

---

Report for September 2006 Quarter

31 October 2006

ASX Code : HEG, HEGOA

---

### **HIGHLIGHTS**

- ***Excellent diamond drill intersections extend the Reward resource area along strike to the north.***
- ***Metallurgical sampling of the Amalgamated vein set indicates high prospectivity of the unexplored mineralised corridor below the Hawkins Hill workings.***
- ***Preparation for mining lease application at Red Hill.***
- ***Preliminary scoping study for Reward area underway with Snowdens.***

## **CORPORATE**

The Farm-In Agreement dated 27 April 2006 with Senator Minerals Inc of Canada was extended twice during the quarter so that Senator could undertake fundraising for the initial tranche of \$2.1 million in a favourable investment market. Senator were not able to raise the funds at their preferred pricing conditions and, by mutual agreement, the Farm-in Agreement is being allowed to lapse at the end of October 2006.

## **HILL END GOLD**

Hill End Gold has the majority of the historically rich Hill End goldfield under tenement with approximately 50 kilometres strike length of the Hill End Anticline including EL5868, EL 6558 and a number of granted mining leases. The company has approval for the underground bulk sampling of the Reward area and a small gravity plant in place.

Historical production from the Hill End goldfield was about 1.5 M oz of gold during the period 1850 to 1920 from surface and underground workings. Much of the historical production came from the Hawkins Hill Zone, which yielded over 400,000 ounces of gold often grading two ounces per tonne or more. A targeted resource potential of 4 – 5 million ounces is interpreted below shallow workings within the under-explored Hill End Anticline.

The field is known for its coarse gold, high grade deposits containing shoots of very high grade gold material. In 1872 the world's largest mass of gold ever hoisted to the surface, the Holtermann Nugget, was discovered at Hawkins Hill containing some 3,100 ounces of gold.

Gold mineralisation along the east flank of the Hill End Anticline is interpreted to occur as repeating zones shallow plunging down for over a kilometre length within a 50 – 100 metre wide mineralised corridor. Continuous quartz vein sets carry high grade gold shoots in the host rocks and associated structures within broader areas of coarse gold mineralisation.

The historic Hawkins Hill 'shoot' was approximately 400 metres long, 40 metres wide and 50 metres down dip. The high grade shoots within the broad zones of gold mineralisation are the targets of the current exploration activities, particularly along the ten kilometres of strike encompassing the Hawkins Hill, Reward, Scandinavian, Germantown and Red Hill areas.

Diamond drilling recommenced on 24 September at the Reward area, which is located north of Hawkins Hill. Excellent drill intersections are extending the initial Reward resource area to the north with abundant visible gold observed in vein sets along strike from similar intersections which assayed up to 208g/tAu over 0.9 metre. Assays are awaited.

The initial mineral resource estimate for part of the Reward area which was announced last quarter is for 680,000 tonnes at 6g/tAu.

A preliminary scoping study to bulk sample the Reward area is underway with Snowden Mining Industry Consultants, who have extensive experience in coarse gold projects similar to the Hill End mineralisation.

Drilling on the Red Hill project area extended the broad zone of near surface open pit table mineralisation. The Red Hill resource update commenced with geological interpretation of the Red Hill area identifying four mineralised vein sets extending from near surface to the depth of drilling. Reverse circulation / diamond drilling of the area was suspended following a drill rig accident in May 2006 with the drilling contractor not raising standards to comply with company requirements. A replacement dual purpose rig is awaited to complete the program and do infill and extension drilling at Red Hill.

## ***HAWKINS HILL – REWARD GOLD PROJECT***

Geological interpretation of the high grade vein sets at Reward has identified the potential for strike extensions to the north and south. The Hill End vein sets occur in 'en echelon' style along strike and at depth within the mineralised corridors with mineralised dip lengths of each vein set of about 50 metres and strike lengths of hundreds of metres.

Diamond drilling recommenced at Hill End on 24 September with a 2,000 metre diamond drilling program to extend the resource area at Reward and to test the Germantown and Scandinavian areas. The drilling rig is contracted from Major Drilling of Queensland.

Past drilling has conventionally been across the mineralised corridor to intersect a couple of the vein sets in each hole, however the current round of drilling is down the corridor to intersect each vein set within the corridor to the depth of drilling. This has been very successful with recently completed diamond drill hole HHD27 intersecting five well mineralised vein sets in a single hole.

The first hole of the 2,000 metre program HHD26 has intersected a wide zone containing sulphides at the target position for the Robert Emmett's Cross Course at 223 metres and was completed at 328 metres. The hole was drilled towards the north, down the mineralised corridor, to target the Robert Emmett's Cross Course and to test continuity of the Reward stratigraphy on the other side of the fault. The cross course was intersected with a four metre zone of intensely silicified breccia containing abundant pyrrhotite-filled microfractures.

HHD26 also intersected numerous quartz veins up to one metre wide in the Mountain Maid and Rowley's positions and intersected fifteen quartz veins at the top of the Central zone in the Paxton's vein set position. On the other side of the cross course, nine quartz veins were intersected at the Phillipson's vein set position with the hole ending in footwall mine sequence sediments. The Reward stratigraphy appears to continue across the fault with little or no displacement, which indicates the potential for extension of the Reward mineralisation to the north.

The Hangingwall zone is well mineralised in HHD27 with visible gold logged in a 40cm vein in the Rowley's position, a 50cm stope cavity intersected in the Frenchman's position at 135 metres followed by 70cms of quartz veining downhole and the Steven's vein set, which was intersected at 170 metres with numerous quartz veins containing visible gold associated with indicator sulphides.

Abundant visible gold in numerous quartz veins was logged in HHD27 at the position of the Paxton's vein set approximately 70 metres north of previous drilling, which included 208g/tAu over 0.9m in the Paxton vein set.

HHD27 was completed at 316 metres having also intersected the Phillipson's vein set at 246 metres with abundant visible gold in a 40cm quartz vein with a further two quartz veins totalling 70cm downhole width. Ten grains of visible gold were observed in the core with several grains larger than 1mm in size with tails of finer gold. Phillipson's is 56 metres along strike to the north of a previous intersection in the same vein set which contained 71.6g/tAu over 25cm.

The current drilling is expected to upgrade the Reward resource estimate of 685,000 tonnes at 6g/tAu and further drilling is planned to test for additional strike extension of the high grade mineralisation.

Assay results for HHD26 and HHD27 are expected within three to four weeks.

Hole HHD28 has commenced to test the Robert Emmett's Cross Course below historical gold workings. Hole HHD29 is planned to drill 36 metres north of hole HHD27.

Dr Simon Dominy and Andre Gaston of Snowden Mining Industry Consultants visited Hill End during the quarter to progress the preliminary scoping study and to complete the Reward resource estimation. Metallurgical test work of mini-bulk samples from the Amalgamated vein set is underway as part of these studies.

The Amalgamated vein set is exposed in the Amalgamated adit which was opened in 1911 and redeveloped in 2003. The Amalgamated vein set has never been mined at the Amalgamated level although high grade assays were taken in the 1980's and visible gold is evident over some distance on the level.

The Amalgamated vein set and others such as the Phillipson's and the Brand and Fletcher's vein sets have not been explored within the mineralised corridor, which encompasses the historically very rich Hawkins Hill deposit located about 200 metres above the Amalgamated level. Further evaluation and underground drilling is planned to test for economically mineable vein sets in close proximity to the Amalgamated level and the bulk sampling process plant.

## ***RED HILL GOLD PROJECT***

Excellent reverse circulation and diamond drilling results were reported during the quarter with broad intersections extending the Old Red Hill resource area. The drilling and geological interpretation identified four separate vein sets continuing from near surface to the depth of drilling.

The Red Hill project is located over a zone of near surface gold mineralisation and old high grade workings of three kilometres in strike length and 50 to 100 metres in width.

Significant intersections previously reported include the following results:

- RHRC88 with 1.94g/tAu over 20 metres from 27 metres;
- RHRC89 with 2.83g/tAu over 9 metres from 32 metres;
- RHRC90 with 2.04g/tAu over 25 metres from surface; and,
- RHRC91 with 1.36g/tAu over 20 metres from 6 metres.

An additional wide zone of shallow gold mineralisation was intersected near the Red Hill shaft in the Marshall – McMahon vein set with the following results:

- RHRC84 with 2.43g/tAu over 22 metres from 4 metres.

Further drilling on the vein sets is planned down dip and down plunge of the current drilling. Previous drilling by BHP in 1989 will also be re-drilled since it is likely that the BHP drilling, sampling and assay methods have resulted in a low bias in the assays received. A replacement reverse circulation drilling rig to continue the Red Hill resource delineation and extension is not yet available and discussions continue with a number of drill rig suppliers.

An increase in the resource estimate for the Red Hill area is expected as a result of reported drilling however a new estimate will be carried out following the completion of the planned infill and extension drilling.

Preparation for a mining lease application for the Red Hill area has commenced.

## HILL END EXPLORATION

During the quarter community meetings were held to discuss company progress and discussions have commenced with environmental and hydrology consultants to prepare for additional mining lease applications in the Hill End area.

An additional geologist has been employed at Hill End to undertake alteration studies, to assist with the increased workload and to evaluate the Gowan exploration licence EL6558.

### ***Attribution***

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mike Quayle and Philip Bruce. Mr Quayle is a Member of The Australian Institute of Geoscientists and is a full-time geological contractor for the company. Mr Bruce is Fellow of the Australasian Institute of Mining and Metallurgy. Both Mr Quayle and Mr Bruce have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Quayle and Mr Bruce consent to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

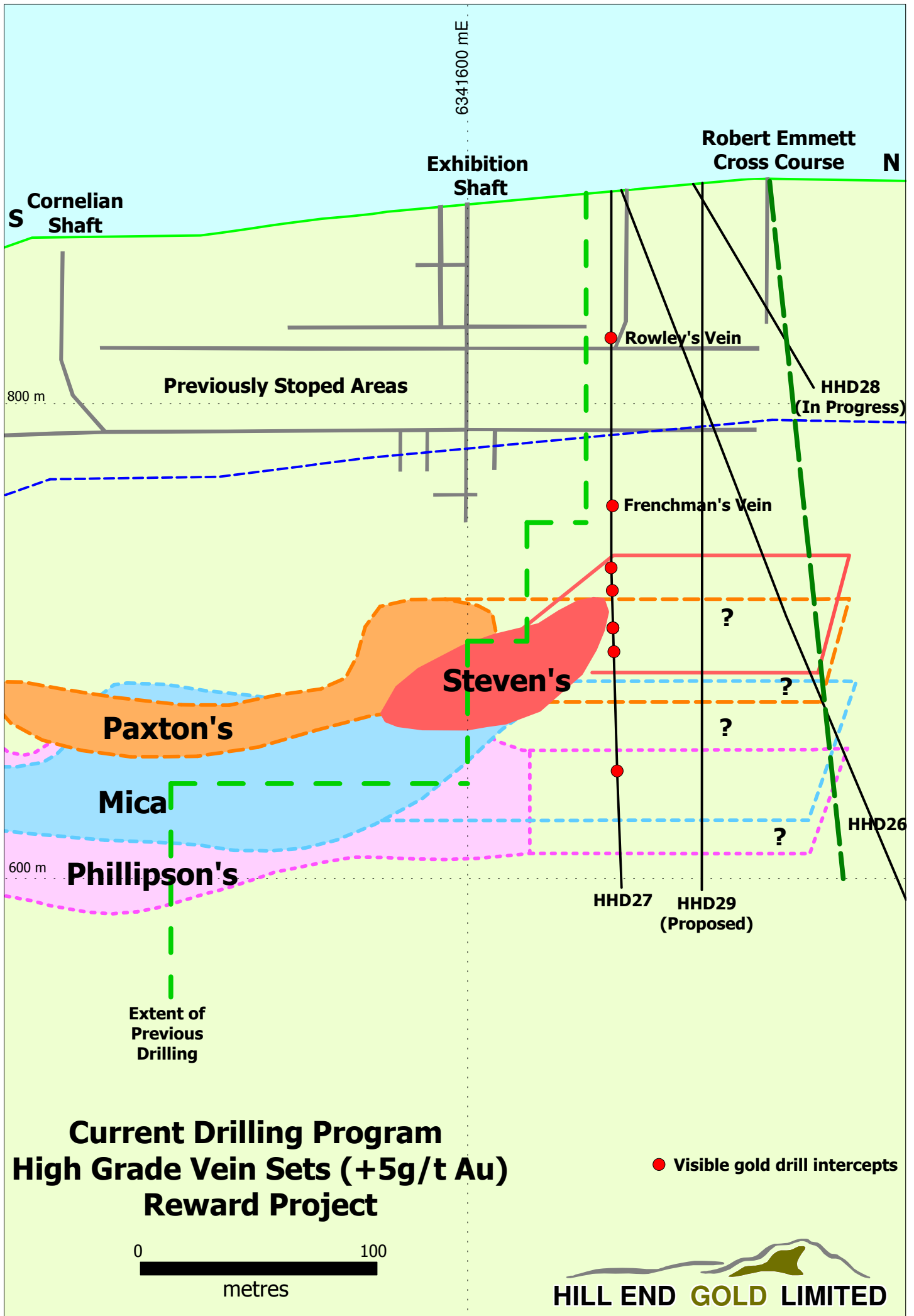
Yours faithfully



Philip Bruce  
Managing Director

Attached:       - Reward Current Drilling High Grade Vein Sets  
                  - Hawkins Hill Cross Section Amalgamated Adit Resource Target

For further information contact Philip Bruce +61 412 409555



# Cross Section View of Hawkins Hill

