HILL END GOLD LIMITED

ABN 74 072 692 365

FINANCIAL STATEMENTS

for the year ended

30 JUNE 2014

Contents

HILL END GOLD LIMITED
DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Hill End Gold Limited and the subsidiaries it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The Directors of Hill End Gold Limited during the financial year and until the date of this report are:

Denis Edmund Clarke (Chairman)
Philip Francis Bruce (Managing Director)
Graham Charles Reveleigh (Non-Executive Director)
Quah Su-Yin (Non-Executive Director)
Bruce Geoffrey Thomas (Non-Executive Director, resigned 6 December 2013)
Ian Cunynghame Daymond (Non-Executive Director, resigned 6 December 2013)

Principal Activities

The principal activities of the Group during the financial year were exploration activities on its New South Wales tenements and the assessment of resources acquisition opportunities with significant potential.

There were no significant changes in the nature of the principal activities during the year.

Results

The Group incurred a pre-tax operating loss of $3,571,251 (2013: loss $5,635,642). This result was comprised of:

- a loss of $327,316 at the Hill End site due to administration and depreciation of site plant and equipment
- net corporate overheads of $1,026,670,
- exploration expenditure written off $74,938, and
- impairment of development properties of $2,142,327.

Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year (2013 – nil).

Financial Position

The net assets of the Group have decreased by $416,356 being the net of:

- A net increase in capital and reserves of $3,154,895, and
- The operating loss for the year of $3,571,251.

The capital structure of the Group is currently:

- 1,064,704,835 fully paid ordinary shares (HEG);
- 35,000,000 unlisted director options exercisable at 5 cents per share up to 29 November 2017.

Review of Operations

During the year the Group continued activities on its tenements in New South Wales and assessed many acquisition opportunities in Australia and overseas. The sale of the Hargraves and Boiga Gold Projects are under negotiation and the Group has acquired a 12.2% interest in Bassari Resources Limited (BSR.ASX), which has a near-term development project and extensive tenements in Senegal.

Hargraves

Pit optimisation studies at a gold price of $1450/oz have indicated that two open pits would produce 1.2Mt of ore at 2.9g/t. Metallurgical test work has confirmed that a simple low cost gravity plant would recover approximately 90% of the gold at a relatively coarse grind size of P_{80}0.5mm.

Hargraves Big Nugget Hill Resource estimate (as at 30 April 2013)

Indicated Resources	1,262,000 tonnes at 3.5 g/t gold for 143,000 contained ounces
Inferred Resources	1,594,000 tonnes at 2.0 g/t gold for 102,000 contained ounces
Total Contained Ounces	245,000 ounces

Regional exploration in the Hargraves area has been undertaken on the Meroo Trend, a six kilometre long mineralised zone that is parallel to the Big Nugget Hill structure and located approximately one kilometre to the east. Four centres of old workings have been located along the Meroo Trend: Eldorado, Hampden Hill, Homeward Bound and Great Western. Field mapping and soil sampling using a handheld XRF analyser have identified a large mineralised area at Homeward Bound of over 600m strike by 80-120m width and a drill program and land access approvals were prepared in order to test the prospect.

On 30 June 2014, HEG entered into a non-binding heads of agreement (HOA) with LionGold Australia Pty Ltd in respect of the proposed acquisition of the rights, title and interest in and to the Hargraves Gold Project (EL 6996) and the Boiga Gold Project (EL 8206) from HEG. LionGold Australia is the wholly-owned Australian subsidiary of LionGold Corp Ltd (an entity listed on the Singapore Securities Exchange).

The HOA is subject to the parties entering into a definitive sale agreement in relation to the proposed acquisition, and LionGold Australia being satisfied with the results of due diligence. Details of the proposed Sale and Management Agreements were reported in announcements made to the Australian Securities Exchange on 30 June and 2 July 2014.

Hill End Area

Assessment of shallow mineralisation in the Hill End area was undertaken on the Reward Deposit and on adjacent mineralisation along strike from the Reward Deposit, at Mares Nest, which is located about four kilometres south of the Reward deposit.

Previous soil sampling and mapping of the Mares Nest prospect successfully outlined a mineralised zone of near two kilometres strike length with workings over a width of up to 150m. A drilling program and land access approval have been prepared for Mares Nest.

Bassari Resources Investment

HEG's wholly owned subsidiary, HEGL Investments Pty Ltd, has 139.6m shares in Bassari Resources Limited (BSR.ASX), which is currently a 12.2% holding. BSR own 70% of extensive tenements in Senegal and the Makabingui Gold Project open pit development project that is being permitted.

The BSR tenements are reported to have a resource of 11.9 Mt at 2.6 g/t gold containing one million ounces of gold estimated according to JORC 2004, which has not been updated since it was last reported (BSR 31 July 2014). The tenements have extensive gold mineralisation over 80km of strike and are located in the Birimian sequences of the Kedougou-Kenieba Inlier in Senegal, West Africa.

Makabingui Project Study summary at US$1200/oz gold price

Production (recovered gold)	171,000 ounces
Average annual gold production	50,000 ounces
Average gold grade to the mill	>5.6 g/t gold
High processing recovery	95%
Processing rate	300,000 tpa
Initial project mine life	3.4 years
Cash Cost (C1)	US$683/oz

Low additional capital	US$12 M
NPV (8% discount rate)	US$63 M
IRR	404%
Pre-capex free cash flow (after tax)	US$88 M
Payback from production start	<12 months

Bassari has announced that it intends to fast-track the project and has appointed a project development team, and has in place a strategic alliance with a China-sourcing and equipment procurement firm to assist with the supply and delivery of high quality, low cost equipment.

Development funding options are being reviewed and BSR has recently announced a rights issue to raise up to $4.6m at 2c per share.

First Tiffany Case 1

Proceedings were commenced by the Company in 2005 in the Supreme Court of NSW seeking to clarify the ownership interests of the Company and First Tiffany Resource Corp (Tiffany) in relation to some mining tenements which the Company holds at Hill End, NSW. The Group had asserted that Tiffany had no interest since it had failed to contribute 15% of costs for development of the Reward Project after receiving a feasibility study from the Group for the project in 2003. Tiffany had continued to claim it had a 15% "free carried" interest in those tenements.

The matter was heard by the Court and the Court confirmed the Group's minimum 85% ownership of the Hill End tenements encompassed by the area of the original EL 2037, which covered the area from the Turon River in the south to Red Hill in the north.

On appeal to the NSW Court of Appeal by the Group seeking further clarification, the Court of Appeal held that the type of feasibility study required to be provided by the Group to enable Tiffany to participate in the development of the properties was an 'economic feasibility study' conforming to the requirements for such a study as understood in Canada in 1983, and a failure to contribute by Tiffany on receipt of this study would have the consequence of the loss or forfeiture of its interest.

The result is that the Group has a 100% beneficial interest in its Hill End tenements, while a portion of the ground now encompassed by EL 5868 is subject to a reduction to 85% if an 'economic feasibility study' is completed by the Group, and Tiffany, if it establishes that it continues to hold a right against the Group to do so, contributes at the 15% level.

The Court of Appeal dismissed the appeal with costs. Costs for the parties were assessed in May and July 2013 and each has been submitted to a Review Panel for a review of the determination by the costs assessor. The balance of costs was determined to be $316,467 compared to an accrual of $400,000 in the Group's financial statements and was paid in December 2013.

First Tiffany Case 2

On 1 April 2014 the Group announced that it had received a summons filed by Tiffany in the Supreme Court of New South Wales claiming an order that the Group pay Tiffany 15% of the value of minerals extracted by HEG from certain mining tenements encompassed by a portion of EL 5868 in the Hill End locality of New South Wales (plus interest and costs).

Proposals to Tiffany to settle the matter and to agree to a sound working arrangement were rejected by Tiffany.

The Group applied successfully to the court for Tiffany to provide security of costs, and await Tiffany's response to this order.

Significant Changes in the State of Affairs

On 30 June 2014 the Group announced that it had entered into a non-binding heads of agreement with LionGold Australia Pty Ltd ('LionGold Australia'), the wholly-owned Australian subsidiary of LionGold Corp Ltd (an entity listed on the Singapore Securities Exchange), in respect of the proposed sale of the rights, title and interest in and to the Hargraves Gold Project (EL 6995) and the Boiga Gold Project (EL 8206) by the Group to LionGold Australia.

The heads of agreement is subject to the Group and LionGold Australia entering into a definitive sale agreement in relation to the proposed sale.

There were no other significant changes in the state of affairs in the Group during the year.

Subsequent Events

The Group has arranged the issue of 100 million convertible notes at a price of $0.005 each to raise $500,000. The funds will be subscribed in five equal tranches over 5 months. The first tranche of $50,000 was received on 28 July 2014.

Likely Developments and Results

The Group plans to continue exploration on its New South Wales tenements and to assess resource acquisition opportunities and any discussion deemed appropriate regarding likely developments and results will be outlined in the 2014 Annual Report.

Environmental Issues

The Group's New South Wales mineral tenements are issued by the Department of Primary Industry - Minerals (DPI) and the Group operates under environmental licences and conditions issued by the DPI and the Environmental Protection Authority. The conditions of these tenements and licences require the preparation of environmental reports, monitoring and ongoing rehabilitation for exploration and mining activities. The Group has statutory obligations to protect the environment in which it is exploring and operating. During the reporting period the Group did not fail to meet its obligations pursuant to any environmental legislation. Directors are not aware of any environmental law that is not being complied with.

Information on Directors

***Denis Edmund Clarke**, B.Sc., B.A., Ph. D. (Geology), FAusIMM*
Chairman (Non-Executive). Appointed 25 February 2010

Dr Clarke has a Ph.D. (Geology) from Stanford University and has over forty years' experience in senior technical, financial and corporate positions in the mining and exploration industry in Australia and overseas. He played a significant role in the extraordinary growth of Plutonic Resources Limited, which developed into one of Australia's largest gold producers with up to seven operating mines and a market capitalisation of over A$1 billion before being absorbed by Homestake Mining Company.

At Plutonic, he successively managed the Exploration Division, the Finance and Administration Division and the Corporate Division and, prior to joining Plutonic, he spent 10 years in exploration with the Rio Tinto subsidiary, Rio Algom Limited, mostly in Canada.

<u>Other public company directorships held during past 3 years:</u>

Cullen Resources Limited
LionGold Corp Ltd
Signature Metals Limited
Anglo Australian Resources NL

***Philip Francis Bruce**, B.E. (Mining) (Hons) FAusIMM.*
Managing Director. Appointed 10 October 2001

Mr Bruce has over thirty years mining industry experience in Australia, South Africa and Indonesia in gold, platinum and base metals operations and senior corporate management. He was the CEO of PT BHP Indonesia and has been a director of Buka Minerals Limited, Ausmelt Limited and Managing Director of Triako Resources Limited. As the General Manager – Development for Plutonic Resources Limited, he was responsible for the technical aspects of the acquisition and development of mining projects during the growth of the company from $35 million to over $1 billion market capitalisation. Mr Bruce was appointed Managing Director of the Company on 1 July 2004.

Other public company directorships held during past 3 years:

Latrobe Magnesium Limited
Archean Star Inc.
Bassari Resources Limited
Brimstone Resources Limited

***Graham Charles Reveleigh**, M.Sc., MAusIMM, CPMan, MCIMM,*
Non-Executive Director. Appointed 1 February 1996

Mr Reveleigh has wide experience in the mining industry, covering exploration, development, construction and mine operations including Mine Manager at Noble's Nob, where he ran the operations for seven years. He has worked as a consultant on numerous projects both in Australia and overseas such as at Hill End in New South Wales, Red Dome in Queensland and as Project Manager at the Moline Gold Mine in the Northern Territory, at Gold Ridge in the Solomon Islands and as part of the Kennecott team at Lihir and in other assignments in the Philippines, New Caledonia, Siberia and most States in Australia. He was the Site Manager for Nugget Resources Inc at Hill End NSW since the commencement of the project, and for four years was Managing Director of the Company.

Other public company directorships held during past 3 years:

Bounty Oil & Gas NL

Quah Su-Yin
Non-Executive Director, Appointed 17 May 2012

Ms Quah Su-Yin is Chief Executive Officer and Executive Director of ISR Capital Limited and Infiniti Asset Management Pte Ltd. Ms Quah holds a Master of Business Administration from the Australian graduate School of Management (AGSM), Bachelor of Laws and Bachelor of Economics degrees from the University of Adelaide and a Graduate Diploma in Legal Practice from the University of South Australia. She was admitted as a legal practitioner to the Supreme Court of South Australia and an advocate and a solicitor of the Malaysian Bar.

Other public company directorships held during past 3 years:

ISR Capital Limited
Asiasons WFG Financial Ltd.

Company Secretary

Kevin Lynn B.Bus, CA, FAIDC, MAppFin (Securities Institute)

Mr. Lynn is a Chartered Accountant. He was appointed as Company Secretary of the Group in October 2001.

Meetings of Directors

The following table sets out the number of meetings of the Directors during the year ended 30 June 2014 and the number of meetings attended by each Director.

	Board Meetings		Audit Committee		Remuneration Committee	
	Eligible	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
D. Clarke	9	9	2	2	-	-
P. F. Bruce	10	10	-	-	-	-
G.C. Reveleigh	10	9	2	2	-	-
S-Y Quah	10	8	-	-	-	-
B. G. Thomas [1]	4	4	1	1	-	-
I. C. Daymond [1]	4	4	-	-	-	-

1 Resigned 6 December 2013

Remuneration Report

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations

The remuneration policy of Hill End Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component, performance based component and share options.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract high calibre executives and reward them for performance that results in long term growth in shareholder wealth. Executives are also entitled to participate in the employee option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by law, which is currently 9.5%, and do not receive any other retirement benefits. All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $250,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group and are eligible to participate in employee option plans, subject to prior shareholder approval.

Performance based remuneration

The Group currently has a performance based remuneration component built into the Managing Director’s executive remuneration package through the employee share and option plan. There are no formal KPIs to be achieved.

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy endeavours to align the interests of shareholders and directors and executives, which is facilitated with shareholder approval through the issue of options to directors and executives.

Service Agreements

An Executive Service Agreement was executed with Mr Philip Bruce on 21 September 2012. The base salary under the agreement is currently $298,163 and will be reviewed annually. Contributions to a complying superannuation fund will be made at the prevailing Superannuation Guarantee levy rate times the base salary. The following termination provisions:

(a) the Company may terminate the agreement by giving twelve months’ notice;
(b) Mr. Bruce may terminate the agreement by giving three months’ notice;
(c) the Company may terminate the agreement without notice under certain specified circumstances as is usual in such service agreements;
(d) In the case of redundancy the National Employment Standards will apply. Any amount payable under a redundancy will be absorbed into any amount paid in lieu of notice.

There are no other service agreements.

Voting and comments made at the Group's 2013 Annual General Meeting ('AGM')

At the 2013 AGM, 98.46% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2013. The Group did not receive any specific feedback at the AGM regarding its remuneration practices.

Remuneration of directors and key management

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior officers of the Group. The Board's remuneration policy is to ensure the remuneration level properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Group has not employed any executive officers, other than directors, who were involved in, concerned in, or who took part in the management of the Group's affairs. Details of the nature and amount of the remuneration of each director of the Group are set out below:

	Short Term Benefits	**Post Employment**	**Long Term Benefits**	**Equity Settled Share Based Payments**	**Total**
Year ended 30 June 2014	*Salary Fees & Commissions*	*Superannuation*	*Long Service Leave*	*Options*	
	$	**$**		**$**	**$**
D. Clarke	50,000	4,625	-	-	54,625
P.F. Bruce	298,164	26,836	5,443	-	330,443
G.C. Reveleigh	45,000	4,162	-	-	49,162
S-Y Quah	40,000	-	-	-	40,000
B. G. Thomas [1]	16,666	1,542	-	-	18,208
I.C. Daymond [1]	16,666	1,542	-	-	18,208

1 Resigned 6 December 2013.

	Short Term Benefits	***Post Employment***	**Long Term Benefits**	***Equity Settled Share Based Payments***	**Total**
Year ended 30 June 2013	*Salary Fees & Commissions*	*Superannuation*	*Long Service Leave*	*Options*	
D. Clarke	50,000	4,500	-	20,927	75,427
P.F. Bruce	298,164	26,836	3,512	41,854	37,366
G.C. Reveleigh	50,000	4,500	-	6,540	61,040
S-Y Quah	40,000	-	-	6,540	46,540
B. G. Thomas	40,000	3,600	-	6,540	50,140
I.C. Daymond	40,000	3,600	-	9,156	52,756

All remuneration for 2014 and 2013 was fixed remuneration. Zero was at risk in regards to short term and long term incentives. No bonuses were paid or due to be paid.

Only the Company Secretary, Kevin Lynn is classified as a named executive for the current reporting period. Mr Philip Bruce is an executive director of the Group and is included in table above.

	Short Term Benefits	Post Employment	Equity Settled Share Based Payments	Total
Year ended 30 June 2014	*Salary Fees & Commissions*	*Superannuation*	*Options*	
	$	**$**	**$**	**$**
K. M. Lynn	60,000	-	-	60,000
Year ended 30 June 2013	$	$	$	$
K. M. Lynn	60,000	-	-	60,000

Performance Income as a proportion of total remuneration

No performance based bonuses have been paid to executive directors and executives during the financial year. No shares were issued to directors or key management personnel as part of their compensation during the year. No options were issued to directors or key management personnel as part of their compensation during the year.

Directors' Share and Option Holdings

(a) Relevant Interests in Options and Ordinary Shares at 30 June 2014

Employee Options	**Balance 1 July 2013**	**Granted as Remuneration**	**Options Exercised**	**Net Change Other**	**Balance 30 June 2014**
Directors					
D Clarke	8,000,000	-	-	-	8,000,000
G Reveleigh	2,500,000	-	-	-	2,500,000
P Bruce	16,000,000	-	-	-	16,000,000
S-Y Quah	2,500,000	-	-	-	2,500,000
B Thomas [1]	2,500,000	-	-	(2,500,000)	-
I Daymond [1]	3,500,000	-	-	(3,500,000)	-
Executives					
K M Lynn	-	-	-	-	-
Total	**35,000,000**	**-**	**-**	**(6,000,000)**	**29,000,000**

1 No longer directors

Ordinary Shares	**Balance 1 July 2013**	**Granted as Remuneration**	**Options Exercised**	**Net Change Other**	**Balance 30 June 2014**
Directors					
D Clarke	-	-	-	-	-
G Reveleigh	6,463,072	-	-	2,000,000	8,463,072
P Bruce	6,138,472	-	-	1,533,928	7,672,400
S-Y Quah	-	-	-	-	-
B Thomas [1]	16,000,000	-	-	(16,000,000)	-
I Daymond [1]	100,000	-	-	(100,000)	-
Executives					
K M Lynn	1,055,000	-	-	-	1,055,000
Total	**29,756,544**	**-**	**-**	**(12,566,072)**	**17,190,472**

1 No longer directors

(b) Relevant Interests in Options and Ordinary Shares at 30 June 2013

Employee Options	Balance 1 July 2012	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2013
Directors					
D Clarke	-	-	-	8,000,000	8,000,000
G Reveleigh	500,000	-	-	2,000,000	2,500,000
P Bruce	2,500,000	-	-	13,500,000	16,000,000
B Thomas	500,000	-	-	2,000,000	2,500,000
I Daymond	150,000	-	-	3,350,000	3,500,000
S-Y Quah	-	-	-	2,500,000	2,500,000
Executives					
K M Lynn	255,000	-	-	(255,000)	-
Total	**3,905,000**	**-**	**-**	**31,095,000**	**35,000,000**

Ordinary Shares	Balance 1 July 2012	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2013
Directors					
D Clarke	-	-	-	-	-
G Reveleigh	4,432,163	-	-	2,030,909	6,463,072
P Bruce	6,138,472	-	-	-	6,138,472
B Thomas	11,446,157	-	-	4,553,843	16,000,000
I Daymond	100,000	-	-	-	100,000
S-Y Quah	-	-	-	-	-
Executives					
K M Lynn	1,055,000	-	-	-	1,055,000
Total	**23,171,792**	**-**	**-**	**6,584,752**	**29,756,544**

This concludes the remuneration report which has been audited.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Sales revenue	-	-	-	462,994	6,195,160
EBITDA	(1,269,713)	(1,390,610)	(2,466,253)	(2,357,354)	(18,757,508)
EBIT	(3,590,543)	(5,711,179)	(2,983,699)	(2,776,335)	(21,229,841)
Loss after income tax	(3,571,251)	(5,635,642)	(2,880,926)	(2,702,605)	(20,963,758)

Share Options

Options issued in the current financial year

There were no options issued during the year. 22,080,000 listed options exercisable at 10 cents per share at any time up to 16 May 2014 expired unexercised.

Total outstanding options at the date of this report

The following options are outstanding at the date of this report.

Director Options	Exercisable at 5 cents on or before 29 November 2017	35,000,000
	Total options on issue	**35,000,000**

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of corporate governance.

Non-Audit Services

The Group may choose to engage the services of its auditor, Crowe Horwath Sydney, on other assignments in addition to their statutory audit duties where the firm's expertise and experience with the Group are beneficial.

The Board of Directors has considered the level and nature of non-audit services provided by the auditor during the year and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the nature and scope of each type of non-audit service provided by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below. No non-audit services were provided.

	2014 **$**	2013 $
Audit services:		
Remuneration for audit and review of financial reports under the Corporations Act 2001	67,600	67,600
Other assurance services:	-	-
Total auditor's remuneration	**67,600**	67,600

Directors' and Officers' Indemnification

During the financial year Hill End Gold Limited established a Directors and Officers insurance policy. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors’ and Officers’ liability as such disclosures are prohibited under the terms of the contract.

The Group has agreed to indemnify and keep indemnified the directors and officers of the Group against all liabilities incurred by the directors or officers as a director or officer of the Group and all legal expenses incurred by the directors or officers as a director or officer of the Group.

The indemnity only applies to the extent and in the amount that the directors or officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Group, under the general law or otherwise.

The indemnity does not extend to any liability:
- to the Group or a related body corporate of the Group; or
- arising out of conduct of the directors or officers involving a lack of good faith; or
- which was incurred prior to 1 February 1996 and which is in respect of any negligence, default, breach of duty or breach of trust of which the directors or officers may be guilty in relation to the Group or related body corporate.

Indemnity and insurance of auditor

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity

Proceedings On Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under Section 307C of the Corporations Act is set out on page 12 and forms part of the Directors' Report.

This report is made in accordance with a resolution of the directors.

DENIS CLARKE	**PHILIP BRUCE**
Chairman	Managing Director
2 September 2014	

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

Board of Directors
Hill End Gold Limited
3 Spring Street
Sydney NSW 2000

2 September 2014

Dear Directors

Hill End Gold Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hill End Gold Limited.

As lead audit principal for the audit of the financial statements of Hill End Gold Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor's independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

Leah Russell
Partner

HILL END GOLD LIMITED

CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Revenues from continuing operations	4	**340,223**	234,067
Other expenses	5	**(434,194)**	(533,958)
Administrative costs		**(1,354,245)**	(1,348,914)
Impairment of mining property		**(2,142,327)**	(4,062,374)
Operating loss		**(3,590,543)**	(5,711,179)
Finance revenue		**21,865**	77,120
Finance costs		**(2,573)**	(1,583)
Loss before income tax from continuing activities		**(3,571,251)**	(5,635,642)
Income tax expense	6	**-**	-
Total Loss for the year after income tax		**(3,571,251)**	(5,635,642)
Other comprehensive income			
Item that maybe reclassified subsequently through profit and loss			
Gain on revaluation of available for sale financial assets, net of tax		**575,000**	-
Total comprehensive loss for the year net of tax		**(2,996,251)**	(5,635,642)
Earnings per share for profit from continuing activities			
		Cents	Cents
Basic loss per share	29	**(0.4)**	(0.8)
Diluted loss per share	29	**(0.4)**	(0.8)

The accompanying notes form an integral part of these financial statements.

HILL END GOLD LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 $	2013 $
Current Assets			
Cash and cash equivalents	7	**53,888**	859,739
Trade & other receivables	8	**260,132**	60,413
Inventories	9	**12,735**	15,224
		326,755	935,376
Non current asset classified as held for sale	10	**10,262,157**	-
Total Current Assets		**10,588,912**	935,376
Non-Current Assets			
Available-for-sale financial assets	11	**1,675,000**	-
Other financial assets	12	**455,113**	503,863
Mining property	13	**6,000,000**	8,000,000
Deferred exploration & development costs	14	**3,262,200**	12,857,613
Property plant & equipment	15	**1,241,980**	1,398,633
Total Non-Current Assets		**12,634,293**	22,760,109
Total Assets		**23,223,205**	23,695,485
Current Liabilities			
Trade & other payables	16	**567,260**	607,282
Provisions	17	**185,458**	210,892
Total Current Liabilities		**752,718**	818,174
Non Current Liabilities			
Provisions	17	**7,169**	3,480
Other	18	**151,905**	146,062
Total Non Current Liabilities		**159,074**	149,542
Total Liabilities		**911,792**	967,716
Net Assets		**22,311,413**	22,727,769
Equity			
Contributed equity	19	**74,173,943**	71,594,048
Reserves	20	**666,557**	91,557
Accumulated losses		**(52,529,087)**	(48,957,836)
Total Equity		**22,311,413**	22,727,769

The accompanying notes form an integral part of these financial statements.

HILL END GOLD LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Ordinary Shares $	Reserves $	Accumulated Losses $	Total $
Balance at 30 June 2012		**71,419,958**	**178,250**	**(43,322,194)**	**28,276,014**
Loss attributable to members of the group		-	-	(5,635,642)	(5,635,642)
Transactions with owners in their capacity as owners					
Shares Issued during the year	19	(4,160)	-	-	(4,160)
Options issued during the year	20	-	91,557	-	91,557
Transfer from Share based Payment Reserve to Share capital	20	178,250	(178,250)	-	-
Balance at 30 June 2013		**71,594,048**	**91,557**	**(48,957,836)**	**22,727,769**
Loss attributable to members of the group		-	-	(3,571,251)	(3,571,251)
Other comprehensive income net of tax		-	575,000	-	575,000
Total comprehensive income for the year		-	575,000	(3,571,251)	(2,996,251)
Transactions with owners in their capacity as owners					
Shares Issued during the year	19	2,579,895	-	-	2,579,895
Balance at 30 June 2014		**74,173,943**	**666,557**	**(52,529,087)**	**22,311,413**

The accompanying notes form an integral part of these financial statements.

HILL END GOLD LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Cash Flows From Operating Activities			
Receipts from sales		-	-
Interest received		21,865	74,985
Other income		92,775	427,647
Payments to suppliers and employees		(1,549,665)	(1,755,936)
Net cash outflows from operating activities	25	(1,435,025)	(1,253,304)
Cash Flows From Investing Activities			
Purchase of shares		(1,100,000)	-
Refunds/(Payments) for exploration bonds		(10,000)	(18,750)
Purchases of property, plant & equipment		(21,850)	(21,437)
Proceeds from fixed asset disposal		545	3,000
Mining Property		(136,484)	(137,807)
Payments for exploration expenditure		(682,932)	(1,600,764)
Net cash outflows from investing activities		(1,950,721)	(1,775,758)
Cash Flows From Financing Activities			
Proceeds from issue of shares		2,579,895	(4,160)
Net cash inflows from financing activities		2,579,895	(4,160)
Net increase/(decrease) in Cash Held		(805,851)	(3,033,222)
Cash at the Beginning of the Financial Year		859,739	3,892,961
Cash at the End of the Financial Year	25	53,888	859,739

The accompanying notes form an integral part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Hill End Gold Limited is a public company domiciled in Australia. The financial report covers Hill End Gold Limited and its wholly owned subsidiary HEGL Investments Pty Ltd (the 'Group').
The Group is primarily involved in the exploration for minerals in Australia. The financial statements functional and presentation currency is Australian dollars. This is a for profit entity.

(b) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hill End Gold Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Hill End Gold Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity or Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(d) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(e) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

(f) Revenue

Sales revenue is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods, and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Revenue from consulting services is recognised when the right to receive the revenue has been established.

Other revenue is recognised when the right to receive the revenue has been established.

(g) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(h) Cash

For the purposes of the statement of cash flows, cash and cash equivalents included cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(j) Inventory

Raw materials and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(l) Financial Instruments

Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.
Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(m) Mining Property

Mining property represents mines that are being developed for future production or which are in the production phase, suspension or care and maintenance. Where several mines are to be produced through common facilities or are within the same area of interest the individual mines are managed and reported as a single asset.

The costs of mines in production include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine, on a unit-of-production basis. Costs are amortised only once production begins.

Changes in factors such as estimates of proved and probable reserves that affect unit-of –production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Where the mining property is in care and maintenance the amortisation is suspended. The mining property is assessed for impairment using a reasonable valuation methodology.

(n) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profits in the year which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from where exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology and discounted by the company's cost of capital to the present value.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Exploration and evaluation assets are tested for impairment each year. When the facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the carrying amount is written down to its likely recoverable amount.

The recoverability of the carrying amount is dependent on successful development and commercialisation or alternatively sale of the respective areas of interest.

(o) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

The depreciation rates used are as follows:

Plant and equipment	20-25% straight line
Office furniture and equipment	25-33⅓% straight line
Motor vehicles	33⅓% straight line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement.

(p) Acquisitions of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

(q) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(r) Trade creditors

A liability is recorded for goods and services prior to balance date, whether invoiced to the Group or not. Trade creditors are normally settled within 30 days.

(s) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Rehabilitation
Provisions are made for mine rehabilitation and restoration. The present value of restoration obligations is recognised at commencement of the mining operations where a legal and constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset recognised in relation to the mine site. At each reporting date the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amount of the costs to be incurred.

The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as requirements of the relevant legal and regulatory restoration and rehabilitation activity.

These uncertainties may result in future actual expenditure differing from the amounts currently provided.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and financial charges.

(t) Employee Entitlements

Wages, salaries and annual leave
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long Service Leave
A provision for long service leave is taken up for all employees.

Equity-settled compensation
The Group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or the options granted.

Employee option plan
The establishment of the Hill End Gold Limited Employee Share Option Plan (ESOP) was approved by shareholders at the annual general meeting held on 22 November 2007. The ESOP was designed to provide long term incentives for directors to deliver long term shareholder returns.

The fair value of options granted under the ESOP is recognised as an employee benefit expense with corresponding increase in equity. The fair value is measured at grant date. The fair value at grant date is measured using a Black-Scholes option pricing model that takes into consideration the exercise price, the term of the option, the impact of dilution, and the share price at grant date.

Upon the exercise of options, the exercise proceeds received are allocated to share capital and the balance of the share-based payments reserve relating to those options is transferred to share capital.

(u) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(v) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.
If the Group reacquires its own equity instruments (eg as the result of a share buy-back), those instruments are deducted from equity and the associated shares are cancelled.

No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(w) Earnings Per Share

Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the Australian Taxation Office, are classified as operating cash flows.

(y) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(z) Critical Accounting Estimates and Judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that effect the application of policies and the reported amounts of assets, liabilities, revenue and expenses.

The estimates and judgments incorporated into the financial report are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the group. The estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Key Estimates

Impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations used to assess recoverable amounts incorporate a number of key estimates. Refer to Mining property note (m).

It is reasonably possible that the underlying metal price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of mining plant and equipment, mining infrastructure and mining development assets. Furthermore, the expected future cash flows used to determine the value-in-use of these assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as metal spot prices, discount rates, estimates of costs to produce reserves and future capital expenditure.

Rehabilitation
The Group is required to estimate the rehabilitation costs of its operations in the accounting policy note in paragraph (s). The estimate is based on management's best estimate of the cost.

Estimates of reserve quantities
The estimated quantities of proved and probable reserves reported by the Group are integral to the calculation of amortisation expenses and to assessments of possible impairment of assets. Estimated reserve quantities are based on interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of the operations.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Held for sale estimates
The directors have assessed that the Hargraves tenements are held for sale, and that the book value per note 11 is the lower of cost and fair value. The assessment has been based on the directors' expectation that the sale will be for $12million.

Key Judgments

Exploration and evaluation costs
The Group applies judgment in determining which exploration costs should be capitalised or expensed as per the accounting policy in paragraph (n).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(aa) Going Concern

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business. This is notwithstanding an operating loss of $3,571,251.

The Group has reported cash and cash equivalent assets of $53,888 at 30 June 2014. The directors acknowledge that for ongoing administrative costs and continued exploration and development of the Group's mineral exploration properties will necessitate further capital raisings and/or formation of joint ventures over these mineral exploration properties.

The Group remains dependent on its ability to raise capital. During the past 5 years the Group has successfully completed multiple capital raisings and the directors are confident of being able to raise further capital to fund continued operations. The Group has raised $50,000 from issue of convertible notes since year end and has entered into a non-binding heads of agreement to sell the Hargraves and Boiga projects for $12 million, subject to finalising a binding sale agreement.

In consideration of the above, the directors have determined that it is foreseeable that the Group will continue to operate as a going concern and that it is appropriate that the financial statements be prepared on this basis.

In the event that the Group is unable to achieve the actions noted above, the Group may not be able to continue as a going concern, it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

(ab) New Accounting Standards for Application in Currrent Period

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

2. FUTURE ACCOUNTING STANDARDS

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Management have not yet determined the impact of the new revenue standard, or the new Financial Instruments Standard. However they do not expect them to have a significant impact given minimal activity in these areas.

3. OPERATING SEGMENTS

Identification of reportable operating segments
The consolidated entity is organised into one operating segment, being exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM review expenditure reports on exploration projects. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Types of products and services
The principal products and services of this operating segment are the exploration operations predominately in Australia.

3. OPERATING SEGMENTS continued

Major customers
During the year ended 30 June 2014 approximately 92% (2013: nil) of the consolidated entity's external revenue was derived from provision of consulting services to the LionGold Corp Ltd Group.

	2014 $	2013 $
4. REVENUE		
Interest revenue – other entities	**21,865**	77,120
Consulting	**314,270**	-
Rental income	**13,140**	-
Equipment hire	**12,813**	234,067
	340,223	234,067

5. OPERATING LOSS

	2014 $	2013 $
Operating loss is stated after (charging)/crediting:		
- Depreciation	**(178,503)**	(258,195)
- Site expenses	**(161,082)**	(191,266)
- Exploration written off	**(74,938)**	(42,087)
-Tenement expenses	**(19,671)**	(32,834)
-Loss on sale of asset	**-**	(9,576)
	(434,194)	(533,958)
Employee benefits , including capitalised (excl. Directors)	**591,042**	732,591
Superannuation	**52,401**	63,299

6. INCOME TAX

	2014 $	2013 $
(a) Temporary Differences		
Current tax	-	-
Deferred tax	-	-
Underprovision for previous years	-	-
Total	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Operating loss before income tax	**(3,571,251)**	**(5,635,642)**
Prima facie income tax benefit at 30% on operating loss	**1,071,375**	1,690,693
Add tax effect of:		
Tax losses and temporary differences not recognised	**(1,169,093)**	(1,714,629)
Non temporary differences	**-**	(93,890)
Under overprovision for prior years	**-**	-
Equity raising costs debited to equity	**97,718**	117,826
Income tax attributable to operating loss	-	-

Directors are of the view that there is insufficient probability that the Group and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities

6. INCOME TAX continued

(c) There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked

	2014 $	2013 $
(d) Tax Losses		
Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non temporary differences	**55,822,210**	53,269,156
Potential tax benefit at 30%	**16,746,663**	15,980,747
(e) Unrecognised temporary differences		
Non deductible amounts as temporary differences	**(662,480)**	(857,356)
Capital raising costs	**(179,306)**	(505,033)
Accelerated deductions for book compared to tax	**6,832,724**	8,454,836
Total	**5,990,938**	7,092,447
Potential effect on future tax expense	**1,797,281**	2,127,734

The Group has applied deferred tax losses as an equal proportion to deferred tax liabilities on the basis of probability.

7. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**53,888**	859,739

The effective interest rates on term deposits were 3.05% (2013: 3.55%).
The Group's exposure to interest rate risk is discussed in note 24.

8. TRADE & OTHER RECEIVABLES

Trade Debtors	**249,483**	48,104
Other Debtors	**10,649**	12,309
	260,132	60,413

The ageing of past due but not impaired receivables are as follows:

0-3 months overdue	121,846	-
3-6 months overdue	-	-
Over 6 months overdue	-	-
	121,846	-

(a) Impaired Trade Receivable
As at 30 June 2014 current trade receivables of the group were not impaired. Payment terms are 30 days. A provision for impairment is recognised when there is evidence that an individual receivable is impaired.

(b) Fair value and Credit Risk
Due to the short term nature of these receivables, their carrying amount is assumed to equal their fair value.

9. INVENTORIES

Raw materials	**1,145**	3,657
Work in progress	**11,590**	11,567
	12,735	15,224

	2014 $	2013 $

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Exploration property	10,203,407	-
Security deposits	58,750	-
Exploration property	**10,262,157**	-

On 30 June 2014 the Group announced that it had entered into a non-binding heads of agreement with LionGold Australia Pty Ltd ('LionGold Australia'), the wholly-owned Australian subsidiary of LionGold Corp Ltd (an entity listed on the Singapore Securities Exchange), in respect of the proposed sale of the rights, title and interest in and to the Hargraves Gold Project (EL 6995) and the Boiga Gold Project (EL 8206) by the Group to LionGold Australia. Existing security deposits on the properties will be refunded to the Group as part of the agreement. The heads of agreement is subject to the Group and LionGold Australia entering into a definitive sale agreement in relation to the proposed sale. The Group is expecting sale proceeds within the next 12 months. Cash outflows in relation to exploration costs during the year were $369,409.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Investment in listed shares	**1,675,000**	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value	**-**	-
Additions	**1,100,000**	-
Revaluation increments	**575,000**	-
Closing fair value	**1,675,000**	

12. OTHER FINANCIAL ASSETS

Non-Current

Performance guarantee bonds	**455,113**	503,863

Balances are returned when the tenements are not renewed and all liabilities are resolved.

13. MINING PROPERTY

Non-Current

Mining Property – at cost	**20,872,503**	20,730,176
Amortisation	**(3,546,700)**	(3,546,700)
Asset impairment	**(11,325,803)**	(9,183,476)
	6,000,000	8,000,000

Reconciliation of the carrying amounts of mining property costs at the beginning and end of the current and previous financial years.

Opening balance	**8,000,000**	12,000,000
Transfer from exploration and evaluation phase (Note 10)	**-**	-
Expenditure in the period	**142,327**	62,374
Amortisation	**-**	-
Asset impairment	**(2,142,327)**	(4,062,374)
	6,000,000	8,000,000

13. MINING PROPERTY continued

The key assumptions for the asset impairment are:

- Start-up costs of $32 million, with production starting in 2018
- Ongoing capital over the mine life $15 million
- Gold price $1,375/oz
- Mine production tonnes 1,725,000 at 4 g/t
- Ore sorting reduces processed tonnes to 40% of mined tonnes and increases grade to 9.3g/t
- Cash cost per oz $899
- Discount rate of $20%

The mining property is currently on care and maintenance.

14. DEFERRED EXPLORATION & DEVELOPMENT

	2014 **$**	2013 $
Costs carried forward in respect of areas of interest in		
Exploration and evaluation phase – at cost	**17,638,581**	16,955,648
Expenditure written off	**(4,172,974)**	(4,098,035)
Classified as held for sale	**(10,203,407)**	-
	3,262,200	12,857,613

On 30 June 2014 the Group announced that it had entered into a non-binding heads of agreement with LionGold Australia Pty Ltd ('LionGold Australia'), the wholly-owned Australian subsidiary of LionGold Corp Ltd (an entity listed on the Singapore Securities Exchange), in respect of the proposed sale of the rights, title and interest in and to the Hargraves Gold Project (EL 6995) and the Boiga Gold Project (EL 8206) by the Company to LionGold Australia. The heads of agreement is subject to the Group and LionGold Australia entering into a definitive sale agreement in relation to the proposed sale.

Consideration for the sale is $12 million subject to an independent valuation. If the value ascribed by the independent valuer is between $10 million and $12 million the consideration will be that value. If the value ascribed is below $10 million the Group and LionGold Australia will negotiate to agree a price. If no agreement can be reached the sale agreement will be terminated.

The consideration will be settled by payment of $2 million in cash including $500,000 on completion and a further $500,000 on each of the 3, 6 and 9 months anniversary of completion. The balance of the sale price will be settled by issue of shares in LionGold Corp Ltd. Shares will be issued based on the VWAP for the 5 trading days prior to completion on 31 December 2014 subject to a floor price of S$0.04. If the share price of LionGold Corp Ltd is less than the floor price LionGold Australia will make a further cash payment equal to the total difference in value of the shares issued between the floor price and the actual price.

Reconciliation of the carrying amounts of deferred exploration, evaluation and development costs at the beginning and end of the current and previous financial years.

	2014	2013
Opening balance	**12,857,613**	11,298,935
Additions	**682,933**	1,600,765
Amortisation	**-**	-
Write-off relinquished or expired tenements	**(74,939)**	(42,087)
Exploration property held for sale – refer to note 10	**(10,203,407)**	
Net book value	**3,262,200**	**12,857,613**

15. PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Property – at cost	**388,798**	388,798
Plant and equipment - at cost	**2,469,454**	2,621,707
Less: Accumulated depreciation	**(1,688,076)**	(1,686,041)
	791,378	935,666
Motor vehicles - at cost	**140,257**	142,257
Less: Accumulated depreciation	**(78,453)**	(68,088)
	61,804	74,169
	1,241,980	1,398,633

Reconciliation
Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are as follows:

	Real Property $	Plant & Equipment $	Motor Vehicles $	Total $
Carrying value at start of year	388,798	935,666	74,169	1,398,633
Additions	-	21,850	-	21,850
Disposals	-	(750)	-	(750)
Scrapped	-	(173,353)	(2,000)	(175,353)
Accumulated depreciation on sold and scrapped items	-	174,103	2,000	176,103
Depreciation		(166,138)	(12,365)	(178,503)
Carrying value at end of year	**388,798**	**791,378**	**61,804**	**1,241,980**

16. PAYABLES

	2014 $	2013 $
Current		
Trade creditors and accruals	**567,260**	607,282

17. PROVISIONS

Current		
Employee Entitlements	**185,458**	210,892
Non Current		
Employee Entitlements	**7,169**	3,480
	192,627	214,372
Number of Employees at year end	**5**	15

18. OTHER LIABILITIES

Non Current

Provision for minesite rehabilitation	**151,905**	146,062

18. OTHER LIABILITIES continued

	2014 $	2013 $
Reconciliation		
Carrying amount at start of the year	146,062	221,494
Additional amounts recognised	5,843	(75,432)
Carrying amount at end of the year	151,905	146,062

Rehabilitation costs are expected to be incurred in between 2015 and 2018. The provision has been estimated for the mining operations where a legal or constructive obligation exists, and discounted using a discount rate of 9.8%.

19. CONTRIBUTED EQUITY

(a) Issued and paid up capital

1,064,704,835 fully paid ordinary shares (2013:685,526,036)

Balance at the beginning of the financial year	**71,594,048**	71,419,958
Issue of shares to raise capital	**2,579,895**	(4,160)
Transfers from reserves	**-**	178,250
	74,173,943	71,594,048

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
30 June 2012	**Balance**	**685,526,036**		**71,419,958**
	Transaction costs arising from share & option issues			(4,160)
	Transfer from Reserves			178,250
30 June 2013	**Balance**	**685,526,036**		**71,594,048**
25 August 2013	Placement	125,000,000	$0.008	1,000,000
5 September 2013	Placement	45,000,000	$0.008	360,000
21 November 2013	Rights Issue	95,678,271	$0.007	669,748
13 January 2014	Placement	63,500,528	$0.007	444,504
8 May 2014	Placement	12,500,000	$0.004	50,000
29 May 2014	Placement	37,500,000	$0.004	150,000
	Cost of share issues			(94,357)
30 June 2014	**Balance**	**1,064,704,835**		**74,173,943**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Capital Management

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

19. CONTRIBUTED EQUITY continued

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The main strategy is obtain additional capital to sustain the activities of the Group.

(d) There is no current on-market share buy-back

20. RESERVES

	2014 $	2013 $
Share based payments (a)	**91,557**	178,250
Transfer to issued capital on expiry of options	**-**	(178,250)
Increase in share based payment reserve	**-**	91,557
Available-for-sale reserve (c)	**575,000**	-
	666,557	91,557

(a) Share-based payments

On 29 November 2012 shareholders approved the issue of 35,000,000 options to directors exercisable at $0.05 expiring 29 November 2017.

Set out below are summaries of options granted under the plan:

Date	**Details**	**Number of options**	**Exercise price - cents**	**$**
30 June 2012	Balance	5,750,000		178,250
22 November 2012	Expiry of options	(5,750,000)		(178,250)
28 November 2012	Director options (i)	35,000,000		91,557
30 June 2013	Balance	35,000,000		91,557
30 June 2014	Balance	35,000,000		91,557

The employee share option plan was approved by shareholders at the 2007 annual general meeting and is designed to provide long-term incentives to executive directors and employees to deliver long-term shareholder return.

(b) Share Option Reserve

A placement of shares was undertaken in May 2011 with applicants granted 1 option for every 2 shares taken up exercisable at $0.10 per share. These options expired 16 May 2014.

Date	**Details**	**Number of Options**	**Application price - cents**	**$**
30 June 2012		22,080,000		-
30 June 2013		22,080,000		-
15 May 2014	expiry	(22,080,000)		-
30 June 2014		-		-

(c) Available-For-Sale Reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

	2014	2013
	$	$
21. AUDITOR'S REMUNERATION		
Remuneration for audit or review of the financial reports of the Group:		
Current auditors of the Group:		
Audit and review of the financial statements	**67,600**	67,600
Other services	-	-
	67,600	67,600

22. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) **Names of directors and key management personnel and positions held at any time during the year:**

Directors	
D Clarke	Chairman – Non-Executive
P Bruce	Managing Director
G Reveleigh	Director – Non-Executive
S-Y Quah	Director – Non-Executive
B Thomas	Director – Non-Executive, resigned 6 December 2013
I Daymond	Director – Non-Executive, resigned 6 December 2013
Specified Executives	
K Lynn	Company Secretary

(b) **Individual directors' and executives' compensation disclosures**

The Group has not employed any executive officers, other than directors, who were involved in, concerned in, or who took part in the management of the Group's affairs. Details of the nature and amount of the remuneration of each director and executive of the Group and some equity instrument disclosures as permitted by Corporations Regulations are provided in the Remuneration Report section of the Directors' Report.

The fair value of options is provided in the Remuneration Report section of the Directors' Report.

At year end an accrual of $70,062 has been accounted for relating to remuneration unpaid at 30 June 2014 (30 June 2013: $40,000).

23. RELATED PARTY TRANSACTIONS

(a) Parent Entity
Hill End Gold Limited is the parent entity of the Group.

(b) Subsidiaries
Interests in subsidiaries are set out in note 27.

(c) Directors and Key Management personnel
Disclosures relating to directors and key management personnel are set out in note 18.

(d) Shares held by parties related to directors

Ordinary Shares	**Balance 1 July 2013**	**Options Exercised**	**Net Change Other**	**Balance 30 June 2014**
Directors				
P Bruce	176,071	-	-	176,071

Total	**176,071**	**-**	**-**	**176,071**

23. RELATED PARTY TRANSACTIONS continued

(e) Other Transactions with Director Related Entities

Payment/provision of the following payments was made for consulting and other services to related entities of the following directors:

	2014	2013
	$	$
G C Reveleigh	**21,060**	21,060
	21,060	21,060

All transactions were on normal commercial terms.

24. CONTINGENT LIABILITY

(a) During the 2007-08 year the Group acquired an interest in the Hargraves tenement. The acquisition cost included $300,000 plus the issue of 2,000,000 ordinary fully paid shares and 2,000,000 listed options which expired on 12 September 2008. These amounts were recorded during the year ending 30 June 2008. The Group will issue the vendors an additional 2,000,000 ordinary shares in the event that the Group estimates 70,000 ozs of recoverable gold in Mineral Reserves on the tenements and a further 2,000,000 ordinary shares in the event that 70,000 ozs are produced from the tenement.

(b) First Tiffany Case 1

Proceedings were commenced by the Group in 2005 in the Supreme Court of NSW seeking to clarify the ownership interests of the Group and First Tiffany Resource Corp (Tiffany) in relation to some mining tenements which the Group holds at Hill End, NSW. The Group had asserted that Tiffany had no interest since it had failed to contribute 15% of costs for development of the Reward Project after receiving a feasibility study from the Group for the project in 2003. Tiffany had continued to claim it had a 15% “free carried” interest in those tenements.

The matter was heard by the Court and the Court confirmed the Group’s minimum 85% ownership of the Hill End tenements encompassed by the area of the original EL 2037, which covered the area from the Turon River in the south to Red Hill in the north.

On appeal to the NSW Court of Appeal by the Group seeking further clarification, the Court of Appeal held that the type of feasibility study required to be provided by the Group to enable Tiffany to participate in the development of the properties was an ’economic feasibility study’ conforming to the requirements for such a study as understood in Canada in 1983, and a failure to contribute by Tiffany on receipt of this study would have the consequence of the loss or forfeiture of its interest.

The result is that the Group has a 100% beneficial interest in its Hill End tenements, while a portion of the ground now encompassed by EL 5868 is subject to a reduction to 85% if an ‘economic feasibility study’ is completed by the Group, and Tiffany, if it establishes that it continues to hold a right against the Group to do so, contributes at the 15% level.

The Court of Appeal dismissed the appeal with costs. Costs for the parties were assessed in May and July 2013 and each has been submitted to a Review Panel for a review of the determination by the costs assessor. The balance of costs was determined to be $316,467 compared to an accrual of $400,000 in the Group’s financial statements and was paid in December 2013.

24. CONTINGENT LIABILITY continued

(c) First Tiffany Case 2

On 1 April 2014 the Group announced that it had received a summons filed by Tiffany in the Supreme Court of New South Wales claiming an order that the Group pay Tiffany 15% of the value of minerals extracted by HEG from certain mining tenements encompassed by a portion of EL 5868 in the Hill End locality of New South Wales (plus interest and costs).

Proposals to Tiffany to settle the matter and to agree to a sound working arrangement were rejected by Tiffany.

The Group applied successfully to the court for Tiffany to provide security of costs, and await Tiffany's response to this order.

25. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2014 $	2013 $
(a) Reconciliation of Cash		
Cash balance comprises		
Cash at bank	**23,888**	19,739
Term deposits	**30,000**	840,000
	53,888	859,739
(b) Operating loss after income tax	**(3,571,251)**	(5,635,642)
Adjustment for non cash items:		
Depreciation	**178,502**	258,195
Asset impairment	**2,142,327**	4,062,374
Exploration Expenditure written off	**74,938**	42,087
Gain on sale of assets	**(545)**	9,575
Share based payments	**-**	91,557
	(1,176,029)	(1,171,854)
(Increase)/Decrease in Receivables	**(199,719)**	25,016
(Increase)/Decrease in Inventory	**2,488**	7,825
(Decrease) /increase in Payables	**(40,022)**	(139,756)
(Decrease) /increase in Provisions	**(21,743)**	25,465
Increase in Provisions	**-**	-
Net cash outflows from operating activities	**(1,435,025)**	(1,253,304)

26. COMMITMENTS FOR EXPENDITURE

Operating Leases

Total operating lease expenditure contracted for at balance date but not provided for in the financial statements:

Due within one year	**62,832**	60,976
Due beyond one year and within five years	**7,094**	72,063
	69,926	133,039

26. COMMITMENTS FOR EXPENDITURE continued

Commitments Relating to Tenements

As a condition of its tenements the Group has minimum expenditure commitments. These minimum commitments totalled $507,500 as at 30 June 2014 (2013; $574,000). This balance fluctuates based on the expiration and renewal of tenements.

27. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse affects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and aging analysis for credit risk.

Risk management is carried out by the managing director under policies approved by the Board of Directors. The managing director identifies and evaluates the risks in close cooperation with the Group's management and Board.

(a) Market Risk

(i) Foreign exchange risk
The Groupy does not have any significant exposure to foreign exchange risk.

(ii) Price Risk
The Group has exposure to risk related to its investment in Bassari Resources Limited as it is listed on the Australian Stock Exchange.

(iii) Cash flow and fair value interest rate risk
The Group has exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and the financial liabilities.

The Group policy is to ensure that the best interest rate is received for the short-term deposits. The Group uses a number of banking institutions, with a mixture of fixed and variable interest rates. Interest rates are reviewed prior to deposits maturing and re-invested at the best rate.

The interest rate risk sensitivity analysis has been determined based on the exposure of the Group to interest rates for non-derivative financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 1% increase or decrease is used when reporting interest rates internally to key management personnel and represents management's assessment of the possible change in interest rates.

At 30 June 2014, if the interest rates had changed by 1% from the period-end rates with all other variables held constant, post-tax profit for the year for the Group would have been $3,681 lower/higher mainly as a result of lower/higher interest income on cash and cash equivalents.

There has been no change to the Group's exposure to interest rate risk or the manner in which it manages and measures the risk from the previous year.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

27. FINANCIAL RISK MANAGEMENT (continued)

(iii) Cash flow and fair value interest rate risk

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest Bearing	Total
			Within 1 year	Over 1 year		
	%	$	$	$	$	$
2014						
FINANCIAL ASSETS						
Cash assets	3.05	23,888	30,000	-	-	53,888
Performance guarantee bonds	-	-	-	-	455,113	513,863
Trade and other receivables	-	-	-	-	260,132	260,132
		23,888	30,000	-	715,245	827,883
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	-	(567,260)	(567,260)
NET FINANCIAL ASSETS (LIABILITIES)		**23,888**	**30,000**	**-**	**147,985**	**260,623**
2013						
FINANCIAL ASSETS						
Cash assets	3.55	-	859,739	-	-	859,739
Performance guarantee bonds	-	-	-	-	503,863	503,863
Other financial assets	-	-	-	-	60,413	60,413
		-	859,739	-	564,276	1,424,015
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	-	(607,282)	(607,282)
NET FINANCIAL ASSETS (LIABILITIES)		**-**	**859,739**	**-**	**(43,006)**	**816,733**

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial assets, is the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

The Group at trading date had deposits which mature within three months and cash at bank. Due to the cash available to the Group there is no use of any credit facilities at balance date.

(d) Net Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The net fair values of the financial assets and financial liabilities approximate their carrying values. The Group holds ordinary shares in Bassari Resources Limited which are traded on the Australian Stock Exchange.

27. FINANCIAL RISK MANAGEMENT (continued)

No other financial assets or liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Ordinary shares available-for-sale	1,675,000	-	-	1,675,000
Total assets	1,675,000	-	-	1,675,000
Total liabilities	-	-	-	-

(e) Sensitivity Analysis

The Group has performed a sensitivity analysis on price risk and interest rate risk and noted its impact on current year results and equity as discussed in note 28(a).

28. EARNINGS PER SHARE

	2014 Cents	2013 Cents
Basic earnings per share	**(0.4)**	(0.8)
Diluted earnings per share	**(0.4)**	(0.8)
	2013 $	2013 $
(a) Earnings used in calculating basic earnings per share	**(3,571,251)**	(5,635,642)
(b) Earnings used in calculating diluted earnings per share	**(3,571,501)**	(5,635,642)
	Number	Number
(c) Weighted average number of ordinary shares used in calculating basic earnings per share	**927,301,342**	685,526,036
(d) Weighted average number of options outstanding	**35,000,000**	42,504,658
(e) Weighted average number of ordinary shares used in calculating diluted earnings per share	**962,301,342**	728,030,694

Granted options are considered to be potential ordinary shares however have been included in the determination of diluted earnings per share because they are anti-dilutive. The options have not been included in the determination of basic earnings per share.

29. SUBSIDIARIES

On 31 January 2007 the Group acquired 100% of the issued share capital of Hill End Asia Pty Ltd, a company incorporated in Australia on the same day. The purchase consideration was $1. On 8 August 2013 Hill End Asia Pty Ltd changed its name to HEGL Investments Pty Ltd.

30. EVENTS AFTER THE BALANCE SHEET DATE

On 2 July 2014 the Group announced it had put in place a convertible note deed allowing the placement of 20 million convertible notes per month for a period of 5 months. The issue price is $0.005 and will raise $100,000 per month. The notes are convertible on a one for one basis into fully paid ordinary shares within 2 years of issue. The investor has the option to redeem the notes after 3 months following completion of the proposed disposal of the Hargraves and Boiga projects to LionGold Corp. The notes mandatorily convert if the proposed disposal does not complete. The notes carry a coupon rate of 5% pa.

There were no other significant events after balance date.

31. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2014 the parent entity of the Group was Hill End Gold Limited.

	2014 $	2013 $
Result of parent entity		
Loss for the year	**(3,571,251)**	(5,635,642)
Other comprehensive income/(loss)	-	-
Total comprehensive (loss)	**(3,571,251)**	(5,635,642)
Financial position of parent entity at year end		
Current assets	**10,588,912**	935,376
Total assets	**22,648,205**	23,695,485
Current liabilities	**752,718**	818,174
Total liabilities	**911,792**	967,716
Total equity of parent entity comprising of		
Contributed equity	74,173,943	71,594,048
Reserves	91,557	91,557
Accumulated losses	(52,529,087)	(48,957,836)
Total equity	21,736,413	22,727,769

32. COMPANY DETAILS

The registered office of the Company is:-

Hill End Gold Limited
4 Bowen Street
Hill End NSW 2850

HILL END GOLD LIMITED

DIRECTORS' DECLARATION

The directors declare that:

1 the financial statements and notes, as set out on pages 12 to 42 are in accordance with the *Corporations Act 2001* and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group;

2 the Managing Director and Chief Finance Officer have each declared that:

(a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

(b) the financial statements and notes for the financial year comply with the Australian equivalents to International Financial Reporting Standards; and

(c) the financial statements and notes for the financial year give a true and fair view;

3 in the director's opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Denis Clarke
Chairman

Philip Bruce
Managing Director

2 September 2014

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INDEPENDENT AUDITOR'S REPORT
to the members of Hill End Gold Limited

Report on the Financial Report

We have audited the accompanying financial report of Hill End Gold Limited and its controlled entity, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given the directors of Hill End Gold Limited a written Auditors Independence Declaration a copy of which is included in the financial report.

Opinion

In our opinion:

a) the financial report of Hill End Gold Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entities financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter Regarding Going Concern

Without further qualification to our opinion, we draw attention to Note 1 (aa) which indicates that additional funding from capital raisings and or formation of joint ventures may be required over mineral exploration properties to ensure that the company can continue its activities and continue to operate as a going concern. There is uncertainty as to whether these circumstances will arise however the directors have determined that the company will be able to pay its debts as and when they fall due and have accordingly prepared the financial statements on a going concern basis.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Hill End Gold Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001.*

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Partner

Dated this 2nd day of September 2014

HILL END GOLD LIMITED

CORPORATE DIRECTORY

Directors
Denis Edmund Clarke
Non-Executive Chairman

Philip Francis Bruce
Managing Director

Graham Charles Reveleigh
Non-Executive Director

Su-Yin Quah
Non-Executive Director

Company Secretary
Kevin Martin Lynn

Australian Business Number
74 072 692 365

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48 Martin Place
Sydney NSW 2000

Stock Exchange Listing
Hill End Gold Limited shares are listed on the Australian Securities Exchange (ASX code: HEG)