

HAZELWOOD RESOURCES LTD

Favourable Big Hill Operating Cost Estimate

Hazelwood Resources Limited ("Hazelwood", "HAZ", "Company") has released its operating cost estimate for the Company's Big Hill Tungsten deposit, located in the East Pilbara region of Western Australia. The estimate has indicated operating costs of <US\$90/mtu to US\$110/mtu, depending on the pricing/development scenario. This compares to a current Tungsten concentrate price of ~US\$140/mtu. The study indicated a minimum 5 year mine life, producing between 200,000 and 220,000mtu's of tungsten concentrate per annum with very low strip ratios of <1:1.

This outcome is positive for Hazelwood, as it indicates reasonable margins even at the current low Tungsten prices. Using these prices, the operation should generate ~US\$11-12m in operating cashflow per annum.

Two Pricing Scenarios

Two scenarios were examined: a Base Case and a Low Price Case.

- Base Case: The price used is \$US170/mtu (a slight discount to the 53 year average real tungsten price) giving a 5 year life, mining at ~2.2Mtpa at an average grade of 0.124% WO₃. This scenario yielded a very low life of mine strip ratio of 0.66: 1 with cash costs of ~US\$110/mtu.
- Low Price Scenario: Under the current price scenario, the average processing rate is 1.9Mtpa averaging 0.151% WO₃ with a strip ratio of 0.74:1. Cash costs under this scenario were ~\$US90/mtu.

Potential Cost Improvements

The operation involves open pit mining and simple gravity circuit processing. Significantly, the use of x-ray ore sorting was not incorporated into the estimate. The use of x-ray sorting is likely to further improve operating costs due to its ability to upgrade the quality of the ore.

The study is based on the current resource of ~1.6mtu's of tungsten. Approximately 70% of this resource is within 100m of the surface, and the resource has only been calculated over approximately 1/3rd of the strike of the mineralisation. The Company is due to commence a drilling program that should add at least another two years mine life.

Prefeasibility on Track for September 2009

The pre-feasibility study is currently underway and is due for completion in September 2009. Prior to this, the Company plans to release further details on the process flow sheet testwork, an ore reserve estimate, and preliminary capital expenditure estimates.

29 May 2009

Share Price (last): \$0.14

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	133.9m
Market Cap	\$17.4m
- fully diluted	\$18.1m
Cash (est.)	\$3.0m
EV	\$14.4m

Main Projects

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

Board & Management

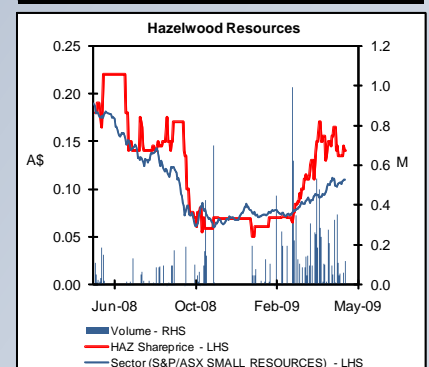
Mark McAuliffe (Exec Chairman)
Terry Butler-Blaxell (Tech Dir)
Ian Richer (Non-Exec Dir)
John Chegidden (Non-Exec Dir, Co Sec)

Top Shareholders

Valentino Nominees Pty Ltd	15.41%
Creekwood Nominees Pty Ltd	7.37%
Jemaya Pty Ltd	7.36%

Company Address

Level 6, 189 St Georges Terrace
Perth WA 6000



Author

Andrew Muir
Resources Analyst
Ph +61 8 9268 3045
E andrew_muir@hartleys.com.au

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.

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					Hartleys Research	
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)	Recommendation	Industry
<u>Oil & Gas</u>						
1. Woodside Petroleum Ltd	WPL	42.48	29,675	32,572	Buy	Major
2. Eastern Star Gas Ltd	ESG	0.785	641	562	Buy	Producer / Explorer
3. Carnarvon Petroleum Ltd	CVN	0.680	464	398	Buy	Producer / Explorer
4. Nexus Energy Ltd	NXS	0.380	245	410	Speculative Buy	Developer / Explorer
5. Tap Oil Ltd	TAP	1.02	159	105	Buy	Producer / Explorer
6. Cooper Energy Ltd	COE	0.435	127	34	Buy	Producer / Explorer
7. Strike Oil Ltd	STX	0.220	72	66	Speculative Buy	Explorer / Producer
8. Amadeus Energy Ltd	AMU	0.330	66	143	Buy	Producer / Explorer
9. Red Fork Energy Ltd	RFE	0.690	62	54	Buy	Explorer / Producer
10. First Australian Resources Ltd	FAR	0.077	44	31	Speculative Buy	Explorer / Producer
11. Oilex Ltd	OEX	0.155	27	12	Speculative Buy	Explorer / Producer
12. European Gas Ltd	EPG	0.135	27	91	Speculative Buy	Producer / Explorer
13. Sun Resources NL	SUR	0.073	25	19	Speculative Buy	Explorer / Producer
14. Adelphi Energy Ltd	ADI	0.068	10	3	Speculative Buy	Junior
		Sub-Total	31,645	34,500		
<u>Resources</u>						
1. Riversdale Mining Limited	RIV	6.34	1,195	869	Speculative Buy	Coal
2. Western Areas NL	WSA	4.68	787	921	Buy	Nickel
3. Andean Resource Ltd	AND	1.93	782	753	Speculative Buy	Gold Developer
4. Dominion Mining Limited	DOM	4.73	487	535	Speculative Buy	Gold
5. Atlas Iron Limited	AGO	1.51	457	407	Buy	Iron Ore
6. Medusa Mining Limited	MML	1.95	325	297	Buy	Gold
7. Gold One International Limited	GDO	0.290	199	119	Buy	Gold
8. Jabiru Metals Limited	JML	0.275	137	130	Buy	Zinc-Copper
9. Intrepid Mines Limited	IAU	0.310	133	111	Speculative Buy	Gold
10. Magma Metals Limited	MMB	0.390	63	43	Speculative Buy	PGM-Cu-Ni
11. Ausquest Limited	AQD	0.150	34	4	Speculative Buy	Junior Explorer
12. Emmerson Resources Limited	ERM	0.160	33	21	Speculative Buy	Junior Explorer
13. Shaw River Resources Limited	SRR	0.165	22	19	Speculative Buy	Junior Explorer
14. Southern Gold Limited	SAU	0.125	16	14	Speculative Buy	Junior Explorer
15. Hazelwood Resources Ltd	HAZ	0.140	14	14	Speculative Buy	Junior Explorer
		Sub-Total	4,683	4,257		
<u>Industrials</u>						
1. West Australia News Hdgs Ltd	WAN	4.16	856	1,174	Buy	Media
2. Monadelphous Group Limited	MND	9.93	831	701	Neutral	Mining Services
3. Austal Limited	ASB	2.57	483	389	Speculative Buy	Capital Goods
4. Clough Limited	CLO	0.645	431	477	No Rating	Oil & Gas Services
5. Fleetwood Corporation	FWD	6.23	314	325	Buy	Consumer & Mining Services
6. Mermaid Marine Australia Ltd	MRM	1.58	287	339	Buy	Oil & Gas Services
7. Macmahon Holdings Limited	MAH	0.345	246	278	Speculative Buy	Mining & Civil Construction
8. NRW Holdings Ltd	NWH	0.900	218	271	Buy	Mining & Civil Construction
9. Neptune Marine Ltd	NMS	0.560	164	194	Speculative Buy	Marine Services
10. Ausdrill Limited	ASL	0.885	155	323	Buy	Mining Services
11. Cash Converters Ltd	CCV	0.435	105	107	Buy	Retail & Consumer Finance
12. Southern Cross Electrical	SXE	0.800	96	72	Buy	Mining & Civil Construction
13. Index Ltd	IMD	0.460	86	115	Buy	Oil & Gas / Mining Services
14. GRD Limited	GRD	0.410	79	113	Buy	Mining & Civil Services
15. Nomad Building Solutions Ltd	NOD	0.490	66	92	Speculative Buy	Residential & Mining Services
16. Swick Mining Services Ltd	SWK	0.380	58	112	Speculative Buy	Mining Services
17. Paladio Group Ltd	PDO	0.480	56	51	Buy	Mining & Civil Construction
18. RCR Tomlinson Ltd	RCR	0.435	53	106	Speculative Buy	Mining & Industrial Services
19. Lycopodium Limited	LYL	1.35	51	48	Neutral	Mining & Industrial Services
20. VDM Group Limited	VMG	0.240	27	111	Speculative Buy	Mining & Civil Construction
		Sub-Total	4,662	5,398		
49.		GRAND TOTAL	40,990	44,155		

Source: IRESS, Hartleys Research. * 28 May 2009

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research / Senior Industrial Analyst	+61 8 9268 3052
Nikki Ermongkonchai	Industrial Analyst	+61 8 9268 2837
Andrew Muir	Resources Analyst	+61 8 9268 3045
David Wall	Oil and Gas Analyst	+61 8 9268 2826

Corporate Finance

Richard Simpson	Head of Corporate Finance	+61 8 9268 2824
Grey Egerton-Warburton	Lead Director-Corporate Finance	+61 8 9268 2851
Paul Fryer	Director-Corporate Finance	+61 8 9268 2819
Dale Bryan	Assoc Director-Corp Finance	+61 8 9268 2829
Ben Wale	Manager - Corporate Finance	+61 8 9268 3055

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details

Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
`firstname_lastname@hartleys.com.au`

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

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has completed capital raisings in the past 12 months for Hazelwood Resources ("Hazelwood") for which it received fees. Hartleys has provided corporate advice to Hazelwood Resources Limited ("Hazelwood") within the last 12 months for which it has received fees and continues to receive fees.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Darren Reed	+61 8 9268 3053
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moulain	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom (CEO)	+61 8 9268 2868
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806