



ABN 88 118 738 999

**HALF-YEARLY REPORT
31 DECEMBER 2008**

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

TABLE OF CONTENTS

Company Information	1
Directors' Report	2
Auditors Independence Declaration	4
Independent Review Report	5
Directors' Declaration	7
Consolidated Income Statement	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Cash Flow Statement	11
Notes to Financial Statements	12

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

COMPANY INFORMATION

Directors

Mr Mark McAuliffe

(Executive Chairman)

Mr Terence Butler- Blaxell

(Technical Director)

Mr Ian Richer

(Non Executive Director)

Mr John Chegwiddden

(Non Executive Director)

Company Secretaries

Mr John Chegwiddden

Ms Carol New

Registered Office

Level 6, 189 St Georges Terrace,

Perth WA 6000

Telephone: (08) 9320 5220

Facsimile: (08) 9481 6343

Email: info@hazelwood.com.au

Auditors

Bentleys

Level 1, 12 Kings Park Road

West Perth WA 6005

Telephone: (08) 9226 4500

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

Stock Exchange Listing

The Company is listed on the Australian

Stock Exchange Ltd (ASX)

Home Exchange: Perth, Western

Australia

Website

www.hazelwood.com.au

Australian Stock Exchange Code:

HAZ

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

DIRECTORS' REPORT

The directors of Hazelwood Resources Ltd submit herewith the financial report of Hazelwood Resources Ltd and its subsidiary ('the Consolidated Entity') for the half-year ended 31 December 2008. In order to comply with the provisions of the *Corporations Act 2001* the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half year are:

Name

Mr M McAuliffe
Mr T Butler-Blaxell
Mr I Richer
Mr J Chegwiddden

Unless otherwise stated, all directors were in office for the period under review, and up to the date of this report.

Review of Operations

The consolidated loss for the six month period ended 31 December 2008 is \$1,125,809 (31 December 2007 loss \$1,083,103). As at 31 December 2008 Hazelwood Resources Limited ("Hazelwood" or "the Company") had 101,143,238 shares on issue all of which are quoted.

Additional capital was procured during the half year by completion of a number of placements. Capital from the placements was primarily directed towards ongoing drilling and metallurgical evaluation on the BigHill Tungsten Project situated along the Company's Cookes Creek tenements.

The BigHill Tungsten Project was the subject of a prospectus for a proposed IPO of the Company's wholly owned subsidiary Big Hill Resources Limited which was abandoned in January 2008 due to deteriorating conditions in the international equity markets.

Drilling results have continued to provide better than expected results with the identification of strong mineralisation remaining open down dip and along strike. Metallurgical evaluation has continued with preliminary x-ray ore sorting being undertaken, demonstrating the significant potential for upgrading the ore. Following the end of the reporting period the Company has received assays from its drilling programme and is now proceeding to the estimation of a resource.

Limited work was undertaken during the reporting period on the Anomaly Hill nickel prospect and upon the Company's other tenements.

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

DIRECTORS' REPORT

Events Post 31 December 2008

On 6 February 2009 the Company announced the closure of the short form prospectus dated 5 November 2008.

Results of the Annual General Meeting

The Company held its Annual General Meeting on 30 November 2008. The meeting approved the following resolutions:

- Adoption of remuneration report
- The re-election of John Chegwidden as a director of the Company;
- The ratification of prior issue tranche 1 shares;
- The ratification of placement tranche 1 shares;
- Appointment of Auditor;

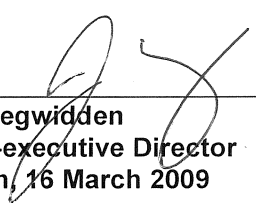
All resolutions were carried on a show of hands. Proxies for a total of 36,589,101 shares were received. The majority of proxies voted in favour of the resolutions.

Auditor's Declaration

The auditor's independence declaration is included on page 4 of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s.306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



J Chegwidden
Non-executive Director
Perth, 16 March 2009

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our review of the financial report of Hazelwood Resources Limited and Controlled Entities for the half year ended 31 December 2008 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 16th day of March 2009

Independent Auditor's Review Report

To the Members of Hazelwood Resources Limited

We have reviewed the accompanying half-year financial report of Hazelwood Resources Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Hazelwood Resources Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

RLF Bentleys
Audit & Corporate Pty Ltd
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

Independent Auditor's Review Report

To the Members of Hazelwood Resources Limited (Continued)



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hazelwood Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1 (c) Going Concern to the financial report, uncertainty exists whether Hazelwood Resources Limited and Controlled Entities will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The ability of the consolidated entity to continue to pay its debts as and when they fall due is dependent upon successfully raising additional share capital and ultimately developing or selling one of its mineral properties.

Should the Consolidated Entity not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Consolidated Entity may be unable to continue as a going concern.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 16th day of March 2009

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999


DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors.



J Chegwidan
Non-executive Director
Perth, 16 March 2009

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Half-Year Ended 31 December 2008 \$	Half-Year Ended 31 December 2007 \$
Revenue	275,439	104,191
Administrative Expenses	68,163	159,100
Auditor's Remuneration	14,500	17,500
Depreciation	59,003	46,862
Directors' Fees	88,500	117,000
Exploration Costs	280,913	492
Insurance	23,635	22,563
Share Based Payments	46,372	303,865
Legal Fees	21,659	111,678
Prospectus Costs BigHill Resources Limited	-	103,031
Refund of Prospectus Costs BigHill Resources Limited	(28,465)	-
Consultancy Fees	511,689	89,100
Occupancy Costs	48,543	50,022
Employee Benefits Expenses	90,966	148,754
Travel Expense	49,097	17,328
Interest Expense	126,673	-
	<u>1,401,248</u>	<u>1,187,295</u>
Loss before income tax expense	(1,125,809)	(1,083,103)
Income tax expense	-	-
	<u>(1,125,809)</u>	<u>(1,083,103)</u>
Loss from continuing operations	(1,125,809)	(1,083,103)
	<u>(1,125,809)</u>	<u>(1,083,103)</u>
Loss attributable to members	(1,125,809)	(1,083,103)
	<u>(1,125,809)</u>	<u>(1,083,103)</u>
Loss per Share		
Basic (cents per share)	1.38	1.53

The above income statement should be read in conjunction with the accompanying notes.

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	31 December 2008 \$	30 June 2008 \$
Current assets		
Cash and cash equivalents	1,067,371	1,121,666
Trade and other receivables	284,844	98,730
Total current assets	1,352,215	1,220,396
Non-current assets		
Property, plant and equipment	299,014	355,202
Exploration, evaluation and development	9,187,638	7,661,499
Other non-current assets	15,000	15,000
Total non-current assets	9,501,652	8,031,701
Total assets	10,853,867	9,252,097
Current liabilities		
Trade and other payables	93,924	350,546
Other financial liabilities	27,137	27,137
Provisions	48,623	53,804
Total current liabilities	169,684	431,487
Non-current liabilities		
Other financial liabilities	39,529	53,097
Total non-current liabilities	39,529	53,097
Total liabilities	209,213	484,584
Net assets	\$10,644,654	\$8,767,513
Equity		
Issued capital	13,948,514	11,305,188
Option reserve	863,464	503,840
Accumulated losses	(4,167,324)	(3,041,515)
Total equity	\$10,644,654	\$8,767,513

The above balance sheet should be read in conjunction with the accompanying notes.

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Consolidated

	Attributable to equity holders of the entity			Total Equity
	Issued Capital	Reserves	Accumulated Losses	
	\$	\$	\$	\$
Balance at 1 July 2007	9,281,837	199,975	(1,316,029)	8,165,783
Issues of shares	2,874,264	-	-	2,874,264
Cost of share issues	(850,913)	-	-	(850,913)
Share based payments	-	303,865	-	303,865
Loss for the period	-	-	(1,083,103)	(1,083,103)
Balance at 31 December 2007	11,305,188	503,840	(2,399,132)	9,409,896
Balance at 1 July 2008	11,305,188	503,840	(3,041,515)	8,767,513
Issues of shares	2,818,899	-	-	2,818,899
Cost of share issues	(175,573)	-	-	(175,573)
Share based payments	-	359,624	-	359,624
Loss for the period	-	-	(1,125,809)	(1,125,809)
Balance at 31 December 2008	13,948,514	863,464	(4,167,324)	10,644,654

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

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Half-Year Ended 31 December 2008 \$	Half-Year Ended 31 December 2007 \$
Cash flows from operating activities		
Payments to suppliers and employees	(902,952)	(1,105,691)
Payments for deferred exploration expenditure	(1,794,766)	(630,336)
Interest and other income received	16,480	104,191
Net cash provided by operating activities	(2,681,238)	(1,631,836)
Cash flows from investing activities		
Payment for property, plant and equipment	(16,383)	(167,296)
Net cash used in investing activities	(16,383)	(167,296)
Cash flows from financing activities		
Proceeds from issues of equity securities	2,818,899	-
Payment for share issue costs	(175,573)	(2,540)
Unissued subscriptions	-	1,112,096
Net cash from financing activities	2,643,326	1,109,556
Net increase/(decrease) in cash and cash equivalents	(54,295)	(689,576)
Cash and cash equivalents at the beginning of the half-year	1,121,666	4,092,301
Cash and cash equivalents at the end of the half-year	\$1,067,371	\$3,402,725

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

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. SUMMARY OF ACCOUNTING POLICIES

Significant Accounting Policies

a) **Statement of Compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2008 annual financial report.

b) **Basis of Preparation**

The half year report has been prepared on an accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2008 annual financial report for the financial year ended 30 June 2008.

c) **Going Concern**

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlements of liabilities in the ordinary course of business. The consolidated entity incurred a loss from ordinary activities of \$1,125,809 for the half year ended 31 December 2008 (30 June 2008: \$1,725,486 loss).

The net working capital position of the consolidated entity at 31 December 2008 was \$1,182,531 (30 June 2008: \$788,909) and the net movement in cash held during the half year was a decrease of \$54,295 (year ended 30 June 2008: a decrease of \$2,970,635).

The ability of the Company and the consolidated entity to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing or selling one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when they are required. In light of the consolidated entity's current exploration projects, the Directors believe that the additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. SUMMARY OF ACCOUNTING POLICIES

Significant Accounting Policies

c) *Going Concern continued*

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, or reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company and the consolidated entity may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2. SUBSEQUENT EVENTS

On 6 February 2009 the Company announced the closure of the short form prospectus dated 5 November 2008.

3. SEGMENT INFORMATION

The Company operates in one geographical segment for primary reporting, being Australia.

4. EQUITY SECURITIES ISSUED

Shares

During the half-year reporting period ended 31 December 2008 Hazelwood Resources Ltd issued the following securities:

8,459,333 shares at \$0.15 each for working capital; and
20,666,667 shares at \$0.075 each for working capital.

Options

During the half-year reporting period ended 31 December 2008 4,000,000 options over ordinary shares were issued to consultants and 2,000,000 options over ordinary shares were issued to the managing director of BigHill Resources Limited.

The 3,000,000 options over ordinary shares in BigHill Resources Limited previously issued to its managing director were cancelled.

HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

5. CONTINGENT LIABILITIES

The Company has executed its option to purchase two tenements located at Arthur River in the Gascoyne Region. The consideration paid upon exercise of this option comprised \$20,000 in cash and the allotment to the vendors of an initial tranche of 750,000 fully paid ordinary shares in the Company. A further 750,000 fully paid ordinary shares are to be allotted over a two year period in two tranches of 375,000 fully paid ordinary shares. The value of these shares at 31 December 2008 was \$37,500.