HILL END GOLD LIMITED

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The Manager
Announcements Platform
ASX Limited
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CHAIRMAN'S ADDRESS 2014

The external conditions faced by gold miners, gold explorers and associated investors have deteriorated drastically over the last year and a half. Currently the US dollar gold price is at a four and a half year low, and investor interest is weak, as reflected in very low share prices.

Throughout the 2013/14 financial year the gold price remained relatively flat and averaged US$1296 per ounce over the year. However, on November 6, 2014 the price was US$1140, having fallen 9 percent in the last month. This is a far cry from the US$1900 price recorded on September 5, 2011. Since the crash in the gold price in April 2013, interest in gold investments has seriously declined resulting in a widespread capital drought for listed gold explorers. Share prices of gold miners and explorers are strongly leveraged to the US dollar gold price, and companies, almost regardless of their fundamentals, have seen their share prices decline proportionately much further than the decline in the gold price. Many junior exploration companies have failed for want of working capital, and survival of much of the remainder of the junior exploration industry worldwide remains in serious doubt. Hill End Gold is not immune to these troubles. I said in my address to this meeting a year ago, "It is a very uncomfortable time to be a junior explorer". Today, it is even more so.

In these current difficult times we, nevertheless, believe that the wheel will eventually turn. To quote the famous 6th century philosopher Boethius, "*The worst of times, like the best, are always passing away*."

Opportunities exist even in these demanding times. Recent low market valuations for explorers and junior miners have created a situation where excellent corporate and project acquisitions are available very cheaply relative to prices that prevailed before the April 2013 gold price crash. Hill End Gold has adapted its corporate strategy to take advantage of this situation. Our new challenge has been to identify such investment opportunities, and then raise the required acquisition funding in a difficult capital market.

Adaption has resulted in a major scale back of exploration and pre-development activities on our own properties. Before the gold price crash we had focused on advancing our flagship Hargraves Project through exploration drilling and the various pre-development studies that are required, if the Project's development potential is to be ultimately realised. Subsequently we have adopted a longer term approach to the development of Hargraves and reduced the rate of expenditure. Nevertheless, we continue to rank the development potential of Hargraves highly, particularly if the gold price strengthens in the future. The

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Project's value is highly leveraged to the gold price. We have also reduced expenditures on our Hill End Project and our multiple exploration projects in New South Wales. Nevertheless, subject to funding, we remain committed to maintaining our properties in good standing as we wait for better times.

Conversely, throughout the year under review we scaled up our efforts on the identification and acquisition of direct and indirect interests in other attractive, higher grade, high-quality gold projects worldwide. The attraction of such projects is their potential to produce revenue in the short to medium term.

Importantly, we were successful in raising finance to pursue this new acquisition-focussed strategy.

Over the year we technically and financially evaluated numerous corporate and project acquisition opportunities worldwide to decrease our reliance on the Hargraves and Hill End projects as drivers of growth. We ultimately made a substantial investment in Bassari Resources Limited in the latter half of 2013 reflecting our positive evaluation of that company's gold assets in Senegal, West Africa. This investment at 30 June 2014 was valued at $1.68 million, a pleasing increase over the acquisition cost of $1.05 million. Given further shareholder support, we will continue the successful acquisition strategy.

During the year under review capital raisings totalled $2.58 million to fund our business strategy including the $1.05 million required to purchase the Bassari shares. We necessarily minimised our direct exploration expenditure to only $683,000. Additional expenditures were incurred in maintaining the Company's key pre-development properties at Hill End and Hargraves in good standing. Net corporate overheads were $1.03 million, which is close to the minimum required to sustain a small, active ASX-listed resource company. We have also decreased the size of the Board by two directors and cut-back employees from 15 to 5. The Company incurred a pre-tax operating loss of $3.57 million, with the major part of that figure being a non-cash impairment of $2.1 million on our mining properties.

Hill End Gold, along with its peers in the junior resources sector, is engaged in a high risk/ high reward business, and all such companies face a daunting task when the appetite for risk taking is very low amongst investors. However, history teaches us that commodity prices and investors' mood can change rapidly – the wheel will turn. Until it does, we will continue to pursue our new strategy and focus our resources on obtaining a sustaining cash flow. Hill End Gold will need strong support from shareholders and new investors. Such support, combined with our considerable in-house technical expertise and better external conditions, can see our Company's potential converted to reality in due course.

I acknowledge the efforts of directors, employees and contractors who, together with the support of our shareholders and new investors, have sustained and improved the Company throughout the year.

Dr Denis Clarke
Chairman