

## ASX Announcement

7 October 2009

ASX Code: HAZ

### FINANCE NEWS NETWORK INTERVIEW WITH EXECUTIVE CHAIRMAN

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Hazelwood Resources Ltd wishes to advise that the Company has today released a video conference with Finance News Network.

The transcript follows or you can watch the interview at the [interview link](#)

For further information please contact Mark McAuliffe on (08) 9320 5220 or mobile 0412210776.

#### Transcript

**Clive Tompkins:** *Hello Clive Tompkins reporting for the Finance News Network. Joining me from Hazelwood Resources (ASX:HAZ) to discuss its decision to investigate downstream processing of tungsten at Cookes Creek, is executive chairman Mark McAuliffe. Mark welcome back. Your announcement mentions the potential to improve the marketability of tungsten and improve the economics of the project. What has prompted the study?*

**Mark McAuliffe:** Good day Clive and listeners. This is an issue that we had looked at sometime ago when we started the Big Hill Tungsten Project up at Cookes Creek and we were always aware that there was a potential to do some form of downstream processing with the scheelite concentrate. However, our concern had been that the cost appeared to us at that stage to be questionable and certainly when we looked at our peers around the world, there was little or no activity from the miners themselves in this particular area. However, in more recent times we've been doing some further metallurgical work and we've just been looking at the sheer purity of our scheelite. Following upon recent discussions at the International Tungsten Industry Conference in Vancouver where we spoke to a number of APT producers, it came to our attention that there actually was the very real potential to make a significant increase in profitability of this project by moving into APT production. Now perhaps I should explain that for our listeners. The scheelite that we've been producing in our test work from Big Hill is of exceptional purity and I need to emphasise just how exceptional it is. One normally finds in scheelite deposits many other different chemicals and compounds. At Big Hill we have no molybdenum, no tin, no copper, no lead, no zinc. Particularly we have no arsenic; arsenic is a big no no in scheelite production and that is a major problem for many of the potential tungsten producers around the world - that they cannot proceed with their projects because of arsenic contamination. We have no radioactive. Now when you go to produce APT - and just to explain to our listeners - APT is Ammonium Paratungstate, it is the next intermediate product that you actually produce from scheelite before you start to produce tungsten powders and other forms

of tungsten. With the absence of all those chemicals I've referred to, we simply don't have to remove them. Normally they are removed in the APT process – as we don't have to remove them, we obviously don't have the cost that would normally be incurred. So APT production for us is going to be much, much cheaper - hence the interest.

**Clive Tompkins:** *All right what about the spread between tungsten ore concentrate and the tungsten APT given that you are now investigating producing that?*

**Mark McAuliffe:** Well perhaps if I just explain the different products so that the listeners can clearly understand. Most miners produce concentrate and concentrate actually comes in two forms. The first form which is the form that we will produce is a gravity product that's cheap to produce and it tends to be of high purity. A number of producers also produce floatation concentrate. Certainly we don't see a need for floatation at Big Hill at all. Both of those products are different from APT which as I indicated before is the next stage, Ammonium Paratungstate, where you basically take the calcium out of the scheelite and you replace it with ammonium. So they are quite distinctly different products. In terms of the market there is a significant differential in the pricing. APT has a value of approximately fifty dollars more per metric ton unit than sixty-five percent concentrate for gravity con. If you have floatation con, it's cheaper again. So clearly if we can enter into a market where we're getting fifty dollars per mtu more for our product, that's a significant change in the economics of the product. In terms of the market, the market is rather complicated but you could probably divide it into two general spheres. You've got a market for concentrate that tends to be primarily APT producers who buy the concentrate, convert it and on sell it. And then you've got the market for APT which tends to be the end users who use the APT for their particular process or they may even upgrade that into a powder or some other form before it goes off into some form of manufacturing. Now between the two obviously there's some overlap, so for example you may have some end users who actually buy concentrate, upgrade it themselves and then go on to produce a particular product. So clearly these are different markets and by solely being a concentrate producer you are excluding the potential to sell into the APT market which in itself is quite significant. So that the whole idea here is to look at the potential to open up the market to substantially increasing the potential parties to whom we can sell and the potential profitability for this project.

**Clive Tompkins:** *All right, so if the prefeasibility study finds in favour of down stream processing, will you apply a plant and operate it yourself?*

**Mark McAuliffe:** Well we are looking at two particular pathways we could follow. Toll processing is of some interest to us - toll processing probably in a joint venture with a toll processor of APT is what initially caught our attention, that's certainly part of the study. But we are very much looking at what is the viability of having our own APT production plant, be that at Cookes Creek or at some other location in Australia or in some other jurisdiction - so both are clearly under investigation. In terms of the decision as to which one you go,

there are multiple issues, but clearly we've got to look at the cost, both in terms of the capital cost and the operating cost. We've got to look at the location where it's going to be in terms of where our markets will ultimately be and what costs will incur in shipping to that location, and we've got to look at the lead time of having to establish our own facility as opposed to using a number of existing facilities that exist already. So they'll all be key aspects of the study, but we have an open mind on the issue. If there are other alternatives, we'll consider those as well but they're certainly the two key ones we are focusing on at this time.

**Clive Tompkins:** *Your release mentions that your deposit is free from many of the impurities normally associated with tungsten deposits as you've mentioned previously - what does this mean again for downstream processing costs?*

**Mark McAuliffe:** Well I partly touched on it earlier Clive. What it means is that we don't have the sheer costs that are necessarily entailed in having to remove all of these other chemicals and compounds from our concentrate. If you can imagine APT production is at a more advanced stage in the production process leading to the production of chemicals used in manufacture. They must be of incredible purity so the APT process necessarily requires all of these impurities to be taken out of the concentrate before the APT can be produced. Now we simply don't have those impurities, hence the production of APT is going to be at a much lower cost than would otherwise be entailed. Now we're actually unaware of any of our other competitors having produced in Australia, a concentrate that has such high purity as ours and such a lack of other contaminate elements. So that really gives us a significant competitive advantage to move into the APT market once we have Big Hill in production.

**Clive Tompkins:** *And last question. Outside of China very little in the way of new tungsten projects are being developed. Is this a potential windfall for Hazelwood in terms of future prices and why have we not seen more interest in the metal from the major mining companies?*

**Mark McAuliffe:** Well that's an interesting question. It's actually two questions Clive, so if I can tackle the two aspects you raised there. Firstly the cost of entry I think is an issue that should clearly be understood by our listeners. There are many, many projects that have been bandied around, particularly during the boom to bring tungsten mines into production round the world. Most of those have stumbled and some of those have stumbled on technical issues, metallurgical issues, impurity issues - but probably the two key drivers that are affecting the more robust and substantial projects, are simply their high operating costs and the high capital costs of building their plant and their mine. And that of course has to be looked at against the current tungsten price which is, certainly it's improved significantly in recent months, but is still no where near the highs that we saw in the boom. Now the competitive advantage of Hazelwood Resources (ASX:HAZ) have, is that even at today's tungsten prices, we believe that this is a profitable project and one where the current prices enable a return for our shareholders. So everything else is blue

sky above that - as prices continue to firm as we believe they will and many in the industry believe they will - the profitability of the project will clearly increase. In terms of other companies and competitors, its worthwhile noting that tungsten has perhaps in more recent years being the province of the junior end of the market; the smaller companies have been interested in it. There's been a sudden change there – we recently saw an announcement from Newcrest that they were exploring their O'Callaghans Deposit and they're looking at themselves getting into tungsten. Now that's an interesting development - if you've got a major company, one of the world's largest gold producers themselves expressing interest in tungsten as a commodity and getting into that market, it suggests that the big boys who understand markets very well, can see some very real potential in tungsten. So we find that very encouraging – even more encouraging is that they're in our backyard. They're only two to three hundred kilometres from our deposits at Big Hill, so clearly the Eastern Pilbara where we are is an emerging tungsten province. We would expect to see other companies developing interest over time – we would not be at all surprised to see more major companies being involved in the market, but again our competitive advantage here is - we've been at this for two or three years - we're well advanced. We're near the end of our prefeasibility, so it doesn't matter who else comes in the market, we're going to be in production, selling our concentrate whilst they are still doing their exploratory work and their feasibility studies. So well ahead to take advantage of what we believe is a firming price of tungsten in the very near future.

**Clive Tompkins:** *Okay very good. Mark McAuliffe - thanks for the update.*

**Mark McAuliffe:** Thank you Clive.