

HAZELWOOD RESOURCES LTD

Derisking Big Hill

Hazelwood Resources Limited ("Hazelwood", "Company") continues to progress the development of its Big Hill Tungsten Project, situated within the Company's 100% owned Cookes Creek project, located in the East Pilbara region of Western Australia. The Company has recently upgraded the resource for the deposit, and will have a number of key announcements over the next few months, including the prefeasibility study, which should give some clarity on the mine life as well as development costs.

Resource Quality Increases

The new resource, using a 0.10% WO₃ cutoff, is 10.1Mt @ 0.18% WO₃ for 1.8m metric tonne units (mtu's), (1 mtu is 10kg of WO₃). Hazelwood is looking to produce ~220k mtu's of high quality tungsten concentrate per annum, which will be 2-3% of the world's supply. Assuming a 65% resource to reserve conversion rate, which we see as conservative, this production rate would imply a mine life of +5 years.

Whilst the overall size of the resource has only increased by 15%, the measured and indicated categories have more than doubled, and now represent almost 70% of the total resource. The high proportion of the measured and indicated categories is important as reserves can only be calculated on these higher confidence categories. Hazelwood has the largest measured category of any tungsten deposit in Australia.

High Grades and Untested Strike Extent Give Upside

Recent drilling identified some higher grade zones within the deposit. Using a higher cut-off grade of 0.15% WO₃, the Company has generated over 1m mtu's at a grade of 0.26% WO₃. The large size of this higher grade component may mean that the Company is able to preferentially target these high grades whilst mining, leading to stronger cash flows and more robust margins.

Recent regional drilling also intersected high grades at the nearby McLeod's prospect, indicating the potential for another high grade feed source.

The deposit has been identified over at least 800m of strike. However, this resource calculation has only been undertaken on ~350m of this strike. Assuming the deposit is continuous over the entire 800m of strike, we see good potential for a +10 year mine life.

Key News Pending

The Company is undertaking a prefeasibility study into the development of Big Hill, which is due to be finalised in the December quarter. This study should give some clarity on the likely capital costs and development path for the operation. Previously the Company has advised that the operating costs for the project should be around US\$100/mtu.

The Company plans to release an initial reserve for the deposit by the end of September 2009, which will indicate an initial mine life for Big Hill. At the completion of the prefeasibility study, the Company plans to complete a definitive feasibility study which should be completed by early Q2 CY2010.

11 Sep 2009

Share Price (last): \$0.20

Brief Business Description

Tungsten Developer and Explorer

Hartleys Brief Investment Conclusion

Developing the mid scale, high quality Big Hill Tungsten project

Issued Capital	128.9m
- fully diluted	134.9m
Market Cap	\$25.8m
- fully diluted	\$27.0m
Cash (30 June 09)	\$1.6m
EV	\$24.2m

Main Projects

Big Hill (WA)	Tungsten
Cookes Creek (WA)	Ni, Iron Ore
Arthur River	U, Rare metals

Board & Management

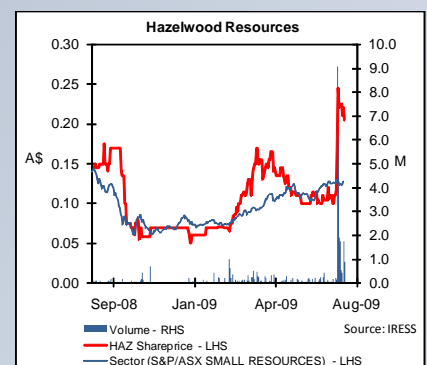
Mark McAuliffe (Exec Chairman)
 Terry Butler-Blaxell (Tech Dir)
 Ian Richer (Non-Exec Dir)
 John Chegwiddden (Non-Exec Dir, Co Sec)

Top Shareholders

Valentino Nominees	15.51%
Creekwood Nominees	7.64%
Apache Investments	5.35%

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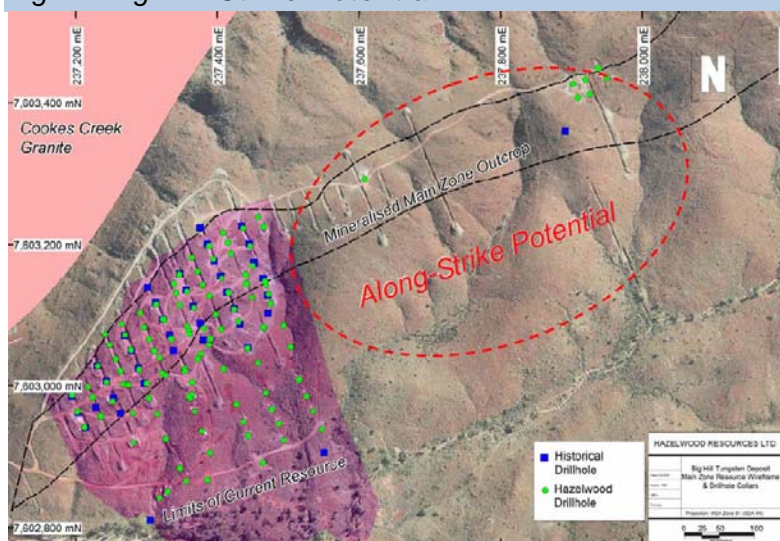
Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Hazelwood Resources Limited. See back page for full disclosure.

Fig. 1: Big Hill Updated Resource

WO ₃ Cutoff	Category	Mt	% WO ₃	mtu
0.05%	Measured	9.73	0.12	1,200,810
	Indicated	6.21	0.12	751,309
	Inferred	7.71	0.11	821,590
	Total	23.66	0.12	2,773,665
0.10%	Measured	4.30	0.19	810,473
	Indicated	2.67	0.18	493,010
	Inferred	3.10	0.16	484,370
	Total	10.07	0.18	1,787,866
0.15%	Measured	1.99	0.27	530,297
	Indicated	0.99	0.29	288,282
	Inferred	1.02	0.23	229,730
	Total	4.00	0.26	1,048,317

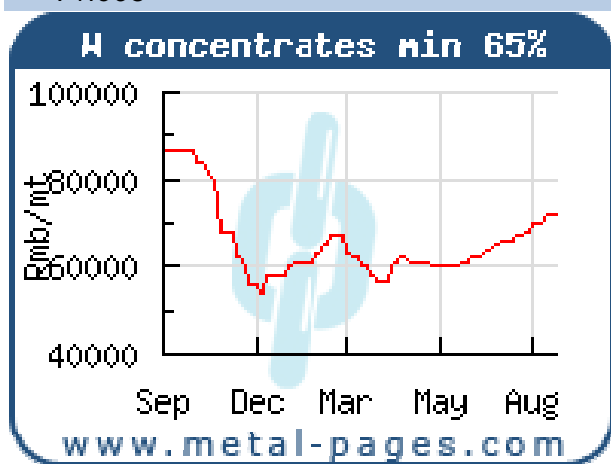
Source: Hazelwood Resources Limited

Fig. 2: Big Hill Strike Potential



Source: Hazelwood Resources Limited

Fig. 3: Chinese Tungsten Concentrate Prices



Source: www.metal-pages.com

Big Hill Advantages

The deposit has a number of favourable attributes which will significantly help the viability of any development. These attributes include:

- the ability to generate a high grade and clean +70% WO₃ concentrate,
- simple metallurgical processing involving gravity separation,
- likely low strip ratios of ~1:1,
- ~75% of the mineralisation within 100m of surface, and
- the potential to use x-ray sorting to remove waste material prior to processing, enabling a smaller plant.

Tungsten Price Continues to Rise

Tungsten concentrate prices have continued to recover during 2009, with the price recently trading between \$US155 - 162/mtu. Whilst the price has yet to recover to the average spot price seen in 2008 of \$US185/mtu, the current price still provides for a solid margin given the operating costs of ~US\$100/mtu

Maintain Speculative Buy

Big Hill is starting to shape up nicely; with newsflow pending that will give clarity on a number of the key inputs for the development of the project. The prefeasibility should flow seamlessly into the definitive feasibility study, with a goal of commencing construction of the project in approximately 12 months time. We maintain our Speculative Buy recommendation.

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					Hartleys Research Recommendation		Industry
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)			
Oil & Gas							
1. Woodside Petroleum Ltd	WPL	48.25	33,705	36,602	Buy		Major
2. Eastern Star Gas Ltd	ESG	1.01	824	746	Buy		Producer / Explorer
3. Carnarvon Petroleum Ltd	CVN	0.515	352	318	Buy		Producer / Explorer
4. Nexus Energy Ltd	NXS	0.350	226	382	Speculative Buy		Developer / Explorer
5. Tap Oil Ltd	TAP	1.09	170	116	Buy		Producer / Explorer
6. Red Fork Energy Ltd	RFE	1.18	138	130	Buy		Explorer / Producer
7. Cooper Energy Ltd	COE	0.425	124	28	Buy		Producer / Explorer
8. Strike Oil Ltd	STX	0.250	82	75	Buy		Explorer / Producer
9. Amadeus Energy Ltd	AMU	0.270	53	105	Buy		Producer / Explorer
10. Oilex Ltd	OEX	0.275	48	38	Speculative Buy		Explorer / Producer
11. European Gas Ltd	EPG	0.185	37	101	Speculative Buy		Producer / Explorer
12. First Australian Resources Ltd	FAR	0.048	31	11	Neutral		Explorer / Producer
13. Sun Resources NL	SUR	0.082	28	18	Speculative Buy		Explorer / Producer
14. Adelphi Energy Ltd	ADI	0.070	10	3	Speculative Buy		Junior
Sub-Total			35,829	38,675			
Resources							
1. Riversdale Mining Limited	RIV	6.18	1,164	838	Speculative Buy		Coal
2. Western Areas NL	WSA	5.220	878	1,115	Buy		Nickel
3. Atlas Iron Limited	AGO	1.82	727	677	Buy		Iron Ore
4. Medusa Mining Limited	MML	3.340	563	531	Buy		Gold
5. Dominion Mining Limited	DOM	4.400	453	501	Speculative Buy		Gold
6. Gold One International Limited	GDO	0.340	244	166	Buy		Gold
7. Jabiru Metals Limited	JML	0.400	218	199	Buy		Zinc-Copper
8. Silver Lake Resources	SLR	0.955	147	126	Speculative Buy		Gold
9. Intrepid Mines Limited	IAU	0.340	145	123	Speculative Buy		Gold
10. Magma Metals Limited	MMB	0.700	114	94	Speculative Buy		PGM-Cu-Ni
11. Emmerson Resources Limited	ERM	0.305	62	50	Speculative Buy		Junior Explorer
12. Peninsula Minerals Ltd	PEN	0.053	58	44	Speculative Buy		Uranium Developer / Explorer
13. Ausquest Limited	AQD	0.160	36	6	Speculative Buy		Junior Explorer
14. Shaw River Resources Limited	SRR	0.175	23	20	Speculative Buy		Junior Explorer
15. Hazelwood Resources Ltd	HAZ	0.200	20	20	Speculative Buy		Junior Explorer
16. Impact Minerals Limited	IPT	0.180	17	13	Speculative Buy		Junior Explorer
17. Southern Gold Limited	SAU	0.096	12	10	Speculative Buy		Junior Explorer
18. YTC Resources Limited	YTC	0.240	11	8	No Rating		Junior Explorer
Sub-Total			4,872	4,524			
Industrials							
1. West Australia News Hdgs Ltd	WAN	6.47	1,394	1,697	Buy		Media
2. Monadelphous Group Limited	MND	13.050	1,108	978	Neutral		Mining Services
3. Clough Limited	CLO	0.970	648	694	No Rating		Oil & Gas Services
4. Austal Limited	ASB	2.910	547	453	Buy		Capital Goods
5. Mermaid Marine Australia Ltd	MRM	2.98	543	595	Buy		Oil & Gas Services
6. Macmahon Holdings Limited	MAH	0.650	477	479	Speculative Buy		Mining & Civil Construction
7. NRW Holdings Ltd	NWH	1.62	407	447	Buy		Mining & Civil Construction
8. Fleetwood Corporation	FWD	7.78	402	413	Buy		Consumer & Mining Services
9. Neptune Marine Ltd	NMS	0.870	386	361	Buy		Marine Services
10. Ausdrill Limited	ASL	1.79	313	481	Buy		Onshore Drilling & Mining
11. Cash Converters Limited	CCV	0.570	208	159	Buy		Retail & Consumer Finance
12. Southern Cross Electrical	SXE	1.46	175	152	Buy		Mining & Civil Construction
13. RCR Tomlinson Ltd	RCR	1.20	156	205	Buy		Mining & Industrial Services
14. Index Ltd	IMD	0.805	156	178	Buy		Oil & Gas / Mining Services
15. Nomad Building Solutions Ltd	NOD	1.115	151	177	Speculative Buy		Residential & Mining Services
16. Decmil Group Limited	DCG	1.215	143	125	Buy		Mining & Civil Construction
17. Lycopodium Limited	LYL	3.080	117	113	Neutral		Mining & Industrial Services
18. GRD Limited	GRD	0.535	103	138	Buy		Mining & Civil Services
19. Swick Mining Services Ltd	SWK	0.645	98	152	Buy		Mining Services
20. VDM Group Limited	VMG	0.510	58	141	Speculative Buy		Mining & Civil Construction
Sub-Total			7,589	8,137			
GRAND TOTAL			48,290	51,336			

Source: IRESS, Hartleys Research. * 11 Sep 2009

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Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

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