

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

HAZELWOOD RESOURCES LTD

ABN

88 118 738 999

Quarter ended ("current quarter")

30 September 2006

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	Nil	Nil
1.2 Payments for		
(a) exploration and evaluation	(54)	(54)
(b) development	Nil	Nil
(c) production	Nil	Nil
(d) administration	(25)	(25)
1.3 Dividends received	Nil	Nil
1.4 Interest and other items of a similar nature received	Nil	Nil
1.5 Interest and other costs of finance paid	Nil	Nil
1.6 Income taxes paid	Nil	Nil
1.7 Other (provide details if material)	Nil	Nil
<b>Net Operating Cash Flows</b>	<b>(79)</b>	<b>(79)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(30)	(30)
(b) equity investments	(350)	(350)
(c) other fixed assets	(4)	(4)
1.9 Proceeds from sale of:		
(a) prospects	Nil	Nil
(b) equity investments	Nil	Nil
(c) other fixed assets	Nil	Nil
1.10 Loans to other entities	Nil	Nil
1.11 Loans repaid by other entities	Nil	Nil
1.12 Other (provide details if material)	Nil	Nil
<b>Net investing cash flows</b>	<b>(384)</b>	<b>(384)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(463)</b>	<b>(463)</b>

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(463)	(463)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	6,046	6,046
1.15	Proceeds from sale of forfeited shares	Nil	Nil
1.16	Proceeds from borrowings	Nil	Nil
1.17	Repayment of borrowings	Nil	Nil
1.18	Dividends paid	Nil	Nil
1.19	Other (provide details if material)	Nil	Nil
	<b>Net financing cash flows</b>	6,046	6,046
	<b>Net increase (decrease) in cash held</b>	5,583	5,583
1.20	Cash at beginning of quarter/year to date	57	57
1.21	Exchange rate adjustments to item 1.20	Nil	Nil
1.22	<b>Cash at end of quarter</b>	5,640	5,640

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	NIL
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

N/A

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The issue of 400,000 Ordinary Shares in the Company as option fees on the option to purchase mining tenements, as per prospectus dated 28 July 2006 and the issue of 8,000,000 Ordinary Shares in the Company as consideration for the purchase of Kiora Holdings Pty Ltd, as per prospectus dated 28 July 2006

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	650
4.2 Development	Nil
<b>Total</b>	<b>650</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,640	57
5.2 Deposits at call	Nil	Nil
5.3 Bank overdraft	Nil	Nil
5.4 Other (provide details)	Nil	Nil
<b>Total: cash at end of quarter</b> (item 1.22)	<b>5,640</b>	<b>57</b>

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	NIL		
6.2	Interests in mining tenements acquired or increased	E09/1066&E09/1067	0%	0%
		E46/692&693	0%	0%
		E47/1554	0%	0%
		E46/521, E46/560, M46/477,479,480& 798	0%	100%
		Purchase of Kiora Holdings Pty Ltd		

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+ See chapter 19 for defined terms.

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	46,750,004	Nil		
7.4 Changes during quarter				
(a) Increases through issues	1,150,000	Nil	10 Cents	10 Cents
(b) Decreases through returns of capital, buy-backs	8,000,000 30,000,000	Nil Nil	10 Cents 20 Cents	10 Cents 20 Cents
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	4,500,000	Nil	20 Cents	31August09
	1,000,000	Nil	25 Cents	31August09
	2,250,000	Nil	30 Cents	31August09
7.8 Issued during quarter	4,500,000	Nil	20 Cents	31August09
	1,000,000	Nil	25 Cents	31August09
	2,250,000	Nil	30 Cents	31August09
7.9 Exercised during quarter	NIL			
7.10 Expired during quarter	Nil			
7.11 <b>Debentures</b> <i>(totals only)</i>				
.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Director/Company secretary)

Date: 30 October 2006

Print name: John Chegwidden

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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## Activities Report for the Quarter Ending 30 September 2006

### Operating Activities

During the quarter, Exploration and Evaluation activities commenced at the Cookes Creek project (*refer to ASX announcement dated 9 October 2006*).

Surveyed baselines for exploration drilling were established at the Anomaly Hill nickel sulphide target. Anomaly Hill had been previously drilled by other Exploration companies during the 1970's, returning significant nickel sulphide intersections, and this target is considered a high priority for further Exploration drilling. An airborne helicopter based electromagnetic survey was specified and ordered for commencement towards the end of November 2006.

At the Big Hill tungsten target, a representative bulk sample of near-surface scheelite (tungsten) and fluorite (fluorspar) bearing material was extracted from existing surface costeans using hand tools. This target area had previously been subject to extensive channel sampling, mapping and the completion of 40 diamond core drillholes, and is situated adjacent to historical production centres for tungsten ore concentrates.

A total of 540 kilograms of near surface material from Big Hill was dispatched to a laboratory in Perth for commencement of metallurgical testwork to assess the economics of scheelite concentrate production. Metallurgical testwork had been performed during the 1980's on near surface and sub-surface drill core samples, and showed that scheelite concentrates could be produced using conventional beneficiation techniques. The current testwork program is an extension to the previous metallurgical testwork, utilizing some recent advances in flotation technology.

Despite the extensive drilling (nominal 50 metre x 25 metre pattern) and sampling at Big Hill, and the reporting of estimates of tonnage and grade by previous exploration companies, the Company considers it necessary to conduct confirmatory in-fill drilling to enable the estimation of a Mineral Resource (if any are possible) that can be reported in accordance with current reporting guidelines.

An Aboriginal Heritage survey and approval from the Aboriginal Claimants is required before ground disturbing activities such as drilling can commence. Due to certain unforeseeable events of cultural significance within the Claimant group, there have been some minor delays to the heritage process. The Company

anticipates that the necessary approvals will be obtained to enable commencement of drilling during November 2006.

### **Investing Activities**

During the quarter the Company acquired a 100 per cent interest in Kiora Holdings Pty Ltd, thereby gaining a 100 per cent legal and beneficial interest in mining tenements comprising the Cookes Creek nickel sulphide and tungsten project.

Deeds of option to acquire additional tenure at the Cookes Creek project, Arthur River project and Tardarina Hill project were executed during the quarter. The Company has not yet elected to exercise its option to acquire these tenements, and is reviewing the merits of each project before committing to their acquisition.

### **Financing Activities**

During the quarter the Company lodged a Prospectus dated 28 July 2006 (Initial Public Offering) to raise \$4,000,000 via the issue of ordinary fully paid shares at 20 cents per share. The Prospectus closed early on 19 September 2006, oversubscribed, raising a total of \$6,000,000 before costs of the Offer.

The Company was admitted to the Official List of the Australian Stock Exchange on 29 September 2006. The shares commenced trading on the Australian Stock Exchange on 3 October 2006. A total of 33,500,004 new shares were quoted.

### **For Further Information, Contact**

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