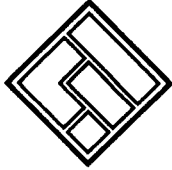


**lodging party or agent name** HAZELWOOD RESOURCES LTD  
 office, level, building name or PO Box no. LEVEL 6  
 street number & name 189 ST GEORGES TERRACE  
 suburb/city PERTH state/territory WA postcode 6000  
 telephone (08) 9320 5220  
 facsimile (08) 9481 6343  
 DX number \_\_\_\_\_ suburb/city \_\_\_\_\_

ASS. PROC.	<input type="checkbox"/>	REQ. A	<input type="checkbox"/>
CASH.	<input type="checkbox"/>	REQ. P	<input type="checkbox"/>



**Australian Securities & Investments Commission**

notification of

form **7051**

**• Half Yearly Reports**

(ASX Form 1001)  
 Corporations Act 2001  
**285(2), 286(1), 320**

(to be lodged within 75 days of the end of the accounting period)

**Disclosing entity**

Please complete A, B or C.

**A a company**

name HAZELWOOD RESOURCES LTD  
 A.C.N. 118 738 999

**B a body (other than a company)**

name \_\_\_\_\_  
 A.R.B.N. (if applicable) \_\_\_\_\_

**C a registered scheme**

name \_\_\_\_\_  
 A.R.S.N. \_\_\_\_\_

**Financial period**

from 1 / 07 / 2006 to 31 / 12 / 2006

**Certification**

*I certify that the attached documents comprise the half yearly reports together with every other document that is required to be lodged with the reports by a disclosing entity under the Corporations Act 2001.*

**Signature**

This form is to be signed by:

- if a company or a body a director or secretary or the equivalent
- if a registered scheme a director or secretary of the responsible entity acting in that capacity

name of responsible entity HAZELWOOD RESOURCES LTD  
 A.C.N. 118 738 999  
 name of person signing (print) MARK McAULIFFE capacity DIRECTOR

sign here

*Mark McAuliffe* date 13 / 3 / 07

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form

**Include**

- The time actually spent reading the instructions, working on the question and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs \_\_\_\_\_ mins \_\_\_\_\_

**HALF YEARLY REPORTS**

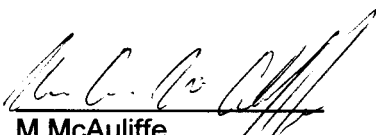
---

**HAZELWOOD RESOURCES LTD**  
**ABN 88 118 738 999**

**HALF-YEARLY REPORT**  
**31 DECEMBER 2006**

---

This is the Annexure marked "A" referred to in Form 1001  
dated 13 March 2007 and signed by me



M McAuliffe  
Executive Chairman  
13 March 2007

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## TABLE OF CONTENTS

---

<b>Company Information</b>	<b>3</b>
<b>Directors' Report</b>	<b>4</b>
<b>Auditors Independence Declaration</b>	<b>9</b>
<b>Auditors Report</b>	<b>10</b>
<b>Directors' Declaration</b>	<b>12</b>
<b>Consolidated Income Statement</b>	<b>13</b>
<b>Consolidated Balance Sheet</b>	<b>14</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>15</b>
<b>Consolidated Cash Flow Statement</b>	<b>16</b>
<b>Notes to Financial Statements</b>	<b>17</b>

# 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 Chegwidden**  
(Non Executive Director)

### Company Secretary

Mr John Chegwidden

### Registered Office

Level 6, 189 St Georges Terrace,  
Perth WA 6000  
Telephone: (08) 9320 5220  
Facsimile: (08) 9481 6343  
Email: [info@hazelwood.com.au](mailto:info@hazelwood.com.au)

### Auditors

Rix Levy Fowler  
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](http://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 for the half-year ended 31 December 2006. 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 Chegwidden

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 2006 was \$833,696.

Hazelwood Resources Limited (Hazelwood or the Company) was admitted to the official list of the Australian Stock Exchange Limited on Friday, 29 September 2006. Official quotation of securities commenced on Tuesday, 3 October 2006. Hazelwood trades under the code HAZ. 32,500,004 ordinary shares are quoted.

#### **Activities Prior to Official Listing**

During the relevant period prior to the official listing the Company was active in the evaluation of its nickel and tungsten projects at Cookes Creek near Nullagine in East Pilbara. A bulk sample consisting of approximately 500kg of tungsten-bearing material was removed from existing costeans at the Big Hill target. The Big Hill target had been the subject of extensive costeaning, channel sampling and diamond drilling by previous Exploration companies, and is located adjacent to a historic tungsten mining centre.

The bulk sample was submitted to a Western Australian laboratory for comminution and beneficiation testwork to evaluate the application of modern mineral processing technology to the recovery of scheelite and fluorite concentrates. The testwork commenced immediately following the official listing of the Company. Previous metallurgical tests performed during the 1980s demonstrated that saleable scheelite product could be obtained from the mineralised material at Cookes Creek.

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## DIRECTORS' REPORT

---

### **Capital Raising and Official Quotation**

Following the release of a prospectus on 28 July 2006 the Company successfully raised six million dollars. The prospectus was over-subscribed and closed early. Monies raised under the prospectus were dedicated towards the acquisition of tenements, including the flagship tenements at Cookes Creek, together with working capital for the Company's operations.

Upon the completion of the capital raising and official listing of the Company on the ASX the Company immediately proceeded to settlement upon the acquisition of Kiora Holdings Pty Ltd, the company holding the key tenements at Cookes Creek. Settlement was concluded in the days prior to official listing and Kiora Holdings Pty Ltd now constitutes a wholly owned subsidiary of the Company. Work thereafter immediately commenced upon the nickel project and the tungsten project at Cookes Creek.

### **Cookes Creek Nickel Project**

The nickel project at Cookes Creek is hosted in a layered ultramafic intrusion extending for a strike length of approximately 30 kilometres along the southern end of the Cookes Creek tenements. Segments of the ultramafic intrusion had been the subject of prior exploration by Carpentaria Exploration Pty Ltd. Significant assays had been returned from rock chip samples from a number of sites and drilling undertaken by Carpentaria Exploration Pty Ltd and others at the Anomaly Hill target.

A diamond drilling rig was mobilised to site shortly before Christmas 2006. A single diamond drillhole was completed prior to the end of the quarter, followed by a short break over the Christmas period. In the period subsequent to the end of the half year, a further four diamond drillholes were drilled at Anomaly Hill. To date assays have been received from two holes, confirming the presence of significant nickel sulphide mineralisation (ASX announcement 15 February 2007). Assays are pending for three holes at the time of this report.

The Company commissioned a helicopter borne EM survey (Hoistem) over the entire ultramafic intrusion. This commenced towards the end of the relevant half year having been completed subsequent to that period. At the time of the preparation of this report only limited data has yet been returned from the geophysicists who are undertaking an analysis. Preliminary data, the subject of a release to ASX on 15 February 2007, indicated the presence of a conductive body at Anomaly Hill which has not previously been tested by drilling. A further conductor that is of significant interest to the Company has been identified on the ultramafic intrusion approximately three kilometres to the east of Anomaly Hill. Subject to a more detailed analysis of the EM data and advice from the geophysicists, the Company will be engaging in the next half year upon further exploration, probably involving the drilling of a number of these EM targets.

### **Tungsten Project**

As discussed above, metallurgical tests commenced on the tungsten project located at Big Hill immediately following the official listing of the Company. These continued in the months following official listing. Metallurgical work continues and has been the subject of ASX announcements on 9 October 2006 and 8 November 2006. Preliminary work to date indicates that the deposit is very low in contaminants and amenable to beneficiation via conventional gravity and flotation technology. Process flowsheet design is in progress, integrating results from the testwork program.

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## DIRECTORS' REPORT

---

In addition to the tungsten concentrate that is being sought from the deposit at Big Hill, it is noted that a valuable fluorite co-product appears to be available. The Company's objective is to recover both scheelite and fluorite concentrates, and to fast track the project to enable advantage to be taken of high prices currently being paid, in particular for tungsten concentrate. Given the near surface mineralisation, encouraging metallurgical tests to date, and drilling proposed for the period subsequent to the end of the half year, there is only a short lead time to feasibility.

As at the date of this report in-fill drilling had commenced on Big Hill. Six in-fill diamond drillholes have been completed into the mineralised zone and the core has been dispatched for sampling and assaying. The program currently under way is designed to collect sufficient data to enable the estimation of a Mineral Resource towards the end of April or early May 2007.

### **Joint Venture with Giralia Resources NL**

Shortly after listing on the ASX the Company became aware that an adjoining tenement held by Giralia Resources NL to the west of the Cookes Creek tenements was available for acquisition. Following discussions it was agreed that the Company would acquire a 70% interest. The interest was acquired by the allotment in favour of Giralia Resources NL of four million shares in the capital of the Company, an agreement to undertake an EM survey over the tenement and completion of some drilling.

The Company was delighted to enter into this agreement as it enabled the Company to control an additional extension of the ultramafic sequence giving rise to a total strike length now under the Company's control of approximately 30 kilometres. Given the EM survey had already been commissioned upon the Cookes Creek project, the EM survey was extended over the new area. Interpretation of the EM data from the layered ultramafic sequence is with geophysicists for interpretation as at the date of this report.

In addition to obtaining access to extensions of the layered ultramafic sequence, the new joint venture ground has a number of base metal targets. Rock chip sampling had demonstrated grades of 0.49% nickel, 0.49% copper and 5.6% zinc. Significant base metal targets and molybdenum targets existed at Copper Gorge and Reedys Creek, including drilling intercepts of 7.6 metres at 0.4% copper, 13.7 metres at 0.47% copper, 28.9 metres at 0.18% copper, 3 metres at 540ppm molybdenum and 2 metres at 480ppm molybdenum.

Preliminary results of the EM survey over Copper Gorge were released to the market on 22 February 2007. These indicate a conductance target below the area that had previously been the subject of drilling. Historical drillholes drilled near the conductance target are noted to have returned significant copper mineralisation intercepts up to 2.3% copper.

The Company is now engaged in a review of all of the data from Copper Gorge together with the new EM data for the Cookes Creek project. The Company will commence Exploration drilling for base metals at Copper Gorge and continue nickel sulphide Exploration drilling at the remainder of the Cookes Creek project area

### **Other Projects**

During the relevant half year the Company held two applications for Exploration Licences over ground at Arthur River located in the Eastern Gascoyne region and an application for an Exploration Licence at Vickers Well in the Eastern Goldfields of Western Australia. Those tenements have now been granted. The tenements are prospective for rare metal pegmatites, gold and uranium.

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## DIRECTORS' REPORT

---

In the period post completion of the half year the Company has undertaken further analysis of these tenements, following their successful granting, and has now commissioned an airborne radiometric and magnetic survey to be completed towards the end of March 2007.

The Company holds tenements under application at Mangaroon in the Eastern Gascoyne region and Tardarina Hill in the Western Pilbara. The former is prospective for rare metals and scheelite. The latter has established gold occurrences.

### Other Activities

During the relevant half year the Company successfully established its corporate and administrative offices in Perth.

The Company also established a base camp in Nullagine. The Company has secured the rights to purchase a property in Nullagine township that will provide a sufficient base for the Company's operations at Cookes Creek. The Anomaly Hill and Big Hill projects are accessible by a number of different tracks approximately one hour's drive from Nullagine.

### Events Post 31 December 2006

Since completion of the half year the Company has continued with:

- Drilling at Anomaly Hill
- Drilling at Big Hill
- Tungsten metallurgical testwork on samples from from Big Hill
- EM surveys over its Cookes Creek and Copper Gorge projects.

The Company proposes to continue evaluation and exploration of nickel and tungsten at Cookes Creek and pending further data coming to hand, the pursuit of base metal projects at the Copper Gorge area.

### Results of the Annual General Meeting

The Company held its Annual General Meeting on 30 November 2006. The meeting approved the following resolutions:

- Adoption of Remuneration Report
- The re-election of Mr John Chegwidden as a director of the Company;
- The re-election of Mr Mark McAuliffe as a director of the Company;
- The re-election of Mr Ian Richer as a director of the Company;
- The re-election of Mr Terence Butler-Blaxell as a director of the Company;
- The ratification of the issue of 4,000,000 shares in the Company; and
- Appointment of Auditor

All resolutions were carried on a show of hands.

Proxies for a total of 17,538,489 shares were received. The majority of proxies voted in favour of the resolutions.

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## DIRECTORS' REPORT

---

### Auditor's Declaration

The lead auditor's independence declaration under s.307C of the Corporations Act 2001 is set out on page 5 of the half-year financial report.

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

On behalf of the Directors

  
**M McAuliffe**  
**Executive Chairman**  
**Perth, Western Australia**  
**13 March 2007**

### CONCLUDING STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Terence Butler-Blaxell, who is a Member of The Australasian Institute of Mining and Metallurgy included in a list promulgated by the ASX from time to time.



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 2006 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

**RIX LEVY FOWLER**  
Chartered Business Advisors

**RANKO MATIĆ**  
Partner

DATED at PERTH this 13<sup>th</sup> day of March 2007



## **Independent Review Report**

### **To the Members of Hazelwood Resources Limited**

#### **Scope**

##### *The financial report and directors' responsibility*

The financial report comprises the income statement, balance sheet, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Hazelwood Resources Limited (the company) and Hazelwood Resources Limited (the consolidated entity) for the half-year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during the period.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit approach*

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission and Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Independence**

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out in this financial report has not changed as at the date of providing our audit opinion.

## ***Independent Review Report***

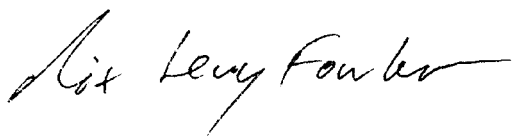
To the Members of Hazelwood Resources Limited *(CONTINUED)*

---

### **Statement**

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 is not drawn up in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 31 December 2006 and of their performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



**RIX LEVY FOWLER**  
Chartered Business Advisors



**RANKO MATIĆ**  
Partner

DATED at PERTH this 13<sup>th</sup> day of March 2007

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

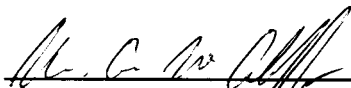
## **DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

---

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the disclosing 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 Standard AASB134:Interim Financial Reporting and giving a true and fair view of the financial position and performance of the consolidated entity.

This declaration is made in accordance with a resolution of the Board of Directors.



---

**M McAuliffe**

**Executive Chairman**

**13 March 2007**

**Perth, Western Australia**

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<b>Half-Year Ended 31 December 2006 \$</b>
Revenue	43,715
Administrative Expenses	130,672
Auditor's Remuneration	10,000
Depreciation	6,539
Directors' Fees	53,750
Exploration Costs	200,968
Insurance	14,749
Share Based Payments	199,975
Legal Fees	34,228
Consultancy Fees	109,875
Occupancy Costs	85,657
Employee Benefits Expenses	15,804
Travel Expense	15,134
	<u>877,351</u>
<b>Loss before income tax expense</b>	<b>(833,636)</b>
Income tax expense	-
<b>Loss from continuing operations</b>	<b>(833,636)</b>
<b>Loss attributable to members</b>	<b>(833,636)</b>
<b>Loss per Share</b>	
Basic (cents per share)	<b>2.20</b>
Diluted (cents per share)	<b>2.00</b>

*The above statement of financial performance should be read in conjunction with the accompanying notes.*

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	31 December 2006 \$	30 June 2006 \$
<b>Current assets</b>		
Cash and cash equivalents	4,145,764	57,147
Trade and other receivables	103,270	4,858
Other current assets	-	39,603
<b>Total current assets</b>	<b>4,249,034</b>	<b>101,608</b>
<b>Non-current assets</b>		
Property, plant and equipment	106,042	-
Exploration, evaluation and development	1,303,606	224,511
Intangible assets	2,291,439	-
Other Non-current assets	70,000	-
<b>Total non-current assets</b>	<b>3,771,087</b>	<b>224,511</b>
<b>Total assets</b>	<b>8,020,121</b>	<b>326,119</b>
<b>Current liabilities</b>		
Trade and other payables	108,794	44,127
Other financial liabilities	350,000	-
Provisions	1,360	-
<b>Total current liabilities</b>	<b>460,154</b>	<b>44,127</b>
<b>Total liabilities</b>	<b>460,154</b>	<b>44,127</b>
<b>Net assets</b>	<b>7,559,967</b>	<b>281,992</b>
<b>Equity</b>		
Issued capital	8,348,690	437,054
Option reserve	199,975	-
Accumulated losses	(988,698)	(155,062)
<b>Total equity</b>	<b>7,559,967</b>	<b>281,992</b>

*The above statement of financial position 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 2006

	<b>31 December 2006 \$</b>
<b>Retained earnings/(losses)</b>	
Retained earnings/(losses) at the beginning of the period	(155,062)
Net loss for the period	(833,636)
<b>Retained earnings/(losses) at the end of the period</b>	<b>(988,698)</b>
<b>Option reserve</b>	
Option reserve at the beginning of the period	-
Share based payments	199,975
<b>Total option reserve</b>	<b>199,975</b>
<b>Issued capital</b>	
Issued capital at the beginning of the period	437,054
Issue of shares for working capital	115,000
Issue of shares under terms of Option Agreements	80,000
Issue of shares for 100% acquisition of subsidiary	1,600,000
Issue of shares on listing on the ASX	6,000,000
Issue of shares for 70% interest in tenement	840,000
<b>Issued capital at the end of the period</b>	
<b>- 60,750,004 fully paid shares</b>	<b>9,072,054</b>
<b>Share issue costs</b>	
Balance at the beginning of the period	-
Share issue costs during the period	(723,364)
<b>Share issue costs at the end of the period</b>	<b>(723,364)</b>
<b>Total Issued Capital</b>	<b>8,348,690</b>
<b>Net income recognised directly in equity:</b>	
Loss for the period	(833,636)
<b>Total recognised income and expense for the period</b>	<b>(833,636)</b>
<b>Attributable to:</b>	
Equity holders	(833,636)

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<b>Half-Year Ended 31 December 2006 \$</b>
<b>Cash flows from operating activities</b>	
Payments to suppliers and employees	(508,694)
Payments for deferred exploration expenditure	(390,064)
Interest and other income received	43,715
<b>Net cash provided by operating activities</b>	<b><u>(855,043)</u></b>
<b>Cash flows from investing activities</b>	
Payment for property, plant and equipment	(112,581)
Cash acquired in business combination	2
Payment for acquisition of subsidiary	(350,000)
Payments for acquisition of tenements	(10,000)
<b>Net cash used in investing activities</b>	<b><u>(472,579)</u></b>
<b>Cash flows from financing activities</b>	
Proceeds from issues of equity securities	6,082,850
Payment for share issue costs	(666,611)
<b>Net cash from financing activities</b>	<b><u>5,416,239</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,088,617</b>
Cash and cash equivalents at the beginning of the half-year	57,147
<b>Cash and cash equivalents at the end of the half-year</b>	<b><u><u>4,145,764</u></u></b>

*The above statement of cash flows 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 2006

---

### 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 2006 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 2006 annual financial report for the financial year ended 30 June 2006.

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

##### c) *Principles of Consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company and its subsidiary as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of the subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 2. CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

#### Business Combinations

On 27 September 2006, the Company completed settlement of the acquisition of a 100% interest in Kiora Holdings Pty Ltd for a consideration of \$2,300,000 settled through the issue of 8,000,000 shares at \$0.20 each for a total of \$1,600,000, \$350,000 cash on 27 September 2006 with the balance of \$350,000 cash payable on 27 March 2007.

Kiora Holdings Pty Ltd is the holder of the Cookes Creek tenements E46/0521, E36/0560, MLA46/0477, MLA46/0478, MLA46/0479, MLA46/0480 and ELA46/0740. The Cookes Creek tenements are Hazelwood's flagship project and are prospective for nickel sulphides and tungsten.

#### Summary of Net Assets Acquired

Description	Carrying Amount immediately prior acquisition \$	Fair Value \$
Net assets acquired:		
Cash and cash equivalents	2	-
Exploration assets	14,871	14,871
Payables	(6,310)	(6,310)
	<u>8,563</u>	
Future exploration potential	-	<u>2,291,439</u>
Total Consideration		<u>2,300,000</u>

Kiora Holdings Pty Ltd has recorded a loss of \$3,625 since the date of acquisition.

### 3. SUBSEQUENT EVENTS

There have been no subsequent events as at the date of this report.

### 4. SEGMENT INFORMATION

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

# HAZELWOOD RESOURCES LTD

ABN 88 118 738 999

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

---

### 5. EQUITY SECURITIES ISSUED

During the half-year reporting period ended 31 December 2006, Hazelwood Resources Ltd issued the following securities:

1,150,000 shares at \$0.10 each for working capital;

400,000 shares at \$0.20 under the terms of Tenement Option Agreements;

8,000,000 shares at \$0.20 as part consideration for the acquisition of Kiara Holdings Pty Ltd;

30,000,000 shares at \$0.20 on listing on the ASX; and

4,000,000 shares at \$0.21 as part consideration for the acquisition of a 70% interest in the Cookes Creek tenement E46/0562 from Giralia Resources NL.

During the half-year reporting period ended 31 December 2006, Hazelwood Resources Ltd issued 7,750,000 options over ordinary shares to directors and consultants.