

## Hazelwood Reaches Agreement for US\$4 Million Working Capital Facility

- Hazelwood has reached agreement with Hong Kong-based Siderian Resource Capital, to receive a US\$4 million working capital loan facility to support ramp-up at the ATC ferrotungsten operations
- Potential for the facility to be increased to US\$6 million on the same terms, subject to the mutual agreement of Hazelwood and Siderian
- Siderian is a resource specialist investment vehicle which is backed by Wogen through its subsidiary Wogen Pacific
- Provides Hazelwood with greater financial flexibility during the working capital intensive ramp up and market penetration phase
- Strengthens Hazelwood's relationship with its Global Sales Agent, Wogen
- Strong endorsement of the viability of the ATC ferrotungsten operation, which is emerging as one of the leading producers of the steelmaking ingredient.

Hazelwood Resources Ltd ("Hazelwood" or "the Company") (ASX: HAZ), an emerging producer of premium ferrotungsten, is pleased to announce that it has signed a term sheet for a US\$4 million working capital loan facility ("Working Capital Facility") with investment vehicle, Siderian Resource Capital Limited ("Siderian"), which is backed by specialty minerals and metals trading house Wogen.

The Working Capital Facility is premised on the shared view of Hazelwood and Siderian that an additional \$US4 million will help to provide the necessary working capital to allow Hazelwood to continue the successful ramp up of production and distribution of ferrotungsten to a targeted level of 1,500 tonnes in CY2014. The Working Capital Facility with Siderian is considered by the Board of Hazelwood to be an extension of the strong working relationship between the Company and its Global Sales Agent, Wogen.

Since commissioning the Vietnam-based ATC Ferrotungsten Project in April 2013, Hazelwood has completed three very successful production campaigns. More than 500 tonnes of the tungsten master alloy has been shipped during this initial ramp-up phase, representing approximately \$A20 million of sales revenue. The premium quality end product has been sold to steelmakers and foundries globally via specialty metals trader Wogen.

With each campaign at the ATC Ferrotungsten Project, Hazelwood is gradually increasing its ability to self-fund purchases of tungsten feedstock. The support offered by this working capital facility with Siderian provides greater flexibility during the ramp-up and market penetration phase of the business.

In addition to the US\$4 million to be provided by Siderian, Hazelwood anticipates final settlement of sales from the previous campaign during the March quarter. This is projected take total sales receipts from the last, extended, production campaign to approximately \$A13 million

### BENEFITS OF THE SIDERIAN FACILITY

The Board of Hazelwood considers that the Working Capital Facility with Siderian represents a significant step forward in the progress of the Company, and provides a number of benefits including:

- Augments and further strengthens Hazelwood's business relationship with Wogen;
- Minimises dilution to Hazelwood shareholders;
- Has potential to provide up to \$4 million in new equity at a strong premium to current share price if Siderian elects to exercise Options that would be issued as part of the facility;
- Offers potential to increase the Working Capital Facility to US\$6 million if Hazelwood and Siderian elect for this to happen;
- Provides Hazelwood with improved financial flexibility during ramp up; and
- The Working Capital Facility does not come with any restrictions on further borrowings by Hazelwood.

Hazelwood's Managing Director, Terry Butler-Blaxell, said,

*"We are delighted to have attracted a financier that is highly complementary to our existing Global Sales Agency agreement with Wogen, which has proved to be positive for Hazelwood on a number of fronts.*

*With the Working Capital Facility secured, and the ATC Ferrotungsten Project proving to deliver outstanding production performance and a premium product, we look forward to continuing with the business ramp-up".*

### ATC FERROTUNGSTEN OPERATIONS UPDATE

Hazelwood's production ramp up during CY2014 is expected to achieve a targeted output of approximately 1,500 tonnes FeW, which is projected to generate in excess of \$50 million in sales receipts, and profitable sales margins for the ATC business unit.

The Company is advanced in its preparations for the next production campaign, which is planned to commence before the end of the March quarter, as one of six proposed production campaigns over the course of CY2014.

**KEY TERMS AND CONDITIONS OF THE WORKING CAPITAL FACILITY**

The working capital facility of US\$4 million is on terms and conditions considered standard for a facility of this nature. Key terms include:

- US\$4 million loan amount, capable of increasing to US\$6 million with the mutual consent of Hazelwood and Siderian;
- Working Capital Facility will be available for drawn down until 30 June 2014, unless otherwise extended by mutual agreement of Hazelwood and Siderian;
- Interest rate of 10.75% per annum, with interest payments payable quarterly;
- Siderian may elect to receive interest payments in the form of Hazelwood shares, with the issue price being the volume weighted average price of Hazelwood shares for the 30 days prior to the date of interest payment falling due;
- Maturity date of 12 months from the relevant date of draw down by Hazelwood, with no early repayment;
- No restrictions on future borrowings by Hazelwood;
- The Working Capital Facility will carry a senior subordinated fixed charge over Hazelwood's interests in Asia Tungsten Products Co Ltd and all the tungsten inventories, including the ferrotungsten contained in the furnace lining; and
- Siderian to be issued with 76 million Options in Hazelwood, with an exercise price of \$0.055 each and a maturity date of 30 months from the date of issue

Draw down of the Working Capital Facility remains subject to a number of conditions precedent, including:

- Approval by the Board of Directors of Hazelwood and the Board of Directors of Siderian;
- Execution of a definitive loan note subscription agreement by 7 April 2014, or as agreed between Hazelwood and Siderian ("Execution Date");
- Siderian completing legal and financial due diligence prior to the Execution Date;
- Hazelwood refraining from any corporate or capital re-structuring, or financing of non-Vietnamese operations out of the Working Capital Facility;
- Adhering to minimum working capital limits to be mutually agreed; and
- Hazelwood providing a warranty to Siderian that it has satisfied all necessary condition precedents.

Upon draw down of the loan amount, Hazelwood will be required to pay Siderian an establishment fee of 4% of the Working Capital Facility amount.

## ABOUT WOGEN

Wogen was established in 1972 as a mineral and metal trading company with a strong China focus, and has grown into one of the most diversified suppliers of high-value raw materials to the non-ferrous industry worldwide; be it for steel applications, aerospace, electronics, foundries, pigments or the alloying industry.

Wogen's ferro alloys team is a large and well-regarded supplier of Ferro Molybdenum, Ferro Titanium, Ferro Tungsten, and Ferro Vanadium to many of the world's largest steel companies.

## ABOUT SIDERIAN RESOURCE CAPITAL

Siderian Resource Capital is a specialist resources investment vehicle principally focused on investment in production expansion and mine development for non-exchange traded minerals and metals.

Siderian was jointly established in 2013 by Wogen Pacific Limited and Neil Herbert, who was Co-Chairman and Managing Director of AIM-listed Polo Resources Limited from 2009 until May 2013. Under Mr Herbert's stewardship in his four years as Managing Director, Polo Resources performed very successfully and created substantial value to its shareholders.

Siderian's involvement with Wogen draws on 40 years of experience in specialty metals. Wogen is represented in the United Kingdom (London), mainland China (Beijing, Shanghai, and Guangzhou), Hong Kong, Russia (Moscow), Ukraine (Zaporozhe), Turkey (Istanbul), Spain (Madrid), South Africa (Johannesburg), Vietnam (Hanoi) and Brazil (Rio de Janeiro).

Hazelwood has been advised in respect of the Working Capital Facility by its corporate adviser, Hartleys Limited.

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## ABOUT HAZELWOOD

Hazelwood Resources Ltd is a new specialty metals producer with a majority stake in the ATC Ferrotungsten Project in Vietnam. Ferrotungsten is used in the production of high speed steels, tool steel and temperature resistant alloys.

The ATC Ferrotungsten plant is the largest capacity facility of its type outside of China and its design is believed to be the most advanced in the world. High quality product from ATC meets the specifications of the Japanese and European markets and can be produced from a range of different feedstock sources.

With an established specialty metals production base, Hazelwood has the ability to expand into other capital-efficient opportunities in downstream processing.

There is potential for future vertical integration with Hazelwood's 100% owned primary tungsten projects in Western Australia. The Big Hill Tungsten Deposit and Mt Mulgine Tungsten Project host near surface resources and are being evaluated as potential future sources of feedstock for Hazelwood's downstream refining business.

Hazelwood has significant exposure to nickel sulphides and base metals exploration through its 100% owned Cookes Creek and Copper Gorge (HAZ 70% Atlas Iron 30%) areas in the East Pilbara of Western Australia.

