ferro-tungsten Product packaged ready for sale**

For personal use only

## Tungsten market and feedstock procurement

Ferrotungsten prices fell 33% throughout the year (USD 43.10/kg w down to USD 29.00/kg w)<sup>1</sup>, continuing the downward trend in this cycle from a high of USD 54.85/kg w in May 2012.

As can be seen from Figure 1 below concentrate prices (ATC's feedstock) fell 27%<sup>2</sup>. Subsequent to year end ferrotungsten prices have continued to fall to a low of approximately USD 23 kg/w at the time of writing this report and concentrate prices are being quoted at approximately USD 15/kg w equivalent.



**Figure 1 - Tungsten Market Prices**

As a purchaser of concentrates on the open market and through contracts ATC's profitability is dependent on the spread between the concentrate and ferrotungsten prices. Notwithstanding the fall in price the spread between the ferrotungsten and concentrate price is approximately the same at the time of writing this report to what it was in July 2014. However, for miners who produce tungsten concentrates the fall in price has a direct impact on profitability and current spot prices are reported to be well below the cost of production for many producers.

Up to September 2014 ATC had been producing relatively larger quantities of ferrotungsten utilising concentrates at costs averaging the FY 2014 high of 34 kg/w eq. Following the strategic review in October 2014 this was reversed and stocks were sold down to mitigate further losses in holding product in a falling market. Purchasing was recommenced in January 2015 at lower levels and sales were planned to customers in advance of production where possible.

This strategy will be continued in the current market and has been continued and strengthened subsequent to year-end. At the time of writing this report the Company has signed a number of contracts with Japanese customers representing the majority of planned production in the coming period. A 'make to order' strategy will be continued until market conditions and access to working capital is improved.

<sup>1</sup> Metal Bulletin Mid - Europe Warehouse price

<sup>2</sup> China Domestic tungsten concentrate

## **Operations, Safety and Environment**

The Company is pleased to report that there was a continued safety improvement over the year. Hazelwood's LTIFR sits at 0.0 due to no recordable LTI's for the twelve-month period. Hazelwood's MTIFR sits at 6.79 with one recorded medical treated injury in the twelve-month period and the FAIFR is also 6.79 with one recorded first aid treated injury for the twelve-month period.

The continued safety improvement was achieved on the back of continued emphasis on training, on job task observation and workplace hazard identification and reporting. Given the reduced production during the period emphasis was placed on return to work programs and familiarisation of workplace risks at pre-start meetings.

The Company has continued to promote safety and wellbeing in the community with awareness programs for home and community safety conducted.

Hazelwood maintains a strong commitment to the protection of the environment.

The ATC Ferrotungsten Project was designed to minimise emissions and during operation the design has been shown to be effective in achieving this outcome. Emissions monitoring by independent third party inspectors is routinely performed during operations and also between campaigns to ensure compliance with the applicable standards.

The results from the routine testing indicate the plant operates in accordance with applicable standards. External environmental monitoring in the June 2015 quarter showed reduced airborne containments within working areas inside the operation due to working procedures being changed. Airborne contaminants were also reduced due to works carried out on dust control systems.

ATC was granted full membership to the ITRI Tin Supply Chain Initiative (iTSCi) throughout the year and following the inaugural successful audit ATC is now an accredited smelter listed on table one of the e EICC - GeSI Conflict Free Smelter (CFS) program.

Following a period of research and development a new recycling facility to re process smelter waste was commissioned in January 2015 and recycled material was blended with product to improve plant recovery. Some product was successfully produced and further testing and process adaption is required to make full use of this product. The successful finalisation of this project has the potential to further improve margins at the ATC operation.

## 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
E46/0822	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	100
E59/1324-I	100
M59/0386-I	100
M59/0387-I	100
M59/0425-I	100
P59/1785-I	100
P59/1786-I	100
P59/1788-I	100
P59/1789-I	100

\*Hazelwood holds a 100 per cent interest in tungsten and molybdenum rights. The title to the tenements and the gold rights are held 100% by Minjar Gold Pty Ltd.

## Australian Tungsten Projects

Hazelwood holds two significant primary tungsten projects, located in Western Australia, hosting near-surface resources.

Hazelwood's 100%-owned Big Hill project is located in the East Pilbara of Western Australia and hosts a Measured & Indicated Mineral Resource. Pilot-scale test-work has shown excellent processing characteristics producing high-quality tungsten concentrate.

Hazelwood also owns 100% of the tungsten and molybdenum rights to the Mt Mulgine Project, 350km NNE of Perth, Western Australia. The Mt Mulgine Project has been subject to significant previous evaluation. Two near surface Mineral Resources have been validated at Mt Mulgine, the Mulgine Hill Deposit and Mulgine Trench Deposit. The Mulgine Trench project continues to grow since the maiden estimate announced in April 2014. Recent drilling and Resource Evaluation again increased the Trench Resource by a further 9% in the period.

### Mineral Resources

Hazelwood's 100% interest in the Mt Mulgine Tungsten Project and 100% interest in the Big Hill Tungsten Project in Western Australia together represent a tungsten resource inventory of more than 15 million MTU (metric tonne units), equivalent to approximately 121,700 tonnes of contained tungsten metal.

The company's Mineral Resources as at 20<sup>th</sup> Oct, 2015 are outlined in the following table. All figures are at 0.1 WO<sub>3</sub> cut-off.

<b>The Trench (Mt Mulgine) JORC 2012 compliant</b>				
Category	Million Tonnes	% WO <sub>3</sub>	MTU (Metric tonne units) WO <sub>3</sub>	Contained tungsten W tonnes
Indicated	<b>0.4</b>	<b>0.14</b>	<b>50,000</b>	<b>400</b>
Inferred	<b>63.4</b>	<b>0.17</b>	<b>11,050,000</b>	<b>87,600</b>
<b>Mulgine Hill (Mt Mulgine) JORC 2004 compliant</b>				
	Million Tonnes	% WO <sub>3</sub>	MTU WO <sub>3</sub>	Contained tungsten W
Indicated	<b>5.9</b>	<b>0.22</b>	<b>1,300,000</b>	<b>10,300</b>
Inferred	<b>2.3</b>	<b>0.17</b>	<b>400,000</b>	<b>3,200</b>
<b>Big Hill (Pilbara) JORC 2004 compliant</b>				
	Million Tonnes	% WO <sub>3</sub>	MTU WO <sub>3</sub>	Contained tungsten W
Measured	<b>9.5</b>	<b>0.16</b>	<b>1,540,000</b>	<b>12,200</b>
Indicated	<b>4.5</b>	<b>0.16</b>	<b>700,000</b>	<b>5,600</b>
Inferred	<b>2.2</b>	<b>0.14</b>	<b>300,000</b>	<b>2,400</b>
<b>Total Tungsten Mineral Resource</b>				
	Million Tonnes	% WO <sub>3</sub>	MTU WO <sub>3</sub>	Contained tungsten W
<b>Total</b>	<b>88.2</b>	<b>0.17</b>	<b>15,340,000</b>	<b>121,700</b>

**Table 1 - Total Mineral Resources**



## Comparison to June 30, 2014

The company's Mineral Resources increased by 3.0 million tonnes at 0.17% WO<sub>3</sub> for an additional total of 893,100 Metric Tonne Units (MTU) of WO<sub>3</sub> representing 7,100 additional tonnes of contained Tungsten. There were no changes to the resources at Mulgine Hill and Big Hill.

	2014 <sup>1</sup>			2015			Change +/-		
	Million Tonnes	% WO <sub>3</sub>	MTU Metric tonne units WO <sub>3</sub>	Million Tonnes	% WO <sub>3</sub>	MTU Metric tonne units WO <sub>3</sub>	Million Tonnes	% WO <sub>3</sub>	MTU Metric tonne units WO <sub>3</sub>
<b>Mulgine Trench (Mt Mulgine)</b>									
Indicated	0	N/A	0	0.4	0.14	50,000	0.4	0.14	50,000
Inferred	60.8	0.17	10,206,900	63.4	0.17	11,050,000	2.6	0.17	843,100
<b>Mulgine Hill (Mt Mulgine)</b>									
Indicated	5.87	0.22	1,300,000	5.87	0.22	1,300,000	nil	nil	nil
Inferred	2.32	0.17	400,000	2.32	0.17	400,000	nil	nil	nil
<b>Big Hill (Pilbara)</b>									
Measured	9.51	0.16	1,540,000	9.51	0.16	1,540,000	nil	nil	nil
Indicated	4.51	0.16	700,000	4.51	0.16	700,000	nil	nil	nil
Inferred	2.21	0.14	300,000	2.21	0.14	300,000	nil	nil	nil
<b>Total Tungsten Mineral Resource</b>									
	<b>Million Tonnes</b>	<b>% WO<sub>3</sub></b>	<b>MTU WO<sub>3</sub></b>	<b>Million Tonnes</b>	<b>% WO<sub>3</sub></b>	<b>MTU WO<sub>3</sub></b>	<b>Million Tonnes</b>	<b>% WO<sub>3</sub></b>	<b>MTU WO<sub>3</sub></b>
Total	85.2	0.17	14,446,900	88.2	0.17	15,340,000	3	0.17	893,100

**Table 2 - Change in Mineral Resources**

<sup>1</sup> 2014 Mineral Resource figures for Mulgine Hill and Big hill have been rounded consistent with ASX release 5 November 2014.

### Mineral Resource and Ore Reserve Governance

Mineral Resources are estimated by suitably qualified Hazelwood personnel and external personnel (specifically SJS Resource Management) in accordance with the requirements of the JORC Code, industry standard techniques and internal guidelines and reporting of Ore Reserves and Mineral Resources.

All Mineral Resource estimates and supporting documentation are reviewed by a Competent Person contracted by Hazelwood Resources. If there is a material change in an estimate of a Mineral Resource or if the estimate is an inaugural Mineral Resource, the estimate and supporting documentation are further reviewed by a suitably qualified external Competent Person.

The Mineral Resources Statement included in the Annual Report is reviewed by a suitably qualified external Competent Person prior to its inclusion.

### Mt Mulgine - Mulgine Trench

The Mulgine Trench is an exoskarn vein-hosted tungsten deposit. Tungsten-bearing veins are parallel to foliation within a sequence of metavolcanic rocks, including meta-andesite, meta-basalt, mafic schist and pyroxenite rocks. Mulgine Trench has a Resource of 63.8 Mt @ 0.17% WO<sub>3</sub> (0.1% cut-off grade, ASX Announcement 5th November 2014, JORC 2012 compliance). During the last year, the Mulgine Trench Resource was updated to include additional drilling up to 320m along strike to the northeast of the Mulgine Trench deposit. This update is a result of gold exploration drilling by Minjar Gold in the northeast of the existing Mulgine Trench Resource (Figure 1). Additionally, as a part of Minjar Gold's mining operation, close-spaced grade control drilling was completed in the northeastern Mulgine Trench at Bobby McGee. This small area of close-spaced drilling has been classed as an Indicated Resource, while the rest of the Resource is categorised as Inferred. A revised Indicated and Inferred Resource of 63.8 million tonnes @ 0.17% WO<sub>3</sub> (at a 0.1% WO<sub>3</sub> cut-off) to JORC 2012 announced to the ASX 5th November 2014, represents a 9% increase on the previously announced Resource for Mulgine Trench.

The updated Mineral Resource includes some material already mined at Minjar Gold's Bobby McGee pit (situated in the northeast of Mulgine Trench). Hazelwood's estimate based upon drilling results is that 130,000t @ 0.14% WO<sub>3</sub> and 0.041% Mo (at a 0.1% WO<sub>3</sub> cut-off) has been mined from the Bobby McGee pit. Additionally 202,000t @ 0.14% WO<sub>3</sub> and 0.042% Mo (at a 0.1% WO<sub>3</sub> cut-off) has already been mined by Minjar from the Bobby McGee pit and is not included in the Revised Mineral Resource for Mulgine Trench (ASX announcement of Resource update 5<sup>th</sup> November 2014). Minjar has been stockpiling non-gold bearing material for Hazelwood. Hazelwood is currently working with Minjar to access the stockpiles, verify the grade and determine the tonnage of tungsten-bearing ore present.

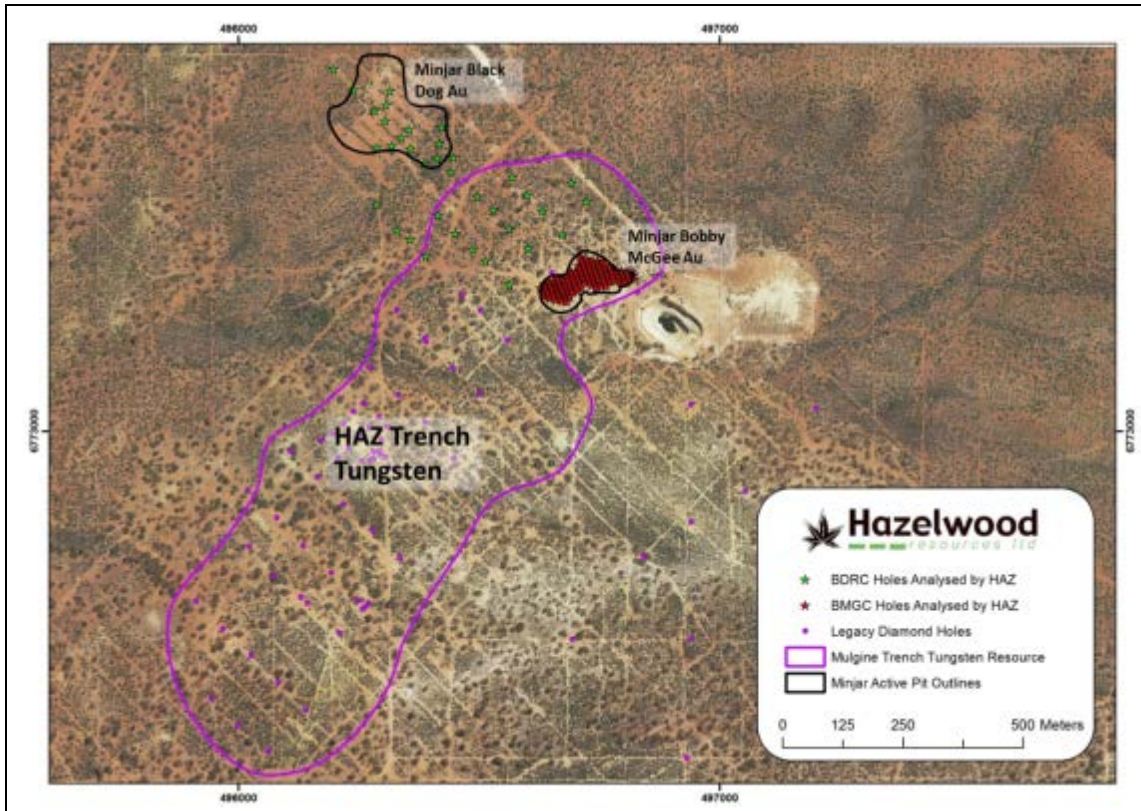


Figure 2 - Updated Mulgine Trench Resource (ASX announcement 5th November 2014)

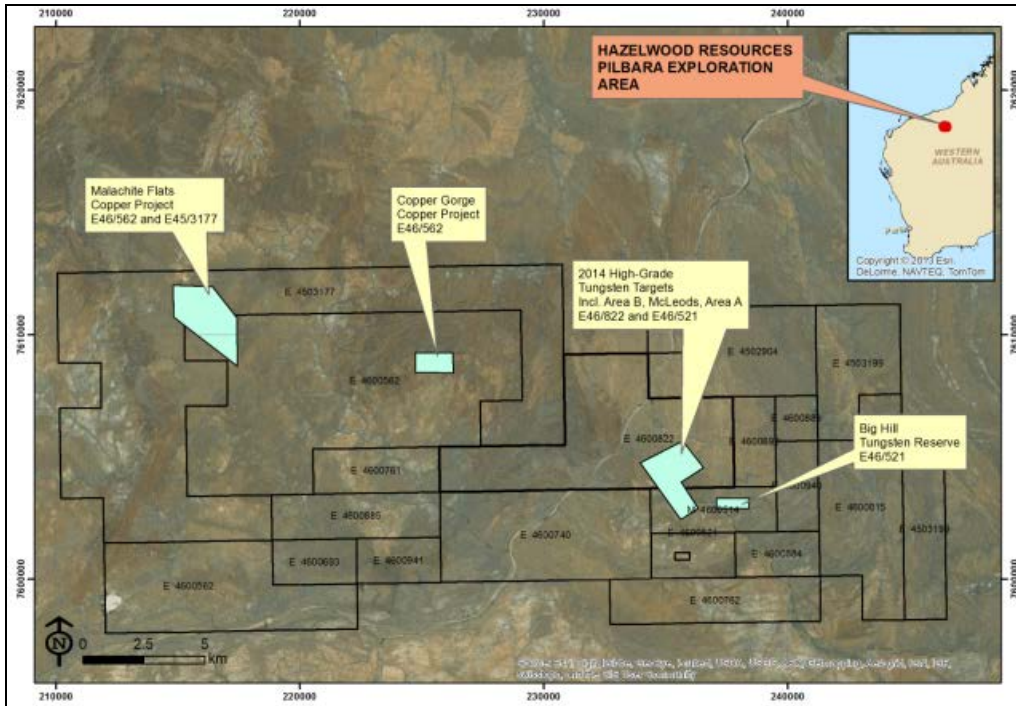
### Big Hill and Cookes Creek Tungsten Exploration

There were no further evaluation activities undertaken on the Big Hill Mineral Resource during the period.

### Australian Nickel and Base Metals Exploration

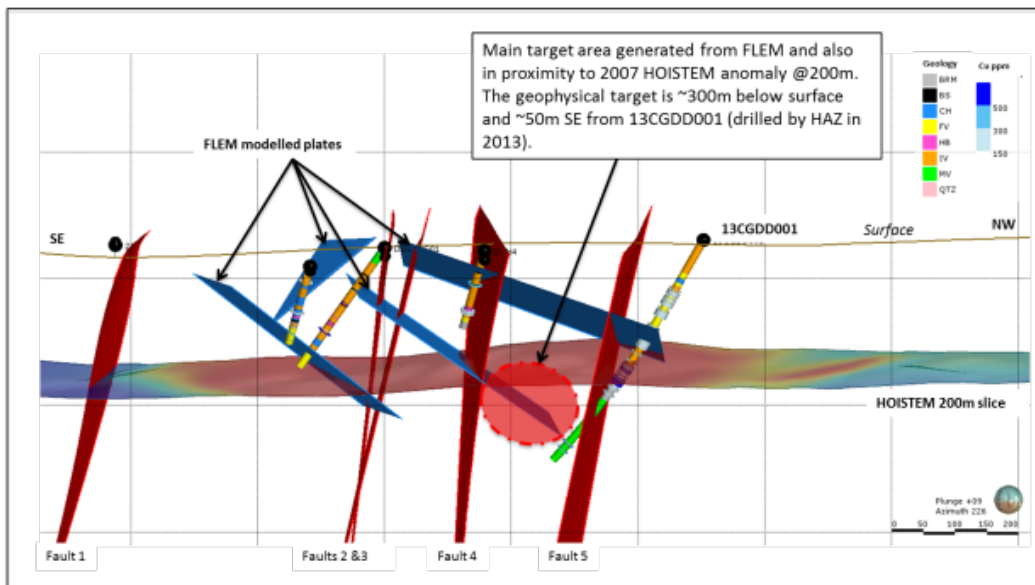
Hazelwood has exposure to nickel sulphides and base metals exploration through its 100% owned Cookes Creek and Copper Gorge (HAZ 70%) areas in the East Pilbara of Western Australia. Hazelwood's Cookes Creek Project, located in the East Pilbara of Western Australia, in addition to hosting the Big Hill Tungsten Deposit, contains areas of interest for nickel sulphides and base metal exploration.

The Company has explored base metal Projects at Malachite Flats and Copper Gorge (joint venture tenements E45/3177 and E46/562, Hazelwood Resources 70% and Atlas Iron 30% interest). During the last year, fixed loop electro-magnetic surveys and down-hole electromagnetic surveys at Copper Gorge and Malachite Flats (Figure 2) were interpreted and modelled from data collected in September 2014 by Spinifex Geophysics for Hazelwood.



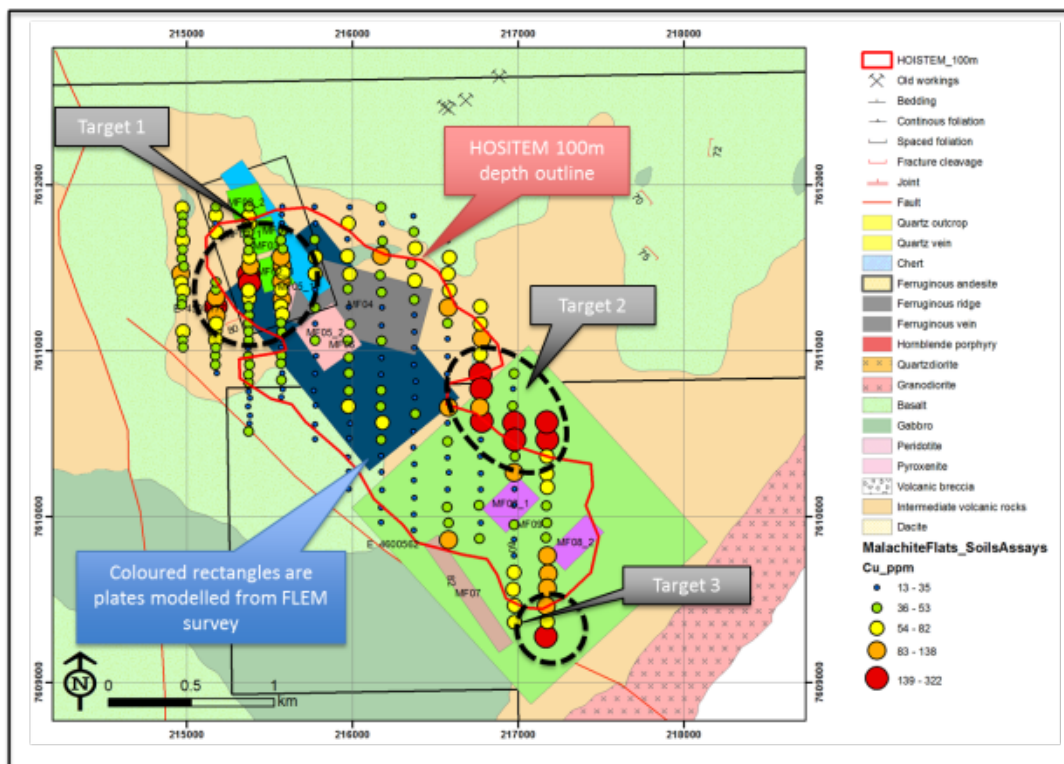
**Figure 3 - Location of HAZ Pilbara base metal and tungsten projects.**

At Copper Gorge, 13CGDD001 was drilled by HAZ in 2013 targeting a 2007 airborne HOISTEM anomaly and a structural-geological model. Logging indicated 60m thick breccia horizon (from 240m) with chalcopyrite-rich matrix, with 13m @ 0.35% Cu (from 257m, including 5m @ 0.7% Cu). The 3D modelling indicated that the breccia is on or in proximity to the NE-trending, steep normal fault. In the Copper Gorge area five plates were modelled relative to the DEM of the area. The fixed loop EM (FLEM) model indicated four targets with all the conductors interpreted as having large lateral extent and very low conductivity. The most prospective target is between two normal faults, at ~210 to~300m (about 50m to the SE from 13CGDD001) below surface (Figure 3). The area is marked by the modelled CG3 EM plate and HOSITEM anomaly, and has not been drill tested. The downhole EM (DHEM) detected the best EM signal at 155m and 230m. Both responses probably correspond to the logged black shale horizons. However, at about 240m is upper contact of the mineralised breccia in 13CGDD001. Modelling indicated the DHEM anomaly at about 15 to 20m off-hole to the SE. According to Spinifex Geophysics the anomaly shows good lateral extent and low conductivity, dipping shallowly to the NW.



**Figure 4 - Cross section of Copper Gorge showing modelled EM plates, downhole geology, interpreted faults and HOISTEM with new target area.**

In October 2014 GEM Geophysics and Spinifex Geophysics for HAZ completed a FLEM survey (three loops) at the Malachite Flats area. In October 2014, nine plates were modelled relative to the DEM of the area. According to Spinifex Geophysics all the conductors are interpreted as low conductivity and showing dispersion. Mutual interference between anomalies indicates that they are sourced from different segments of the same rock type (intermediate to mafic according to mapping). The modelled plates are shallow (15-150m below surface), except MF-07 which is 320m below surface (the lowermost segment of the plate).



**Figure 5 - Map of Malachite flats showing modelled EM plates with geology, soil sampling results and HOISTEM anomaly outline. Three target areas have been identified for follow up work.**

### Competent Person Statements - Mulgine Trench Deposit, Mulgine Hill Deposit & Big Hill Deposit

The information in this report that relates to Exploration targets, Exploration results, Data, QA/QC, Mineral Resources and Geology is based on information compiled by Julian Vearncombe BSc PhD FGS FSEG RPGeo who is also Fellow of the Australian Institute of Geoscientists. J. Vearncombe is a full-time employee of SJS Resource Management Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. J. Vearncombe consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate for the Mulgine Trench Deposit was prepared and first disclosed under the JORC code 2012 (refer ASX announcement dated 10 April 2014).

The Mineral Resource estimate for the Mulgine Hill Deposit was prepared and first disclosed under the JORC code 2004 (refer ASX announcement dated 1<sup>st</sup> March 2011). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since last reported.

The Mineral Resource estimate for the Big Hill Deposit was prepared and first disclosed under the JORC code 2004 (refer ASX announcement dated 26<sup>th</sup> March 2010). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since last reported.

## Directors' Report

---

The directors of Hazelwood Resources Limited present their report, together with the financial statements of the Consolidated Entity for the financial year ended 30 June 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### 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.

#### **Mark Warren BE MIEAUST CPENG**

##### **Executive Chairman – Appointed 8 September 2014**

Mr Warren is a mechanical engineer with over 30 years global experience in advisory, executive and technical roles in mining and metals businesses. He brings a breath of experience garnered from working across many commodities and many countries. Of importance to Hazelwood, Mark has experience in smelting and pyrometallurgical operations having commenced his career at the Kalgoorlie Nickel smelter and since been involved in research and development, design, construction and operation of various pyrometallurgical and smelting unit operations businesses including the management of a metals smelting business that was a successful turnaround story providing a profitable trade sale for its shareholders.

Mark is Managing Director at Optiro Pty Ltd, a well-regarded consulting and advisory firm where he has been providing independent corporate and strategic advice to Boards and executives of a number of successful listed mining companies. Mark is also the Deputy Chairman of Austmine Limited, the peak body dedicated to the advancement of The Australian Mining Equipment Technology and Services sector of Australia.

#### **Patrick Burke LLB**

##### **Non-Executive Director – Appointed 8 September 2014**

Mr Burke holds a Bachelor of Law degree from the University of Western Australia and has extensive legal, commercial and corporate advisory experience for ASX listed companies. He has acted as a Director for a number of ASX and AIM listed small to mid-cap resources companies over the past 10 years. His legal expertise is in corporate, commercial and securities law, with an emphasis on capital raisings and mergers and acquisitions. His corporate advisory experience includes identification and assessment of acquisition targets, strategic advice, structuring and pricing, negotiation, funding, due diligence and management of process. He contributes general commercial and legal skills along with a strong knowledge of the ASX requirements. He is currently a Non-Executive Director of ASX listed Monto Minerals Limited and Anatolia Energy Limited.

#### **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.

## Directors' Report Continued

---

**Terence Butler-Blaxell** BSc, GDipApFin, MBA, MAusIMM, FFin MAICD

**Executive Chairman (Acting) and Managing Director – Resigned 29 October 2014**

Mr Butler-Blaxell is a founding director of Hazelwood with over 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, and 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 2011. Terry resigned on 29 October 2014.

**Frank Ashe** B Com, CA

**Non-Executive Director – Resigned 26 November 2014**

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 performed non-executive duties for Bathurst Resources Ltd. Mr Ashe resigned on 26 November 2014.

### Company Secretaries

**John Chegwidden (see above)**

**Carol New** CA

**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 is a Chartered Accountant and is an Affiliate Member of the Governance Institute of Australia.

## Directors' Report Continued

### 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;

	Convertible Notes FV \$50,000	Convertible Notes FV \$25,000	Ordinary Shares	Options
Mr Mark Warren	1	-	-	85,000,000
Mr John Chegwidden <sup>1</sup>	1	-	30,939,737	17,000,000
Mr Patrick Burke	-	1	-	5,000,000

1. Mr Chegwidden is the Trustee of 4,000,000 ordinary shares held by Siren Mining Limited.

### Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this directors' report, on pages 17 to 21. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Consolidated Entity.

### 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 Warren	10	10
Mr Patrick Burke	10	10
Mr Terence Butler-Blaxell	2	2
Mr John Chegwidden	10	10
Mr Frank Ashe	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
Mark Warren	Nil	
J Chegwidden	3D Resources Limited Dourado Resources Limited	2006 – current 25/10/13 – 9/1/14
P Burke	Monto Minerals Limited Intercept Minerals Limited Anatolia Energy Limited Sirocco Energy Ltd Emergent Resources Limited Minerals Corporation Limited Fraser Range Metals Group Ltd WAG Limited	2009 - current 08/09/14 – 02/02/15 21/07/14 – current 23/07/09 – 23/12/13 01/04/13 – 31/05/14 17/02/11 – 02/12/13 14/03/11 – 05/02/13 20/12/06 – 23/05/13

## Directors' Report Continued

---

### Principal Activities

The principal activities of the Consolidated Entity during the year were production of ferrotungsten and exploration and evaluation of mineral exploration assets.

At the ATC Ferrotungsten Project in Vietnam, approximately 360 tonnes of Ferrotungsten was produced. From September 2014 Hazelwood reduced production in-line with falling prices and desire to balance spot sales with market demand.

The reduced production was undertaken profitably by taking advantage of reduced concentrate feedstock pricing and ensuring the product was sold promptly into the market. This planning to ensure profit is managed has been continued into the 2016 financial year.

Sales for the year were \$19.2 million, down 11% on the prior year.

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 distributes the product to customers in the steel industry. In line with new management strategy the Company has sought greater use of term sales contracts to mitigate against the past losses of holding product for spot market sales.

Exploration and evaluation work continued on the Australian mineral assets in the first quarter of the year but were significantly scaled back for the remainder of the year. Significant nickel and copper results were returned from exploration drilling at the Cookes Creek Project located in the East Pilbara of Western Australia. Results from exploration drilling at the Mt Mulgine Tungsten Project showed significant near-surface extensions to mineralisation.

### Review and Results of Operations

The operating loss after tax for the year ended 30 June 2015 was \$35,314,024 (2014: \$6,072,132). Exploration Carrying Values were impaired by \$23,544,076 based on a recent proposal for the acquisition of the tenement portfolio. The operating loss was also impacted by other one-off impairments to inventory values.

### Financial Position

The net assets of the Consolidated Entity have decreased from \$30,679,535 at 30 June 2014 to \$(2,054,080) at 30 June 2015. This decrease is largely due to the following factors:

- Decrease in cash reserves of \$(2,197,952);
- Decrease in inventory of \$(7,317,713)
- Increase in property, plant and equipment of \$104,866
- Increase in exploration expenditure of \$894,046
- Decrease in exploration carrying value \$(23,544,076)
- Decrease in receivables and other assets of \$(1,598,182)
- Increase in payables of \$(2,135,764)
- Increase in financial liabilities of \$(3,291,690)
- Decrease in unearned revenue of \$6,210,063
- Decrease in provisions of \$140,183

The Consolidated Entity's working capital, being current assets less current liabilities is \$(9,160,901) at 30 June 2015.

### Significant Changes in the State of Affairs

During the year there were no changes in the state of affairs of the Consolidated Entity other than those referred to elsewhere in this report of the financial statements or notes thereto.



## Directors' Report Continued

---

### Subsequent Events

Date	Event
8/07/2015	The Company lodged a prospectus for an Entitlements and Shortfall Offer to raise approximately \$11.6 million with a minimum subscription of \$6.5 million.
8/07/2015	The Company's shares were reinstated to official quotation.
31/07/2015	The results of the Extraordinary General Meeting were announced.
31/07/2015	4,310,800 Shares, 474,310,800 Options and 37 Convertible Notes with a Face Value of \$50,000 each and 2 Convertible Notes with a Face Value of \$25,000 each were issued.
31/07/2015	The Short-form Prospectus closing date was extended to 19 August 2015.
4/08/2015	The revised timetable for the Entitlements offer was released.
6/08/2015	Expiry of 5,000,000 Director options on 6 August 2015.
20/08/2015	30,703,562 Shares were issued on conversion of 3 Convertible Notes and in settlement of interest due on the Convertible Notes.
24/08/2015	The Entitlements Offer closed.
27/08/2015	10,092,055 Shares were issued on conversion of 1 Convertible Note and in settlement of interest due on the Convertible Note.
7/09/2015	The Company announced that its 60% owned ATC ferrotungsten operation had signed Long Term Contracts with three Japanese buyers.
11/09/2015	2 Convertible Notes with a Face Value of \$50,000 each and 20,000,000 Options were issued.
15/09/2015	Changes in Director's Interests were announced.
28/09/2015	The Company requested a Trading Halt while the extension of the forbearance period was renegotiated.
29/09/2015	The Company requested suspension of its securities to allow further time to renegotiate the terms of the forbearance period.
8/10/2015	3 Convertible Notes with a Face Value of \$50,000 each were issued.
23/10/2015	The Quarterly Activities and Cash Flow Report for the September quarter was released.
26/10/2015	Recapitalisation Plan - The Company will undertake a pro-rata renounceable entitlement issue to raise up to \$7.4 million at 0.1 cents per share. The Entitlement Issue is underwritten by GMP Securities Australia Pty Limited up to \$3.0 million. The Underwriting Agreement is the subject of several termination events which include: should the S&P/ASX200 Index or the S&P/ASX 300 Metals and Mining Index is at any time after the date of the Underwriting Agreement up until the closing date of the Entitlements Issue Offer, 10% or more below its respective level as at the close of trading on the Business Day prior to the date of the Underwriting Agreement, or the Prospectus is withdrawn.
26/10/2015	The Company has agreed to sell its Western Australian tungsten exploration projects to Tungsten Mining NL for a cash consideration of \$1.0 million and 5,000,000 fully paid ordinary shares (voluntary escrow 12 months) in Tungsten Mining NL. The sale is conditional upon Tungsten Mining completing due diligence.
26/10/2015	Siderian Resource Capital Limited agreed to extend the forbearance period to 30 June 2016 under a revised repayment schedule: US\$2.0 million following completion of the upcoming capital raising and the balance by 30 June 2016. The extension is also conditional on the lodgement of a prospectus and the provision of accounts for the September quarter and approval by Siderian of Hazelwood's budget for the period to 30 June 2016.
27/10/2015	To the date of this report \$1,120,000 has been received relating to convertible notes convertible at 0.1 cents per share.

## Directors' Report Continued

### Environmental Regulation

The Consolidated Entity 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.

### Future Developments

Information on the likely developments in the operation of the Consolidated Entity 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 Entity.

Following a year of rationalisation of the Company's asset values and cost base to reasonable levels in line with market, Hazelwood has commenced the 2016 year with its best forward order book at ATC and the company intends to focus on carefully building profitable operation as it continues to recapitalise the company to discharge prior debt and provide new working capital

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 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) as at 26 October 2015.

### Share Options

#### Unissued shares

As at the date of this report the Company had on issue the following options to acquire ordinary fully paid shares:

Description	Number	Exercise Price	Expiry Date	Grant Date
Ottomin Options	15,000,000	\$0.050	30/11/2015	29/11/2013
Siderian Fee Options	76,000,000	\$0.055	27/11/2016	27/05/2014
Placement Options	21,428,572	\$0.055	27/11/2016	27/05/2014
Consultant Options	35,000,000	\$0.055	27/11/2016	27/05/2014
Placement Options	7,142,860	\$0.055	27/11/2016	17/06/2014
Placement Options	78,846,667	\$0.015	9/03/2017	10/3/2015
Fee options	4,310,800	\$0.015	9/03/2017	31/07/2015
Convertible Note Options	380,000,000	\$0.015	9/03/2017	31/07/2015
Termination Options	15,000,000	\$0.0116	31/07/2018	31/07/2015
Director Options	75,000,000	\$0.015	31/07/2019	31/07/2015
Convertible Note Options	20,000,000	\$0.015	9/03/2017	9/09/2015
<b>Total</b>	<b>727,728,899</b>			

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.

## Directors' Report Continued

### 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 - Audited

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 2015. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of key management personnel
- Key terms of executive service agreements or consultancy agreements

### Key management personnel

The directors and other key management personnel of the Consolidated Entity during or since the end of the financial year were:

Mr M Warren (Non-Executive Chairman) – appointed 8 September 2014  
Mr P Burke (Non- Executive Director) – appointed 8 September 2014  
Mr J Chegwidde (Non-Executive Director & Joint Company Secretary)  
Mr T Butler-Blaxell (Managing Director) – resigned 29 October 2014  
Mr F Ashe (Non-Executive Director) – resigned 26 November 2014  
Chen Guang Yu (Director Asia Tungsten Products Co. Limited, Hong Kong)  
Ms C New (Joint Company Secretary)  
Mr M McQuade (Chief Operations Officer)

### Company performance, shareholder wealth and key management personnel remuneration

The Company's remuneration policy has been designed to align key management personnel 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 key management personnel 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 Entity's earnings and movements in shareholder wealth for the four years to 30 June 2015:

Consolidated	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Revenue	19,272,701	21,445,821	875,127	95,639	221,484
Net loss before tax	(35,314,024)	(6,072,132)	(6,633,114)	(6,344,956)	(7,133,509)
Net loss after tax	(35,314,024)	(6,072,132)	(6,633,114)	(6,344,956)	(7,133,509)
Share price at start of year	\$0.04	\$0.02	\$0.08	\$0.14	\$0.19
Share price at end of year	\$0.02	\$0.04	\$0.02	\$0.08	\$0.14
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share (cents)	(2.61)	(0.48)	(0.83)	(2.41)	(3.00)

## Directors' Report Continued

---

### **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 key management personnel remuneration packages it is envisaged that as the Consolidated Entity further progresses, consideration will be given to this component of remuneration.

### **Remuneration of key management personnel**

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 2014 and ending 30 June 2015 based on the following agreements.

### **Key terms of employment contracts**

#### **Consultancy Agreement and Additional Services Agreement with Mr Mark Warren**

The Company entered into a Consultancy Agreement with Mark Warren on 8 September 2014 whereby Mark would be paid director's fees of \$60,000 per annum until terminated, and receive, subject to shareholder approval, 10,000,000 Options, each to acquire 1 ordinary share in the Company, exercisable at 145% of the closing price of the Company's ordinary shares on the date of grant on or before the 3<sup>rd</sup> anniversary of the date of grant.

The Company also entered in an Additional Services agreement with Mark Warren on 1 September 2014 whereby Mark is required to work a minimum of 13 days per month, at a rate of \$1,650 per day exclusive of GST, until such time as this contract is terminated. All reasonable expenses incurred in performing the consultancy services are reimbursed.

#### **Non-executive Director and Consultancy Agreement with Mr Patrick Burke**

The Company entered into a Non-executive Director and Consultancy agreement with Patrick Burke on 8 September 2014 whereby Patrick would be paid director's fees of \$60,000 per annum until terminated, and receive, subject to shareholder approval, 7,500,000 Options, each to acquire 1 ordinary share in the Company, exercisable at 145% of the closing price of the Company's ordinary shares on the date of grant on or before the 3<sup>rd</sup> anniversary of the date of grant. The fee for consultancy services is determined at the time of the engagement.

#### **Executive Services Agreement with Mr John Chegwidzen**

The Company and its 60% owned subsidiary Asia Tungsten Products Co Limited ("ATCHK") entered into an Executive Services Agreement with John Chegwidzen on 1 May 2010 in relation to his appointment as Inspector of ATCHK and Inspector of Asia Tungsten Products Vietnam Limited. This agreement expired on 1 May 2015. Mr Chegwidzen holds a non-executive director position with Hazelwood Resources Ltd. Mr Chegwidzen does however offer consulting services through Ausnom Pty Ltd, refer Note 29.

#### **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, for a term of 5 years, in relation to his appointment as a President of ATCHK and President of Asia Tungsten Products Vietnam Limited. Mr Chen's executive services agreement expired on 1 May 2015 and is being renegotiated.

## Directors' Report Continued

### 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 other key management personnel

#### 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

Martin's terms of employment are the subject of renegotiation as his employment agreement has expired.

### Key management personnel compensation disclosures

Key management personnel are remunerated under the terms of executive services agreements (ESA) or consultancy agreements. Total remuneration obligation is detailed on the following table:

2015	Short-term Benefits <sup>1</sup>				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related	
	Key Management Person	Salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options	\$	%	
M Warren <sup>1</sup>	\$ 381,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 381,325	-	-
P Burke <sup>2</sup>	93,833	-	-	-	-	-	-	-	-	93,833	-	-
J Chegwidden <sup>3*</sup>	122,128	-	-	-	-	-	-	105,000	-	227,128	-	-
T Butler-Blaxell <sup>4*</sup>	553,560	-	-	-	31,350	-	-	-	-	584,910	-	-
F Ashe <sup>*</sup>	25,000	-	-	-	2,375	-	-	-	-	27,375	-	-
C New <sup>5</sup>	202,400	-	-	-	-	-	-	-	-	202,400	-	-
M McQuade <sup>*</sup>	234,375	-	-	-	22,265	-	-	-	-	256,640	-	-
Chen Guang Yu <sup>6 *</sup>	509,242	-	-	-	-	-	-	46,000 <sup>*</sup>	-	555,242	-	-
	2,121,863	-	-	-	55,990	-	-	151,000	-	2,328,853		

<sup>1</sup> Includes accruals of \$202,540 representing unpaid amounts due under Consulting Agreement

<sup>2</sup> Includes accruals of \$62,273 representing unpaid amounts due under Consulting Agreement

<sup>3</sup> Includes accruals of \$93,033 representing unpaid amounts due under ESA

<sup>4</sup> Includes accruals of \$213,121 representing unpaid amounts due under ESA and Deed of Release

<sup>5</sup> Includes accruals of \$26,800 representing unpaid amounts due under Consulting Agreement

<sup>6</sup> Includes accruals of \$297,008 representing unpaid amounts due under ESA

\* Short-term benefits are shown on an accrual basis.

+ Incentive payment for practical completion of plant

## Directors' Report Continued

### Key management personnel compensation disclosures continued

2014 Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options	\$	%	%
J Chegwidden *	\$ 252,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,866	-	-
T Butler-Blaxell * +	516,917	-	-	-	25,000	-	-	-	541,917	-	34.5
F Ashe*	60,000	-	-	-	5,550	-	-	-	65,550	-	-
C New	194,800	-	-	-	-	-	-	-	194,800	-	-
M McQuade*	249,999	-	-	-	23,124	-	-	-	273,123	-	-
Chen Guang Yu *	360,086	-	-	-	-	-	-	-	360,086	-	-
	<b>1,634,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,674</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,688,342</b>		

\* Short-term benefits are shown on an accrual basis.

+ Includes cash bonus paid during the period of \$186,916.

### Key management equity holdings

#### Options

Options over ordinary shares held by key management personnel at balance date are:

30 June 2015	Balance at beginning of period	Granted as remuneration	Exercised/ Expired	Net Change Other	Balance at end of period	Options vested at 30 June 2015
J Chegwidden	2,000,000	-	-	7,000,000	9,000,000	9,000,000
M McQuade	-	-	-	666,667	666,667	666,667
T Butler-Blaxell	1,000,000	-	-	-	1,000,000	1,000,000

30 June 2014	Balance at beginning of period	Granted as remuneration	Exercised/ Expired	Net change	Balance at end of period	Options vested at 30 June 2014
J Chegwidden	2,000,000	-	-	-	2,000,000	2,000,000
T Butler-Blaxell	1,000,000	-	-	-	1,000,000	1,000,000
M McQuade	200,000	-	(200,000)	(200,000)	-	-
C New	200,000	-	(200,000)	(200,000)	-	-

## Directors' Report Continued

### Shareholdings

Shares held by key management personnel at balance date are:

	Balance 1 July 2014	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2015
Mr J Chegwiddden <sup>1</sup>	21,949,737	7,000,000	-	2,000,000	30,949,737
Mr T Butler-Blaxell <sup>2</sup>	15,762,517	-	-	-	15,762,517
Mr T Butler-Blaxell <sup>2</sup>	4,000,000	-	-	-	4,000,000
Mr F Ashe <sup>3</sup>	7,894,736	-	-	-	7,894,736
Mr M McQuade	8,649,135	666,667	-	-	9,315,802
Ms C New	2,291,623	-	-	-	2,291,623
Mr G Chen	-	2,000,000	-	-	2,000,000

1. Mr Chegwiddden is the Trustee of 4,000,000 ordinary shares held by Siren Mining Limited.
2. Shares held at date of resignation on 29 October 2014
3. Shares held at date of resignation on 26 November 2014

	Balance 1 July 2013	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2014
Mr T Butler-Blaxell	15,367,781	-	-	394,736	15,762,517
Mr J Chegwiddden	21,555,001	-	-	394,736	21,949,737
Mr T Butler-Blaxell <sup>1</sup>	4,000,000	-	-	-	4,000,000
Mr F Ashe	7,500,000	-	-	394,736	7,894,736
Mr M McQuade	8,517,556	-	-	131,579	8,649,135
Ms C New	2,160,044	-	-	131,579	2,291,623
Mr Chen Guang Yu	4,000,000	-	-	(4,000,000)	-

1. Terence Butler-Blaxell has a beneficial interest in 4,000,000 ordinary shares held by Siren Mining Limited.

### Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Consolidated Entity and other related parties are disclosed below:

### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 29 to the financial statements.

### Shareholder Loan Joint Venture Partner

Mr Chen Guang Yu holds a 40% interest in the Asia Tungsten Products Group. The balance of Mr Chen's loan account at 30 June 2015 is: Principal \$3,473,694, Interest \$1,081,165 refer Note 14 and 11.

### Contracts for services

Consultancy agreements on commercial terms are entered into for non-executive directors and other non-salaried key management 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
Ausnom Pty Ltd	Mr J Chegwiddden	132,000	Consulting fees
Ausnom Pty Ltd	Mr J Chegwiddden	38,000	Director fees
Ibiz Global Pty Ltd	Mr M Warren	332,475	Consulting fees
Ibiz Global Pty Ltd	Mr M Warren	48,850	Director fees
New Consulting Services Pty Ltd	Ms C New	202,400	Consulting fees
Rowan Hall Pty Ltd	Mr P Burke	45,000	Consulting fees
Rowan Hall Pty Ltd	Mr P Burke	48,833	Director fees

### End of Remuneration Report

## Directors' Report Continued

---

### 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.

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

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 68.

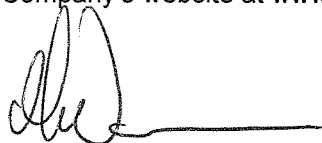
This Director's Report incorporating the Remuneration Report is signed in accordance with a resolution of the Directors.

### Corporate Governance

The directors of Hazelwood Resources Limited are committed to maintaining high standards of corporate governance. To the extent they are applicable the Company has adopted the ASX Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition as published by ASX Corporate Governance Council.

Good corporate governance practices will evolve with the changing circumstances of a company and must be tailored to meet those circumstances.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.hazelwood.com.au](http://www.hazelwood.com.au).



**Mark Warren**  
**Chairman**

Perth, 27 October 2015



## Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Revenue</b>			
Sales	2	19,272,701	21,445,821
Cost of sales		(18,486,662)	(20,629,300)
<b>Gross Profit</b>		<u>786,039</u>	<u>816,521</u>
<b>Other income</b>			
Interest	2	4,679	11,295
Profit on sale of asset		11,930	-
FX gains	2	1,336	89,200
<b>Total revenue and other income</b>		<u>803,984</u>	<u>917,016</u>
Administration expenses		(854,114)	(683,725)
Consulting expenses		(1,367,292)	(1,703,300)
Director fees and salaries		(1,751,806)	(960,670)
Financing costs		(1,129,750)	(1,403,992)
FX losses - realised		(65,254)	-
FX losses - unrealised		(986,000)	-
Legal and professional expenses		(274,318)	(219,065)
Depreciation		(106,898)	(169,319)
Impairment of assets		(474,314)	(51,536)
Inventory write down		(3,085,923)	-
Provision for non-recovery		(838,933)	-
Marketing expenses		(153,684)	(80,213)
Travel and accommodation		(180,307)	(467,203)
Occupancy expenses		(206,038)	(162,812)
Employment expenses		(1,099,301)	(1,086,575)
Exploration written off		(23,544,076)	(738)
<b>Loss before income tax</b>		<u>(35,314,024)</u>	<u>(6,072,132)</u>
Income tax (expense)/benefit	4	-	-
<b>Loss for the year</b>		<u>(35,314,024)</u>	<u>(6,072,132)</u>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Exchange differences on translating foreign operations		1,487,532	(52,923)
<b>Total comprehensive income for the year</b>		<u>(33,826,492)</u>	<u>(6,125,055)</u>
Loss for the year attributable to:			
Members of the parent entity		(32,629,295)	(5,248,794)
Non-controlling interest		(2,684,729)	(823,338)
		<u>(35,314,024)</u>	<u>(6,072,132)</u>
Total comprehensive income attributable to:			
Members of the parent entity		(29,937,410)	(5,609,175)
Non-controlling interest		(3,889,082)	(515,880)
		<u>(33,826,492)</u>	<u>(6,125,055)</u>
<b>Earnings per share (cents per share)</b>			
Basic loss per share	19	(2.61)	(0.48)

The above statement of consolidated profit or loss and other comprehensive income should be read in conjunction with the attached notes.

## Consolidated Statement of Financial Position As At 30 June 2015

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	688,430	2,886,382
Trade and other receivables	6	185,026	622,265
Inventories	9	4,043,276	11,360,989
Other assets	7	360,158	1,521,101
<b>Total current assets</b>		<b>5,276,890</b>	<b>16,390,737</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	5,906,821	5,801,955
Exploration and evaluation	10	1,200,000	23,847,426
<b>Total non-current assets</b>		<b>7,106,821</b>	<b>29,649,381</b>
<b>TOTAL ASSETS</b>		<b>12,383,711</b>	<b>46,040,118</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	3,960,534	1,824,770
Provisions	12	99,210	239,393
Deferred revenue	13	30,753	6,240,816
Financial liabilities	14	10,347,294	4,237,600
<b>Total current liabilities</b>		<b>14,437,791</b>	<b>12,542,579</b>
<b>Non-current liabilities</b>			
Financial liabilities	15	-	2,818,004
<b>Total non-current liabilities</b>		<b>-</b>	<b>2,818,004</b>
<b>TOTAL LIABILITIES</b>		<b>14,437,791</b>	<b>15,360,583</b>
<b>Net assets/(liabilities)</b>		<b>(2,054,080)</b>	<b>30,679,535</b>
<b>Equity</b>			
Issued capital	16	62,728,007	61,635,130
Reserves	17	4,337,093	1,645,208
Accumulated losses		(62,475,370)	(29,846,075)
Parent interest		4,589,730	33,434,263
Non-controlling interests		(6,643,810)	(2,754,728)
<b>TOTAL EQUITY</b>		<b>(2,054,080)</b>	<b>30,679,535</b>

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 2015

	Members of parent entity			Attributable to owners of the parent	Non- controlling Interests	Total Equity
	Issued Capital	Reserves	Accumulated Losses			
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	54,255,066	1,452,929	(24,968,644)	30,739,351	(2,238,848)	28,500,503
Loss for the year	-	-	(5,248,794)	(5,248,794)	(823,338)	(6,072,132)
Other comprehensive income, net of income tax						
FX translation differences	-	(360,381)	-	(360,381)	307,458	(52,923)
<b>Total comprehensive income</b>	-	(360,381)	(5,248,794)	(5,609,175)	(515,880)	(6,125,055)
<b>Transaction with owner, directly recognised in equity</b>						
Issues of shares	7,907,000	-		7,907,000	-	7,907,000
Cost of share issues	(526,936)	-		(526,936)	-	(526,936)
Options expired	-	(371,363)	371,363	-	-	-
Share based payments	-	924,023	-	924,023	-	924,023
<b>Balance at 30 June 2014</b>	<b>61,635,130</b>	<b>1,645,208</b>	<b>(29,846,075)</b>	<b>33,434,263</b>	<b>(2,754,728)</b>	<b>30,679,535</b>
<b>Balance at 1 July 2014</b>	61,635,130	1,645,208	(29,846,075)	33,434,263	(2,754,728)	30,679,535
Loss for the year	-	-	(32,629,295)	(32,629,295)	(2,684,729)	(35,314,024)
Other comprehensive income, net of income tax						
FX translation differences	-	2,691,885	-	2,691,885	(1,204,353)	1,487,532
<b>Total comprehensive income</b>	-	2,691,885	(32,629,295)	(29,937,410)	(3,889,082)	(33,826,492)
<b>Transaction with owner, directly recognised in equity</b>						
Issues of shares	1,261,700	-		1,261,700	-	1,261,700
Cost of share issues	(168,823)	-		(168,823)	-	(168,823)
Options expired	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>62,728,007</b>	<b>4,337,093</b>	<b>(62,475,370)</b>	<b>4,589,730</b>	<b>(6,643,810)</b>	<b>(2,054,080)</b>

The above consolidated statement of changes in equity should be read in conjunction with the attached notes.

## Consolidated Statement of Cash Flow For The Year Ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		12,984,930	26,447,629
Payments to suppliers and employees		(16,132,137)	(32,361,196)
Payments for deferred exploration		(920,086)	(1,649,685)
Interest and other income received		4,679	11,295
<b>Net cash used in operating activities</b>	<b>24(c)</b>	<b>(4,062,614)</b>	<b>(7,551,957)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(119,229)	(297,700)
Proceeds from sale of asset		41,281	-
<b>Net cash used in investing activities</b>		<b>(77,948)</b>	<b>(297,700)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity securities		1,077,700	7,907,000
Payments for share issue costs		-	(526,936)
Proceeds from borrowings		1,650,000	7,826,800
Repayment of borrowings		-	(5,600,000)
Financing costs		(238,597)	(510,261)
Interest expense		(578,355)	(90,211)
<b>Net cash (used in)/provided by financing activities</b>		<b>1,910,748</b>	<b>9,006,392</b>
Net increase in cash and cash equivalents		(2,229,814)	1,156,735
Cash and cash equivalents at beginning of period		2,886,382	1,734,858
Effects of exchange rate changes on the balance of cash held in foreign currencies		31,862	(5,211)
<b>Cash and cash equivalents at end of period</b>	<b>24(a)</b>	<b>688,430</b>	<b>2,886,382</b>

The above consolidated cash flow statement should be read in conjunction with the attached notes.

# Notes to the Consolidated Financial Statements

## For The Year Ended 30 June 2015

---

### 1. Significant accounting policies

#### 1.1 Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS'). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements comprise the consolidated financial statements and notes of Hazelwood Resources Limited ("the Parent Entity") and controlled entities ('Consolidated Entity' 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 26 October 2015.

#### 1.2 Basis of preparation

This financial report has been prepared on an accruals basis and is based on historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally 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 \$35,314,024 for the year ended 30 June 2015 (2014: loss of \$6,072,132).

The net working capital deficit of the Consolidated Entity at 30 June 2015 was \$9,160,901 (2014: working capital surplus of \$3,848,158) and the net cash outflows from operating activities during the year was \$4,062,614 (2014: \$7,551,957).

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 US\$4 million Siderian loan and achieving one or more of the following objectives: raising additional share capital; developing, joint venturing or selling one or more of its non-core assets or other assets; and the successful production and sale of Ferrotungsten. 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 have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- Ferrotungsten production through the Vietnam plant will be undertaken to meet demand for the product and delivery into long-term contracts and is forecast to generate positive gross margins;
- Siderian Resource Capital Limited has extended the forbearance period to 30 June 2016 under a revised repayment schedule: US\$2.0 million following completion of the upcoming capital raising and the balance by 30 June 2016. The extension is also conditional on the lodgement of a prospectus and the provision of accounts for the September quarter and approval by Siderian of Hazelwood's budget for the period to 30 June 2016;

# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

## 1. Significant accounting policies continued

- Additional funds are being raised through a partly underwritten Rights Entitlement offer, with the prospectus expected to be lodged with the ASX and ASIC within the next 7 days, for a maximum of \$7.4 million at 0.1 cents per share. The entitlement issue is underwritten by GMP Securities Australia Pty Limited up to \$3.0million. The Underwriting Agreement is the subject of several termination events which include: should the S&P/ASX200 Index or the S&P/ASX 300 Metals and Mining Index at any time after the date of the Underwriting Agreement up until the closing date of the Entitlements Issue Offer, 10% or more below its respective level as at the close of trading on the Business Day prior to the date of the Underwriting Agreement, or the Prospectus is withdrawn;
- At the date of this report, the Company is not in receipt of any statutory demands from its creditors;
- At 30 June 2015 amounts owing to George Chen amounted to \$3,473,694 and an additional \$1,081,165 in accrued interest. In accordance with the incorporated joint venture and shareholder agreement between George Chen, Hazelwood Resources Limited and Asia Tungsten Products Co., Limited the repayment of the Hazelwood loans and interest from Asia Tungsten Products Co., Limited takes precedence over the repayment of the shareholder loan provided by Joint Venture partner George Chen. As such it is the Directors expectation that repayment of this loan will not occur within the next 12 months from the date of this report;
- The Directors have agreed to sell its Western Australian tungsten exploration projects to Tungsten Mining NL for a cash consideration of \$1.0 million and 5,000,000 fully paid ordinary shares (voluntary escrow 12 months) in Tungsten Mining NL. The sale is conditional upon Tungsten Mining completing due diligence; and
- The entity plans to raise \$1.12 million in convertible notes of which \$1.12 million has been received.

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.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### 1.3 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 Consolidated Entity' 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 Consolidated Entity. In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the Consolidated Entity 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 profit or loss and other 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.

### 1.4 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.

# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

## 1. Significant accounting policies continued

### 1.5 Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

#### Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied;

- the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Consolidated Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Consolidated Entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Consolidated Entity and the amount of revenue can be measured reliably. Interest income 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.

### 1.6 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 (i.e. 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.

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.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

### 1. Significant accounting policies continued

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 profit or loss and other comprehensive income.

#### 1.7 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.

#### 1.8 Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.



## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 1. Significant accounting policies continued

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The group has applied the "stand-alone taxpayer approach" in determining the appropriate amount of current taxes to allocate to members of the tax consolidation group. The tax funding agreement provides each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

The deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112.

#### 1.9 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.

#### 1.10 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.

#### 1.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

## 1. Significant accounting policies continued

### 1.12 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.

#### 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 by 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 Entity 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.

# Notes to the Consolidated Financial Statements

## For The Year Ended 30 June 2015

---

### 1. Significant accounting policies continued

#### 1.13 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.

#### 1.14 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 28.

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.

#### 1.15 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.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

### 1. Significant accounting policies continued

#### 1.16 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.

#### 1.17 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 1.18. 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.

# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

## 1. Significant accounting policies continued

### 1.18 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).

### 1.19 Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### **Valuation techniques**

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

### 1. Significant accounting policies continued

#### 1.19 Fair Value of Assets and Liabilities continued

##### *Valuation techniques continued*

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

##### *Fair value hierarchy*

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

##### *Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

##### *Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

##### *Level 3*

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

## 1. Significant accounting policies continued

### 1.20 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.

### 1.21 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.

### 1.22 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 1.17.

#### *Key Judgements – Furnace Liner*

The Company undertook an assessment of the furnace ferrotungsten liner and it was determined that only 20 tonnes of ferrotungsten material was required to line the furnace and to maintain the furnace in an operable state. The ferrotungsten material in excess of the required 20 tonnes has been treated as inventory.

#### *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 28.

#### *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.

#### *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.

# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

## 1. Significant accounting policies continued

### 1.23 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.

#### 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.

#### 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.



# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

## 1. Significant accounting policies continued

### 1.24 Foreign Currency Transactions and Balances

#### Functional and presentation currency

The functional currency of each of the Consolidated Entity'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.

#### Group companies

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity'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 other comprehensive income in the period in which the operation is disposed.

### 1.25 Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

# Notes to the Consolidated Financial Statements

## For The Year Ended 30 June 2015

---

### 1. Significant accounting policies continued

#### 1.26 Application of new and revised Accounting Standards

##### **Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)**

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements:

##### Standards affecting presentation and disclosure

- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

- AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'

This standard makes amendment to AASB 10148 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

- AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in the Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

### 1. Significant accounting policies continued

#### 1.26 Application of new and revised Accounting Standards continued

##### **Standards and Interpretations affecting amounts reported in the current period (and/or prior periods) continued**

##### Standards and Interpretations affecting the reported results or financial position

- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Account Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instruments items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see notes 22, 23 and 42 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

# Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

## 1. Significant accounting policies continued

### 1.26 Application of new and revised Accounting Standards continued

#### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

When an entity has not applied a new Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

- (a) this fact; and
- (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Accounting Standard will have on the entity's financial report in the period of initial application.

In complying with the requirements above, an entity considers disclosing:

- (a) the title of the new Accounting Standard;
- (b) the nature of the impending change or changes in accounting policy;
- (c) the date by which application of the Accounting Standard is required;
- (d) the date as at which it plans to apply the Accounting Standard initially; and
- (e) either:
  - i. a discussion of the impact that initial application of the Accounting Standard is expected to have on the entity's financial report; or
  - ii. if that impact is not known or reasonably estimable, a statement to that effect.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards <sup>1</sup>	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017

<sup>1</sup> The AASB has issued the following versions of AASB 9:

- AASB 9 'Financial Instruments' (December 2009) and the relevant amending standard;
- AASB 9 'Financial Instruments' (December 2010) and the relevant amending standards;
- AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments
- AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards

All the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015.

After this date only AASB 9 (December 2014) can be early adopted.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 1. Significant accounting policies continued

#### 1.26 Application of new and revised Accounting Standards continued

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

The Consolidated Entity has not elected to early adopt any new Standards and Interpretations. The Consolidated Entity is in the process of determining the impact of the above on its financial statements.

#### 1.27 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

	2015 \$	2014 \$
Revenue from sale of goods	19,272,701	21,445,821
Interest received	4,679	11,295
Profit on sale of asset	11,930	-
Other income	1,336	89,200
Total	19,290,646	21,546,316

### 3. Expenses

	2015 \$	2014 \$
Depreciation and amortisation – COGS	888,199	510,253
Depreciation and amortisation - Expensed	236,328	169,319
Total	1,124,527	679,572

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2014

### 4. Income Tax Expense

Major components of income tax expense for the years ended 30 June 2015 and 30 June 2014 are:

	2015	2014
<b>Income statement</b>		
<i>Current income</i>		
Current income tax charge	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense (benefit) reported in income statement	<u>-</u>	<u>-</u>

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 2014 and 30 June 2013 is as follows:

Accounting loss before income tax	<u>(35,314,024)</u>	<u>(6,072,132)</u>
At the statutory income tax rate of 30% (2014: 30%)	(10,594,208)	(1,821,639)
Add:		
Non-deductible expenses	74,462	320,457
Temporary differences and tax losses not brought to account as a deferred tax asset	<u>10,519,746</u>	<u>1,501,182</u>
At effective income tax rate of 0% (2014: 0%)	<u>-</u>	<u>-</u>
Income tax expense reported in income statement	<u>-</u>	<u>-</u>

### Tax consolidation

The company and its 100% owned controlled entities formed a tax Consolidated Entity with effect from 1 October 2006. The head entity within the tax Consolidated Entity is Hazelwood Resources Ltd with the only other member at 30 June 2015 being BigHill Resources Limited.

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	\$	\$	\$	\$	\$	\$
Cash Assets	(7,507)	(1,622)	-	-	(7,507)	(1,622)
Prepayments	-	-	8,549	9,042	8,549	9,042
Accrued Liabilities	(25,143)	(11,910)	-	-	(25,143)	(11,910)
Other Financial Assets	(152,473)	-	-	-	(152,473)	-
Accrued Income	-	-	724,967	453,556	724,967	453,556
Capital Raising Costs	(261,199)	(336,702)	-	-	(261,199)	(336,702)
Employee Entitlements	(29,763)	(71,818)	-	-	(29,763)	(71,818)
Property Plant and Equipment	-	-	6,568	31,417	6,568	31,417
Borrowing Costs	(33,737)	(74,413)	-	-	(33,737)	(74,413)
Exploration Expenditure	-	-	(460,893)	6,329,532	(460,893)	6,329,532
Loans	-	-	121,326	79,928	121,326	79,928
Tax Losses	-	(6,407,010)	-	-	-	(6,407,010)
<i>Tax (assets) liabilities</i>	<u>(509,822)</u>	<u>(6,903,475)</u>	<u>400,517</u>	<u>6,903,475</u>	<u>(109,305)</u>	<u>-</u>
Offset of tax	509,822	6,903,475	(400,517)	(6,903,475)	109,305	-
<i>Net tax (assets) liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 4. Income Tax Expense continued

Movement in temporary differences during the year	Balance 1 July 2013	Recognised in Income	Recognised in Equity	Balance 30 June 2014
Cash Assets	1,685	(3,307)	-	(1,622)
Prepayments	10,118	(1,076)	-	9,042
Accrued Liabilities	(21,509)	9,599	-	(11,910)
Accrued Income	268,543	185,013	-	453,556
Capital Raising Costs	(362,888)	26,186	-	(336,702)
Employee Entitlements	(57,346)	(14,472)	-	(71,818)
Property Plant and Equipment	34,227	(2,810)	-	31,417
Borrowing Costs	(85,574)	11,161	-	(74,413)
Exploration Expenditure	5,773,244	556,288	-	6,329,532
Loans	12,095	67,833	-	79,928
Tax Losses	(5,572,595)	(834,415)	-	(6,407,010)
	-	-	-	-

Movement in temporary differences during the year	Balance 30 June 2014	Recognised in Income	Recognised in Equity	Balance 30 June 2015
Cash Assets	(1,622)	(5,885)	-	(7,507)
Prepayments	9,042	(493)	-	8,549
Accrued Liabilities	(11,910)	(13,233)	-	(25,143)
Other Financial Assets	-	(152,473)	-	(152,473)
Accrued Income	453,556	271,411	-	724,967
Capital Raising Costs	(336,702)	24,856	50,647	(261,199)
Employee Entitlements	(71,818)	42,055	-	(29,763)
Property Plant and Equipment	31,417	(24,849)	-	6,568
Borrowing Costs	(74,413)	40,676	-	(33,737)
Exploration Expenditure	6,329,532	(6,790,425)	-	(460,893)
Loans	79,928	41,398	-	121,326
Tax Losses	(6,407,010)	6,566,962	(50,647)	109,035
	-	-	-	-

Unrecognised deferred tax assets	2015	2014
Deferred tax assets have not been recognised in respect of the following items	\$	\$
Capital Raising Costs	(122,265)	(122,265)
Tax Losses	(15,349,049)	(7,277,812)
	<u>(15,471,314)</u>	<u>(7,400,077)</u>

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.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

	2015 \$	2014 \$
<b>5. Cash and cash equivalents</b>		
Cash at bank and on hand	688,430	2,886,382

The weighted average interest rate for the year was 2.4% (2014: 2.4%); these deposits have an average maturity of 365 days.

### 6. Trade and other receivables

The Group does not have any material credit risk exposure to any receivable.

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transactions. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past Due And Impaired	Past due but not impaired (days overdue)			Within Initial trade terms
			<30	31 – 60	61 – 90	
	\$	\$	\$	\$	\$	\$
<b>2015</b>						
Trade and term receivables	52,969	-	-	-	-	52,969
Other receivables	132,057	-	-	-	-	132,057
	185,026	-	-	-	-	185,026
<b>2014</b>						
Trade and term receivables	89,355	-	-	-	-	89,355
Other receivables	532,910	-	-	-	-	532,910
	622,265	-	-	-	-	622,265

	2015 \$	2014 \$
<b>7. Other assets</b>		
<u>Current</u>		
Prepayments	290,095	1,414,236
Other assets	70,063	106,865
	360,158	1,521,101

For personal use only



**Notes to the Consolidated Financial Statements  
For The Year Ended 30 June 2015**

**8. Property Plant and Equipment**

	Office Furniture & Equipment \$	Computer Equipment \$	Plant \$	Vehicles \$	Buildings \$	Other Equipment	Construction Work in Progress \$	Leasehold Land & Improve- ments \$	TOTAL \$
<b>Cost Carrying Amount</b>									
Balance at 30 June 2013	274,588	403,367	5,672,045	296,974	55,947	566,948	-	2,812,518	10,082,387
Additions	4,269	25,870	142,884	-	-	115,617	9,060	-	297,700
Disposals	-	-	(256,186)	-	-	(94,042)	-	-	(350,228)
Disposal – Liner Surplus*	-	-	(1,825,558)	-	-	-	-	-	(1,825,558)
FX Adjustment	(117)	1,278	(157,988)	(1,955)	-	(13,794)	-	(78,582)	(251,158)
Balance at 30 June 2014	278,740	430,515	3,575,197	295,019	55,947	574,729	9,060	2,733,936	7,953,143
Additions	3,559	11,437	63,151	-	-	30,489	55,149	-	163,785
Disposals	(229,898)	(122,108)	(35,500)	(64,407)	-	-	(66,317)	-	(518,230)
FX Adjustment	881	438	549,955	12,427	-	75,134	2,108	522,919	1,163,862
<b>Balance at 30 June 2015</b>	<b>53,282</b>	<b>320,282</b>	<b>4,152,803</b>	<b>243,039</b>	<b>55,947</b>	<b>680,352</b>	<b>-</b>	<b>3,256,855</b>	<b>8,762,560</b>
<b>Accumulated Depreciation and Impairment</b>									
Balance at 30 June 2013	207,667	278,556	521,434	176,043	5,843	45,935	-	236,138	1,471,616
Depreciation expense	20,439	9,259	351,566	41,042	1,398	108,730	-	147,138	679,572
Balance at 30 June 2014	228,106	287,815	873,000	217,085	7,241	154,665	-	383,276	2,151,188
Impairment losses	-	129,430	344,884	-	-	-	-	-	474,314
Depreciation expense	18,485	9,991	288,250	34,314	1,398	144,344	-	153,431	650,213
Adjustment for disposals	(200,417)	(119,652)	(35,500)	(64,407)	-	-	-	-	(419,976)
<b>Balance at 30 June 2015</b>	<b>46,174</b>	<b>307,584</b>	<b>1,470,634</b>	<b>186,992</b>	<b>8,639</b>	<b>299,009</b>	<b>-</b>	<b>536,707</b>	<b>2,855,739</b>
<b>Net Book Value</b>									
As at 30 June 2014	50,634	142,700	2,702,197	77,934	48,706	420,064	9,060	2,350,660	5,801,955
<b>As at 30 June 2015</b>	<b>7,108</b>	<b>12,698</b>	<b>2,682,169</b>	<b>56,047</b>	<b>47,308</b>	<b>381,343</b>	<b>-</b>	<b>2,720,148</b>	<b>5,906,821</b>

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 8.1 Impairment losses recognised in the year

During the year, the Group carried out a review of the recoverable amount of the computer software which led to the recognition of an impairment loss of \$129,430 which has been recognised in profit or loss. Likewise the furnace ferrotungsten liner was valued at market price which resulted in an impairment loss of \$344,884 which has also been recognised in profit or loss.

	2015 \$	2014 \$
<b>9. Inventories</b>		
Current		
Raw materials	297,930	399,872
Work in progress	109,057	440,392
Finished goods	2,142,339	8,695,167
Finished goods – Liner Surplus*	1,493,950	1,825,558
	4,043,276	11,360,989

\*This amount represents the amount of saleable ferrotungsten that was previously included in the carrying value of the Liner asset recorded in Property, Plant and Equipment and is surplus to that required in the liner to operate the furnace.

### 10. Exploration and evaluation

Exploration and evaluation phase

Opening balance	23,847,426	21,991,788
Additions	896,650	1,856,376
Disposals	-	-
Write downs	(23,544,076)	(738)
	1,200,000	23,847,426

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;
- current market conditions;
- 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.

The Company has written down the carrying value of its tenements to reflect a market transaction refer Subsequent Events Note 25.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

	2015 \$	2014 \$
<b>11. Trade and other payables</b>		
<u>Unsecured:</u>		
Trade and other payables	3,960,534	1,824,770

Trade and other payables are non-interest bearing usually settled on 30 day terms. Included in trade and other payables is an amount of \$1,081,165 (2014: \$685,482) which relates to interest accrued relating to the director George Chen. Detail of the loan is included in Note 14.

<b>12. Provisions</b>		
Provision for annual leave	99,210	239,393

The provision for annual leave represents annual leave entitlements as 30 June 2015.

<b>13. Deferred revenue</b>		
Unearned revenue	30,753	6,240,816

Unearned revenue relates to 80% of the expected sales proceeds received from the selling agent. Ownership of the goods does not transfer until the product is sold to an external buyer and 100% of the sales value has been received by the selling agent.

<b>14. Financial liabilities short-term</b>		
Secured Debt facilities	5,223,600	4,237,600
Unsecured Loan – George Chen	3,473,694	-
Unsecured Debt facilities	1,650,000	-
Total financial liabilities	10,347,294	4,237,600

The interest rate applicable to the debt financing facility for USD 4,000,000 that the Company entered into on 29 May 2014 was increased to 12.75% as of 1 December 2014 as a result of the Company breaching the working capital threshold of USD 2,500,000. Siderian Resource Capital Limited have granted a further forbearance of the loan conditions to 30 June 2016 and have agree to the repayment of the loan in two instalments due on 23 December 2015 and 30 June 2016.

Unsecured Debt facilities relate to subscriptions for Convertible Notes received as at 30 June 2015.

The Unsecured Loan relates to a loan provided by Joint Venture partner George Chen. Under the terms of the original joint venture agreement simple interest at a rate of 6.8% pa is payable on these funds.

<b>15. Financial liabilities long-term</b>		
Unsecured Loan – George Chen	-	2,818,004

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.

For personal use only

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 16. Issued capital

1,296,818,483 fully paid ordinary shares  
(2014: 1,215,098,800)

62,728,007                      61,635,130

The company has issued capital amounting to 1,296,818,483 shares with no par value.

Fully paid ordinary shares	2015		2014	
	No.	\$	No.	\$
Balance at beginning of financial year	1,215,098,800	61,635,130	1,002,508,563	54,255,066
Issued 5 December 2013	-	-	131,578,950	5,000,000
Issued 24 December 2013	-	-	23,868,424	907,000
Issued 27 May 2014	-	-	42,857,143	1,500,000
Issued 17 June 2014	-	-	14,285,720	500,000
Issued 6 August 2015	873,016	33,000	-	-
Issued 21 January 2015	57,346,667	860,200	-	-
Issued 13 February 2015	9,500,000	158,500	-	-
Issued 10 March 2015	14,000,000	210,000	-	-
	<u>1,296,818,483</u>	<u>62,896,830</u>	<u>1,215,098,800</u>	<u>62,162,066</u>
Less cost of capital	-	(168,823)	-	(526,936)
Balance at end of financial year	<b><u>1,296,818,483</u></b>	<b><u>62,728,007</u></b>	<b><u>1,215,098,800</u></b>	<b><u>61,635,130</u></b>

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.

### Options on Issue

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

Description	2015	2014
	No.	No.
Balance at the beginning of the financial year	159,571,432	8,625,000
Granted during the financial year	78,846,667	154,571,432
Cancelled during the financial year	-	-
Forfeited during the financial year	-	-
Exercised during the financial year	-	-
Expired during the financial year	-	(3,625,000)
Balance at the end of financial year	<u>238,418,099</u>	<u>159,571,432</u>
Exercisable at the end of the financial year	238,418,099	159,571,432

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

The terms of the options on issue are:

5,000,000	exercisable at \$0.25 on or before 6 August 2015
15,000,000	exercisable at \$0.05 on or before 30 November 2015
139,571,432	exercisable at \$0.055 on or before 27 November 2016
78,846,667	exercisable at \$0.015 on or before 9 March 2017

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

	2015 \$	2014 \$
<b>17. Reserves</b>		
Options Reserve	1,506,448	1,506,448
Foreign Currency Translation Reserve	2,830,645	138,760
	4,337,093	1,645,208

The options reserves comprise share based payment made to directors, consultants and key management personnel refer Note 28.

The foreign currency translation reserve represents exchange differences as at balance date.

### 18. Capital management

The Consolidated Entity'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 Entity's activities, being ferrotungsten production and mineral exploration, the Consolidated Entity does not have ready access to credit facilities, with the primary source of funding being debt financing and equity raisings. Therefore, the focus of the Consolidated Entity's capital risk management is the current working capital position against the requirements of the Consolidated Entity to meet production costs, exploration programmes and corporate overheads. The Consolidated Entity's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to sourcing debt financing and initiating appropriate capital raisings as required. The working capital position of the Consolidated Entity and the parent entity at 30 June 2015 and 30 June 2014 are as follows:

	2015 \$	2014 \$
Current assets	5,276,890	16,390,737
Current liabilities	(14,437,791)	(12,542,579)
Working capital position	(9,160,901)	3,848,158

### 19. Earnings per share

	2015 Cents per share	2014 Cents per share
Basic (loss) per share	(2.61)	(0.48)

#### 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:

	2015 \$	2014 \$
Loss used in the calculation of basic EPS as per income statement	(32,629,295)	(5,248,794)
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,249,107,117	1,094,507,341

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 20. Commitments for expenditure

	2015	2014
	\$	\$
<b>Exploration and evaluation exploration</b>		
Less than 1 year	839,283	921,462
1 year to 5 years	1,283,297	861,230
Greater than 5 years	533,180	592,200
	2,655,760	2,374,892

### 21. Contingent liabilities

Under the terms of the agreement for the acquisition of BigHill Resources Limited (formerly Kiara Holdings Pty Ltd) 2,000,000 fully paid ordinary shares in Hazelwood Resources Limited are to be allotted upon the Company completing a bankable feasibility study. The value of these shares at 30 June 2015 was \$40,000.

### 22. Leases

#### Operating leases

##### Leasing arrangements

Operating leases relate to:

- Warehouse premises with a lease term of 1 year commencing 1 June 2015, with an option to extend for a further 1 year. Rental is reviewed annually.
- Land with a lease term of 2 years commencing 1 June 2013, with an option to extend for a further 2 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.

	2015	2014
	\$	\$
<u>Operating lease liabilities</u>		
Not longer than 1 year	-	128,516
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	128,516

### 23. Auditor's Remuneration

Amounts received or due and received for:

An audit or review of the financial report of the Consolidated Entity

	2015	2014
	\$	\$
Bentleys Audit and Corporate (WA) Pty Ltd	64,400	77,800
KPMG Hong Kong	60,004	54,994
KPMG Vietnam	25,694	18,315
	150,098	151,109

For personal use only

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 24. 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

	2015 \$	2014 \$
Cash and cash equivalents	688,430	2,886,382

#### b) Non-cash financing and investing activities

No non-cash financing and investing activities transactions took place during the financial year.

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

	2015 \$	2014 \$
Loss for the period	(35,314,024)	(6,072,132)
Non-cash items		
Impairment of asset	474,314	51,536
Write down of inventory	3,085,923	708,365
Depreciation	106,898	169,319
Provision for non-recovery	838,933	-
Exploration expenditure written off	23,544,076	738
Share based payments	184,000	924,023
Interest expense	232,133	217,890
Net foreign exchange (gain)/loss	1,227,895	(47,712)
Finance costs	80,665	-
Changes in net assets and liabilities, net of effects from acquisition of business:		
(Increase)/decrease in assets:		
Trade and other receivables	2,437,115	(352,613)
Inventory	4,231,789	(7,464,060)
Exploration	(920,086)	(1,653,434)
Increase/(decrease) in liabilities		
Trade and other payables	2,078,001	826,722
Deferred revenue	(6,210,063)	5,091,162
Provisions	(140,183)	48,239
	(4,062,614)	(7,551,957)

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

### 25. Subsequent Events

Date	Event
8/07/2015	The Company lodged a prospectus for an Entitlements and Shortfall Offer to raise approximately \$11.6 million with a minimum subscription of \$6.5 million.
8/07/2015	The Company's shares were reinstated to official quotation.
31/07/2015	The results of the Extraordinary General Meeting were announced.
31/07/2015	4,310,800 Shares, 474,310,800 Options and 37 Convertible Notes with a Face Value of \$50,000 each and 2 Convertible Notes with a Face Value of \$25,000 each were issued.
31/07/2015	The Short-form Prospectus closing date was extended to 19 August 2015.
4/08/2015	The revised timetable for the Entitlements offer was released.
6/08/2015	Expiry of 5,000,000 Director options on 6 August 2015.
20/08/2015	30,703,562 Shares were issued on conversion of 3 Convertible Notes and in settlement of interest due on the Convertible Notes.
24/08/2015	The Entitlements Offer closed.
27/08/2015	10,092,055 Shares were issued on conversion of 1 Convertible Note and in settlement of interest due on the Convertible Note.
7/09/2015	The Company announced that its 60% owned ATC ferrotungsten operation had signed Long Term Contracts with three Japanese buyers.
11/09/2015	2 Convertible Notes with a Face Value of \$50,000 each and 20,000,000 Options were issued.
15/09/2015	Changes in Director's Interests were announced.
28/09/2015	The Company requested a Trading Halt while the extension of the forbearance period was renegotiated.
29/09/2015	The Company requested suspension of its securities to allow further time to renegotiate the terms of the forbearance period.
8/10/2015	3 Convertible Notes with a Face Value of \$50,000 each were issued.
23/10/2015	The Quarterly Activities and Cash Flow Report for the September quarter was released.
26/10/2015	Recapitalisation Plan - The Company will undertake a pro-rata renounceable entitlement issue to raise up to \$7.4 million at 0.1 cents per share. The Entitlement Issue is underwritten by GMP Securities Australia Pty Limited up to \$3.0 million. The Underwriting Agreement is the subject of several termination events which include: should the S&P/ASX200 Index or the S&P/ASX 300 Metals and Mining Index is at any time after the date of the Underwriting Agreement up until the closing date of the Entitlements Issue Offer, 10% or more below its respective level as at the close of trading on the Business Day prior to the date of the Underwriting Agreement, or the Prospectus is withdrawn.
26/10/2015	The Company has agreed to sell its Western Australian tungsten exploration projects to Tungsten Mining NL for a cash consideration of \$1.0 million and 5,000,000 fully paid ordinary shares (voluntary escrow 12 months) in Tungsten Mining NL. The sale is conditional upon Tungsten Mining completing due diligence.
26/10/2015	Siderian Resource Capital Limited agreed to extend the forbearance period to 30 June 2016 under a revised repayment schedule: US\$2.0 million following completion of the upcoming capital raising and the balance by 30 June 2016. The extension is also conditional on the lodgement of a prospectus and the provision of accounts for the September quarter and approval by Siderian of Hazelwood's budget for the period to 30 June 2016.
27/10/2015	To the date of this report \$1,120,000 has been received relating to convertible notes convertible at 0.1 cents per share.



## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

---

### 26. Segment Information

During the year the Consolidated Entity 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 in production. The Hong Kong entity facilitates the marketing of products produced at the Vietnam plant.

#### Identification of reportable segments

The Consolidated Entity 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 Entity 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 Entity.

#### 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.

For personal use only

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 26. Segment Information continued

#### (i) Segment performance

Year ended 30 June 2015	Cookes Creek \$	Mt Mulgine \$	Hong Kong \$	Vietnam \$	Treasury \$	Total \$
<i>Revenue</i>						
Sales	-	-	19,272,701	-	-	19,272,701
Cost of sales	-	-	(17,122,088)	(1,364,574)	-	(18,486,662)
Interest revenue	-	-	-	-	4,679	4,679
Other	-	-	-	1,336	11,930	13,266
Total segment revenue	-	-	2,150,613	(1,363,238)	16,609	803,984
Segment net gain/(loss) before tax	(20,353,287)	(3,190,789)	(2,922,632)	(2,315,880)	16,609	(28,765,979)
<i>Reconciliation of segment result to group profit/(loss) before tax</i>						
Amounts not included in segment result but reviewed by the Board						
Administrative expenses						(1,742,061)
Depreciation						(37,404)
Impairment of asset						(129,430)
Director's fees						(1,185,436)
Consultancy fees						(606,142)
Occupancy costs						(101,955)
Employee expenses						(738,878)
Financing Costs						(911,342)
Marketing expenses						(134,107)
Legal costs						(273,526)
Travel and accommodation						(179,522)
Provision for Non-recovery						(508,242)
Net loss before tax from continuing operations						(35,314,024)

**Notes to the Consolidated Financial Statements  
For The Year Ended 30 June 2015**

**26. Segment Information continued**

**(i) Segment performance continued**

Year ended 30 June 2014	Cookes Creek	Mt Mulgine	Hong Kong	Vietnam	Treasury	Total
	\$	\$	\$	\$	\$	\$
<i>Revenue</i>						
Sales	-	-	21,445,821	-	-	21,445,821
Cost of sales	-	-	(18,890,085)	(2,046)	-	(18,892,131)
Interest revenue	-	-	-	-	9,248	9,248
Other	-	-	1	-	89,200	89,201
Total segment revenue	-	-	2,555,737	(2,046)	98,448	2,652,139
Segment net gain/(loss) before tax	-	-	1,163,427	(2,307,198)	98,448	(1,045,323)
<i>Reconciliation of segment result to group profit/(loss) before tax</i>						
Amounts not included in segment result but reviewed by the Board						
Administrative expenses						(580,785)
Depreciation						(52,979)
Director's fees						(540,368)
Consultancy fees						(1,048,116)
Occupancy costs						(103,541)
Employee expenses						(854,243)
Financing Costs						(1,204,632)
Marketing expenses						(78,941)
Legal costs						(218,177)
Travel and accommodation						(344,289)
Other costs						(738)
Net loss before tax from continuing operations						(6,072,132)

**Notes to the Consolidated Financial Statements  
For The Year Ended 30 June 2015**

**26. Segment Information continued**

**(ii) Segment assets**

Year ended 30 June 2015	Cooles Creek \$	Mt Mulgine \$	Hong Kong \$	Vietnam \$	Treasury \$	Total \$
Segment assets	600,000	600,000	4,751,144	5,516,471	519,632	11,987,247
<i>Segment assets increased for the period</i>						
Capital expenditure	499,774	393,025	-	973,465	-	1,866,264
Write downs	(20,353,287)	(3,190,789)	(8,178,928)	(913,360)	(2,204,373)	(34,840,737)
	<u>(19,853,513)</u>	<u>(2,797,764)</u>	<u>(8,178,928)</u>	<u>60,105</u>	<u>(2,204,373)</u>	<u>(32,974,473)</u>
<i>Included in segment assets are</i>						
Equity accounted associates and joint ventures	-	-	-	-	-	-
<i>Reconciliation of segment assets to group assets</i>						
Inter-segment eliminations	-	-	-	-	-	-
Unallocated assets						
Receivables						338,465
Property, plant & equipment						<u>57,999</u>
Total group assets from continuing operations						<u>12,383,711</u>

**Notes to the Consolidated Financial Statements  
For The Year Ended 30 June 2015**

**26. Segment Information continued**

**(ii) Segment assets continued**

Year ended 30 June 2014	Cookes Creek \$	Mt Mulgine \$	Hong Kong \$	Vietnam \$	Treasury \$	Total \$
Segment assets	20,453,513	3,397,764	12,930,072	5,459,130	2,724,005	44,964,484
<i>Segment assets increased for the period</i>						
Capital expenditure	546,932	1,181,695	7,575,292	-	1,093,608	10,397,527
Write downs	(738)	-	-	(534,475)	-	(535,213)
	<u>546,194</u>	<u>1,181,695</u>	<u>7,575,292</u>	<u>(534,475)</u>	<u>1,093,608</u>	<u>9,862,314</u>
<i>Included in segment assets are</i>						
Equity accounted associates and joint ventures	-	-	-	-	-	-
<i>Reconciliation of segment assets to group assets</i>						
Inter-segment eliminations	-	-	-	-	-	-
Unallocated assets						
Receivables						833,334
Property, plant & equipment						<u>242,300</u>
Total group assets from continuing operations						<u>46,040,118</u>

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 26. Segment Information continued

#### (iii) Segment liabilities

Year ended 30 June 2015	Cookees Creek	Mt Mulgine	Hong Kong	Vietnam	Treasury	Total
	\$	\$		\$	\$	\$
Segment liabilities	59,574	42,805	1,669,318	355,693	-	2,127,390
<i>Reconciliation of segment liabilities to group liabilities</i>						
Unallocated liabilities:						
Payables and accruals						8,737,497
Provisions						99,210
Loan related company						3,473,694
Other liabilities						-
Total liabilities from continuing operations						<u>14,437,791</u>

Year ended 30 June 2014	Cookees Creek	Mt Mulgine	Hong Kong	Vietnam	Treasury	Total
	\$	\$		\$	\$	\$
Segment liabilities	45,243	80,590	7,124,526	156,497	-	7,406,856
<i>Reconciliation of segment liabilities to group liabilities</i>						
Unallocated liabilities:						
Payables and accruals						4,896,330
Provisions						239,393
Loan related company						2,818,004
Other liabilities						-
Total liabilities from continuing operations						<u>15,360,583</u>

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 26. Segment Information continued

#### (iv) Revenue by geographical region

	Year Ended 30 June 2015 \$	Year Ended 30 June 2014 \$
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	16,609	98,448
Hong Kong	19,272,701	21,445,823
Vietnam	1,336	2,045
Total revenue	19,290,646	21,546,316

#### (v) Assets by geographical location

	Year Ended 30 June 2015 \$	Year Ended 30 June 2014 \$
The location of segment assets is disclosed below by geographical location of the assets		
Australia	2,116,096	27,650,915
Hong Kong	4,751,144	12,930,073
Vietnam	5,516,471	5,459,130
Total Assets	12,383,711	46,040,118

### 27. Financial Instruments

#### (a) Financial Risk Management

The Consolidated Entity'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 Entity for hedging purposes. The Consolidated Entity 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.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 27. Financial Instruments continued

#### (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. All borrowings are at a fixed interest rate.

##### Sensitivity analysis

At 30 June 2015, 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 Entity would have been \$5,163 lower/higher (2014: \$21,648 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 Consolidated Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities, refer Note 14. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- 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.

The following table details the Consolidated Entity's expected maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities. The inclusion of information on non-derivative financial liabilities is necessary in order to understand the Consolidated Entity's liquidity risk management. The Consolidated Entity expects to meet its obligations from operating cash flows resulting from product sales.

30 June 2015	Weighted Average effective interest rate %	Less than 1 month \$	1-12 months \$	1 to 5 years \$	Total \$
Non-interest bearing		4,090,497	-	-	4,090,497
Fixed interest rate – Convertible Notes	12.0	-	-	1,650,000	1,650,000
Fixed interest rate – Siderian Loan	12.75	-	5,223,600	-	5,223,600
Fixed interest rate – G Chen Loan	6.8	-	3,473,694	-	3,473,694
		4,090,497	8,697,294	1,650,000	14,437,791



## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 27. 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.

	2015	2014
	\$	\$
Cash and cash equivalents		
- AA Rated	533,270	2,752,553
- Indovina Bank Vietnam (not listed)	155,160	133,829
	688,430	2,886,382

##### 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.

As the Consolidated Entity has entered into production instruments held by overseas operations, it is exposed to fluctuations in foreign currencies which may impact on the Group's financial results unless those exposures are appropriately hedged. The Consolidated Entity has utilising natural hedging through the use of its US dollar bank account in Australia 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.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 27. 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	Weighted average interest rate	Variable interest rate	Fixed interest rate	Non- interest bearing	Total
2015	%	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	2.4	688,430		-	688,430
Trade and other receivables			-	185,026	185,026
		688,430	-	185,026	873,456
<b>Financial Liabilities - Current</b>					
Trade and other payables		-	-	3,960,534	3,960,534
Convertible notes	12.0	-	-	1,650,000	1,650,000
G Chen loan	6.8	-	3,473,694	-	3,473,694
Siderian loan	12.75	-	5,223,600	-	5,223,600
		-	8,697,294	5,610,534	14,307,828
<b>Financial Liabilities – Non-Current</b>					
Financial liabilities		-	-*	-	-
		-	-	-	-
<b>2014</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	2.0	2,886,382	-	-	2,886,382
Trade and other receivables		-	-	622,265	622,265
		2,886,382	-	622,265	3,508,647
<b>Financial Liabilities - Current</b>					
Trade and other payables		-	-	1,824,770	1,824,770
Siderian loan	10.75	-	4,237,600	-	4,237,600
		-	4,237,600	1,824,770	6,062,370
<b>Financial Liabilities – Non-Current</b>					
G Chen loan	6.8	-	2,818,004	-	2,818,004
		-	2,818,004	-	2,818,004

All financial assets, trade and other payables and other liabilities are expected to be settled within 12 months. The carrying amount of all financial assets and financial liabilities approximate their fair values.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 28. Share-based payments

On 6 August 2014, 873,016 shares were issued in lieu of cash for marketing services. On 13 February 2015, 2,000,000 shares were issued to G Chen under the terms of the joint venture agreement. On 10 March 2015, 7,000,000 free attaching options and 7,000,000 shares were issued in lieu of cash for consulting fees.

The options hold no voting or dividend rights, and are not transferable. No options expired during the year. The details of the options are:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
09/03/2017 - \$0.015	78,846,667	10/02/2015	09/03/2017	0.015	N/A

The value of these free attaching options is intrinsic in the shares that were issued.

Share based payments are shown in the Statement of Changes in Equity under the Reserves heading and are included in the financing costs and consulting fees lines in the Income Statement.

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

Consolidated Description	2015 No.	2014 No.
Balance at the beginning of the financial year	159,571,432	8,625,000
Granted during the financial year	78,846,667	154,571,432
Cancelled during the financial year	-	-
Forfeited during the financial year	-	-
Exercised during the financial year	-	-
Expired during the financial year	-	(3,625,000)
Balance at the end of financial year	<u>238,418,099</u>	<u>159,571,432</u>
Exercisable at the end of the financial year	<u>238,418,099</u>	<u>159,571,432</u>

The weighted average remaining contractual life of options outstanding at year end was 1.42 years.

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

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 29. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Consolidated Entity and other related parties are disclosed below:

#### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 31 to the financial statements.

#### Shareholder Loan Joint Venture Partner

Mr Chen Guang Yu holds a 40% interest in the Asia Tungsten Products Group. The balance of Mr Chen's loan account at 30 June 2015 is: Principal \$3,473,694 (USD 2,660,000), Interest \$1,081,165 (USD 827,908) refer Note 14 and 11.

#### Contracts for services

Consultancy agreements on commercial terms are entered into for non-executive directors and other non-salaried key management 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
Ausnom Pty Ltd	Mr J Chegwiddden	132,000	Consulting fees
Ausnom Pty Ltd	Mr J Chegwiddden	38,000	Director fees
Ibiz Global Pty Ltd	Mr M Warren	332,475	Consulting fees
Ibiz Global Pty Ltd	Mr M Warren	48,850	Director fees
New Consulting Services Pty Ltd	Ms C New	202,400	Consulting fees
Rowan Hall Pty Ltd	Mr P Burke	45,000	Consulting fees
Rowan Hall Pty Ltd	Mr P Burke	48,833	Director fees

### 30. Key management personnel compensation

The aggregate compensation made to key management personnel of the Consolidated Entity is summarised below:

Compensation Type	2015 \$	2014 \$
Short-term benefits	2,121,863	1,634,668
Post-employment benefits	55,990	53,674
Other long-term benefits	-	-
Share based payments	151,000	-
Total	2,328,853	1,688,342

Refer to the Remuneration Report contained in the Directors' Report for details of remuneration paid to each member of the Consolidated Entity's key management personnel and their options held and shareholdings.

## Notes to the Consolidated Financial Statements For The Year Ended 30 June 2015

### 31. Controlled Entities

Hazelwood Resources Limited controls the following percentages in its subsidiaries.

Name of Subsidiary (%)	Country of Incorporation	Percentage Owned	
		2015	2014
BigHill Resources Limited	Australia	100%	100%
Asia Tungsten Products Co., Limited	Hong Kong	60%	60%
Asia Tungsten Products Vietnam Limited	Vietnam	60%	60%

### 32. Parent Entity Disclosures

The accounting policies of the parent entity, which have been applied in determining the financial information presented below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the group.

	2015 \$	2014 \$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	3,290,545	5,067,648
Non-current assets	657,999	25,437,096
<b>Total assets</b>	<u>3,948,544</u>	<u>30,504,744</u>
<b>Liabilities</b>		
Current liabilities	8,925,036	5,244,976
Non-current liabilities	-	-
<b>Total liabilities</b>	<u>8,925,036</u>	<u>5,244,976</u>
<b>Equity</b>		
Issued capital	62,728,007	61,635,130
Option reserve	1,506,448	1,506,448
Accumulated losses	<u>(69,210,947)</u>	<u>(37,881,810)</u>
<b>Total Equity</b>	<u>(4,976,492)</u>	<u>25,259,768</u>
<b>Financial Performance</b>		
Loss for the year	(15,028,775)	(6,802,877)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<u>(15,028,775)</u>	<u>(6,802,877)</u>

#### Contingent Liabilities of the Parent Entity

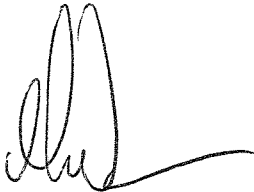
Please refer to Note 21.

## Directors' Declaration

---

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

- 1) the financial statements and notes, as set out on pages 23 to 67, 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 2015 and of the performance for the year ended on that date of the Consolidated Entity;
- 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.



**Mark Warren**  
**Chairman**

Perth, Western Australia  
27 October 2015

For personal use only



**Bentleys Audit & Corporate  
(WA) Pty Ltd**

Level 1, 12 Kings Park Road  
West Perth WA 6005

Australia

PO Box 44

West Perth WA 6872

Australia

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

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 2015, 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**  
**Chartered Accountants**

**MARK DELAURENTIS CA**  
**Director**

Dated at Perth this 27<sup>th</sup> day of October 2015



A member of Bentleys, an association of independent accounting firms in Australia. The member firms of the Bentleys association are affiliated only and not in partnership. Liability limited by a scheme approved under Professional Standards Legislation. A member of Kreston International. A global network of independent accounting firms.

- Accountants
- Auditors
- Advisors

For personal use only



## Independent Auditor's Report

### To the Members of Hazelwood Resources Limited

Bentleys Audit & Corporate  
(WA) Pty Ltd

Level 1, 12 Kings Park Road  
West Perth WA 6005

Australia

PO Box 44

West Perth WA 6872

Australia

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

We have audited the accompanying financial report of Hazelwood Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 of the financial report that gives a true and fair view 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 gives a true and fair view and 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

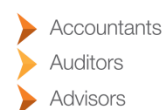
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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.



A member of Bentleys, an association of independent accounting firms in Australia. The member firms of the Bentleys association are affiliated only and not in partnership. Liability limited by a scheme approved under Professional Standards Legislation. A member of Kreston International. A global network of independent accounting firms.





# Independent Auditor's Report

To the Members of Hazelwood Resources Limited (*Continued*)



## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## 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 2015 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 statements also comply 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 Consolidated Entity incurred a net loss of \$35,314,024 during the year ended 30 June 2015. 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 Consolidated Entity 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 the directors' report for the year ended 30 June 2015. 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.

## Opinion

In our opinion, the Remuneration Report of Hazelwood Resources Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

**BENTLEYS**  
Chartered Accountants

**MARK DELAURENTIS CA**  
Director

Dated at Perth this 27<sup>th</sup> day of October 2015

For personal use only

## Additional Stock Exchange Information As at 30 September 2015

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 and convertible notes convertible into 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
<b>Shares</b>				
Ordinary	1,341,924,900	-	-	1,620
<b>Options</b>				
HAZAI	15,000,000	\$0.05	30/11/2015	1
HAZAK	139,571,432	\$0.055	27/11/2016	17
HAZAL	483,157,467	\$0.015	09/03/2017	51
HAZAM	15,000,000	\$0.0116	31/07/2018	1
HAZAM	75,000,000	\$0.015	31/07/2019	1
<b>Convertible Notes</b>				
Face Value \$50,000 Coupon Rate 12%,	35	\$0.005	01/07/2018	18
Face Value \$25,000 Coupon Rate 12%	2	\$0.005	01/07/2018	2
Face Value \$50,000 Coupon Rate 12%	3	\$0.001	01/07/2018	1

### Distribution of holders of equity securities

Ordinary shares Range	Number of shares	Number of holders
1 - 1,000	6,506	100
1,001 – 5,000	336,161	100
5,001 – 10,000	1,413,051	155
10,001 – 100,000	29154,643	663
100,001 and over	1,311,014,539	602
	1,341,924,900	1,620

### Unmarketable parcels

The Company has 1054 shareholdings which are less than a marketable parcel.

## Additional Stock Exchange Information As at 30 September 2015

### Top 20 holders

No.	Shareholder	Number of shares	% of issued shares
1	Valentino Nominees Pty Ltd <Colby Family A/C>	63,775,000	4.75
2	Jemaya Pty Ltd <The Featherby Family A/C>	49,594,736	3.70
3	Perth Select Seafoods Pty Ltd	49,250,000	3.67
4	Baxchang Pty Ltd <Hutchinson Family S/F A/C>	36,993,681	2.76
5	Ravina QLD Pty Ltd	36,758,625	2.74
6	HSBC Custody Nominees (Australia) Limited	35,765,131	2.67
7	Cabdeg Investments Pty Ltd	33,207,367	2.48
8	Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C>	33,000,000	2.46
9	Mr Michael Lynch & Mrs Susn Lynch <Lynch Family A/C>	32,404,666	2.42
10	Ausnom Pty Ltd <J & K Chegs Share A/C>	22,589,736	1.68
11	Mr James Colby & Mrs Paula Charmaine Colby <Colby S/F A/C>	21,800,000	1.62
12	Mr Geoffrey Donald Coultas <The Coultas Family A/C>	21,750,000	1.62
13	Cen Pty Ltd	20,000,000	1.49
14	Mr John Marinovich & Mrs Cheryl Susan Marinovich <ltch Family A/C>	20,000,000	1.49
15	Woodroffe Investments VIC Pty Ltd <Woodroffe Investment A/C>	18,522,967	1.38
16	Maniciti Pte Ltd	15,494,265	1.16
17	Mrs Sigrun Sprake	14,000,000	1.04
18	Milverton Pty Ltd <WT Fleming Family A/C>	12,680,000	0.94
19	Jemaya Pty Ltd <JH Featherby Super Fund A/C>	12,654,054	0.94
20	Yorkville Holdings Pty Ltd <Yorkville Super Fund A/C>	12,250,000	0.91
		562,490,228	41.92

### 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 and convertible notes do not have a right to vote.

### Substantial shareholders

As at 30 September 2015 there are no shareholders with a holding greater than 5%.