

## Notice of General Meeting

Notice is hereby given that the General Meeting of the Shareholders of Hill End Gold Limited (The Company) will be convened at **10.00 am on Friday, 27 October 2006** at **Christie Corporate, Cavalier Room, Level 1, 56 Berry Street, North Sydney, NSW**, to consider, and if thought fit, to pass the following resolutions.

*If you are unable to attend the meeting, we encourage you to complete and return the enclosed Proxy Form. The completed Proxy Form must be received by the Company at least 48 hours before the commencement of the meeting.*

An Explanatory Statement is attached. Shareholders should read this in full.

### ORDINARY BUSINESS

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#### **ANNUAL ACCOUNTS**

“To receive and consider the Annual Company Financial Statements and reports of the Directors and the Auditor for the period ended 30 June 2006.”

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#### **RESOLUTION 1 – Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“To adopt the remuneration report for the year ended 30 June 2006”

*Note: the vote on this resolution is advisory only and does not bind the directors.*

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#### **RESOLUTION 2 – Re-election of Mr Alfred Paton as a Director**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That Mr Alfred Paton, a Director of the Company retiring in accordance with the Company’s Constitution, be re-elected as a Director.”

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#### **RESOLUTION 3 – Re-election of Mr Graham Reveleigh as a Director**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That Mr Graham Reveleigh, a Director of the Company retiring in accordance with the Company’s Constitution, be re-elected as a Director.”

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#### **RESOLUTION 4 – Approval of an Issue of Securities**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company be authorised to allot and issue up to 28,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 11 cents and up to 14,000,000 options on the terms and conditions set out ‘Annexure A’ in the Explanatory Statement accompanying this notice.”

Voting Exclusion Statement

*The Company will disregard any votes cast on Resolution 4 by a person or an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:*

- i) the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
  - ii) the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*
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**RESOLUTION 5 - Grant of Options to Alfred Paton**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 200,000 options to subscribe for shares in the Company to Mr Alfred Paton or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.

Voting Exclusion Statement

*The Company will disregard any votes cast on Resolution 5 by Alfred Paton or an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:*

- i) the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
  - ii) the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*
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**RESOLUTION 6 - Grant of Options to Graham Reveleigh**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 200,000 options to subscribe for shares in the Company to Mr G Reveleigh or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.

Voting Exclusion Statement

*The Company will disregard any votes cast on Resolution 6 by Graham Reveleigh or an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:*

- i) the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
  - ii) the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*
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**RESOLUTION 7 - Grant of Options to Ian Sloan**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 200,000 options to subscribe for shares in the Company to Mr Ian Sloan or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.

Voting Exclusion Statement

*The Company will disregard any votes cast on Resolution 7 by Ian Sloan or an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:*

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- i) the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
  - ii) the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*
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### **RESOLUTION 8 - Grant of Options to Philip Bruce**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 200,000 options to subscribe for shares in the Company to Mr Philip Bruce or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.*

#### **Voting Exclusion Statement**

*The Company will disregard any votes cast on Resolution 8 by Philip Bruce or an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:*

- i) the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
  - ii) the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*
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### **RESOLUTION 9 - Grant of Options to Bruce Thomas**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 200,000 options to subscribe for shares in the Company to Mr Bruce Thomas or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.*

#### **Voting Exclusion Statement**

*The Company will disregard any votes cast on Resolution 9 by Bruce Thomas or an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:*

- i) the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- ii) the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

Dated this 20th day of September 2006

#### **BY ORDER OF THE BOARD**

Kevin Lynn  
*Company Secretary*

NOTES: In accordance with Regulation 7.11.37 of the Corporations Act, the time nominated by the Board for the purposes of determining the identity of those entitled to attend and vote at the meeting is 10.00am (EST) on Wednesday, 25 October 2006.

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## EXPLANATORY STATEMENT

This Explanatory Statement accompanies and forms part of the Notice of General Meeting dated 20 September 2006 (Notice) and has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the General Meeting of the Company. Amongst other things, this Explanatory Statement provides Shareholders with the information required to be provided to Shareholders by the Corporations Act 2001 and the Official Listing Rules of the Australian Stock Exchange Limited (ASX Listing Rules).

The Explanatory Statement sets out an explanation of each of the resolutions to be put to Shareholders. Shareholders should read this Explanatory Statement carefully before determining how to vote in respect of the resolutions.

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### **RESOLUTION 2 - Re-election of Alfred Paton as a Director**

Mr Paton was appointed as a Director of the Company in October 2001.

The Company's Constitution requires that the appointment of any Director by the other Directors be put to shareholders for approval.

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### **RESOLUTION 3 - Re-election of Graham Reveleigh as a Director**

Mr Reveleigh was appointed as a Director of the Company in October 1999.

The Company's Constitution requires that the appointment of any Director by the other Directors be put to shareholders for approval.

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### **RESOLUTION 4 - Approval of an Issue of Securities**

In the June 2006 quarterly report full disclosure was made in relation to the drilling program that the Company is undertaking on the Company's exploration properties at Hill End. The Company is also considering other projects and this placement will also be used to appraise those opportunities.

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during a 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance is where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The proposed placement of the shares and options is to be approved to allow this number of securities not to be included in the calculations set out in ASX Listing Rule 7.1. This will leave the Company with the flexibility to issue equity securities in the future up to the 15% threshold.

ASX Listing Rule 7.3 requires that the following information be provided to shareholders:

1. The maximum number of securities to be issued will be 28,000,000 fully paid ordinary shares and 14,000,000 options;
2. The securities will be issued no later than 3 months after the date of shareholder approval (or such later date to the extent permitted by any ASX waiver of the Listing Rules) and it is anticipated that allotment will occur on that date;
3. The shares will be issued at an issue price of 11 cents per share and the options will be issued at an issue price of nil cents per option;
4. The issue will not be made to related parties. The participants are not yet identified, but will be at the discretion of the Directors;
5. The Shares to be issued will rank equally in all respects with, and are on the same terms as, the existing ordinary shares issued in the capital of the Company and the options will be allotted and issued on the terms and conditions set out in Annexure A and will rank equally with the Company's other listed options trading under ASX Code 'HEGOA'; and
6. the primary use of the funds is to continue with exploration and to identify additional resources along the 25 kilometres of strike length at the Company's project at Hill End. There is also provision for costs associated with the technical due diligence process required in identifying suitable projects which may fall within the company's strategic plan.

**RESOLUTIONS 5, 6, 7, 8, and 9 –  
Grant of Options to Alfred Paton, Graham Reveleigh, Ian Sloan, Philip Bruce and  
Bruce Thomas.**

Under Resolutions 5,6, 7, 8,and 9, shareholder approval is being sought for the grant of Options to related parties of the Company.

The purpose of the issue of options to Messrs Paton, Reveleigh, Sloan, Bruce and Thomas is to provide an incentive to the Directors to provide dedicated and ongoing commitment and effort to the Company. The issue of options as part of the remuneration package of Directors is an established practice of junior public listed companies and has the benefit of conserving cash whilst properly rewarding the Directors. Based on this, the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001 requires shareholder approval to be obtained for the issue of any options to Directors.

**ASX Listing Rule 10.11**

For the purposes of Listing Rule 10.13, the following information is provided to shareholders:

a) **The name of the persons to whom the securities will be issued:**

- i) Mr A Paton
- ii) Mr G Reveleigh
- iii) Mr I Sloan
- iv) Mr P Bruce
- v) Mr B Thomas

b) **The number of securities to be granted**

1,000,000 Options are to be granted as follows:

<b>Name of Director</b>	<b>Number of Options</b>
Mr A Paton	200,000
Mr G Reveleigh	200,000
Mr I Sloan	200,000
Mr P Bruce	200,000
Mr B Thomas	200,000

c) **The date by which the Company will grant the securities** – Within 1 month of the General Meeting.

d) **The issue price of the securities and terms of the issue** – There is no issue price for these Options as the Options will be granted for no consideration. The terms and conditions of the Options are set out on page 3 and 4 of this Explanatory Statement.

e) **A voting Exclusion Statement** – See Notice of Meeting.

f) **The intended use of the funds raised** – There will be no funds raised.

By reason of ASX Listing Rule 7.2 (Exception 14), if the approval of the Shareholders for the issue of these options is obtained pursuant to Listing Rule 10.11, separate approval is not required pursuant to Listing Rule 7.1. This means that the issue of these options will not erode the Company's ability to issue equity securities up to the 15% limit prescribed by the ASX Listing Rule 7.1 without further shareholder approval.

**Chapter 2E of the Corporations Act 2001 (“the Act”)**

Chapter 2E of the Act prohibits, subject to certain exceptions (none of which are relevant here), a Company from giving a financial benefit to a related party of the Company without prior Shareholder approval.

A “related party” for the purposes of the Corporations Act is widely defined. It includes a director of a public company and specified members of the director's family. It also includes an entity over which a director maintains control.

A “financial benefit” for the purposes of the Corporations Act is also defined widely. It includes a public company paying money to another entity. It also includes the public company granting an option over its securities. In determining whether

or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and the effect of the transaction (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is full or adequate.

For the purposes of Chapter 2E of the Act, Messrs Paton, Reveleigh, Sloan, Bruce and Thomas are considered to be “related parties”, whilst the issue of Options to them constitutes “financial benefits” which require prior shareholder approval.

In accordance with Section 219 of the Act, the following information is provided to shareholders to allow them to assess whether or not it is in the Company interests to pass this resolution.

- a) Messrs Paton, Reveleigh, Sloan, Bruce and Thomas are related parties by virtue of them being directors of the Company. Subject to shareholder approval, the following maximum number of Options will be granted to Messrs Paton, Reveleigh, Sloan, Bruce and Thomas:

<b>Name of Related Party</b>	<b>Number of Options</b>
Mr A Paton	200,000
Mr G Reveleigh	200,000
Mr I Sloan	200,000
Mr P Bruce	200,000
Mr B Thomas	200,000
<b>Total</b>	<b>1,000,000</b>

- b) The nature of the financial benefit is the issue of the options for nil consideration as noted above and on the terms set out at the end of this Explanatory Memorandum.
- c) Messrs Paton, Reveleigh, Sloan, Bruce and Thomas express no opinion and make no recommendations to the shareholders in respect Resolutions 6, 7, 8, and 9 because they have a material interest in the outcome of the respective Resolutions.
- d) Messrs Paton, Reveleigh, Sloan, Bruce and Thomas have an interest in the outcome of these resolutions and details of the potential benefits are listed below.

**Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**

*Current Share Capital*

If the options are issued pursuant to the proposed resolution, the Company considers that Messrs Paton, Reveleigh, Sloan, Bruce and Thomas will have a vested interest in the affairs of the Company. As options are a performance based incentive, they will have that incentive to ensure that the market price of the shares of the Company increases to create a value in the options and this will benefit all shareholders. Should the options be exercised \$150,000 of working capital will be raised at no significant cost.

The potential cost to the Company of the issue of 1,000,000 options is that there will be dilution of the issued share capital if the options are exercised. Based on issued capital of 95,603,375 the dilution effect would be 1.04%, however if all of the listed options currently on issue were exercised the dilution effect would be significantly smaller.

If the options were exercised at a time when the market price of the Company's shares is greater than the exercise price of the options, there would be a detriment in so far as the Company will be required to issue shares at a price lower than it may might otherwise have been able to, with the results that less funds will be raised.

*Valuation of Options*

At the time of preparing this notice of meeting, the closing price of the Company's shares on the ASX was 11.0 cents. Using the Black and Scholes option valuation model (assumptions – 6.5% interest rate, 27% volatility, discounted by 30% as the options are non transferable) each one of the options exercisable at 15 cents would be worth approximately 1 cent. This would be values to each as follows;

- a) Mr A Paton – \$1,600
- b) Mr G Reveleigh – \$1,600
- c) Mr I Sloan – \$1,600
- d) Mr P Bruce – \$1,600
- e) Mr B Thomas – \$1,600

### *Directors' Remuneration*

Currently each Director receives the following from the Company;

- a) Mr Paton as a non executive Chairman receives \$25,000 per annum in Director Fees.
- b) Mr Reveleigh as a part time executive director receives a cash benefit of \$70,000 per annum plus statutory superannuation;
- c) Mr Sloan as a non executive director receives \$15,000 per annum plus statutory superannuation in Director Fees;
- d) Mr Bruce as a full time executive director (with no other income) receives a cash benefit of \$200,000 per annum inclusive of statutory superannuation; and
- e) Mr Thomas a non executive director receives \$15,000 per annum plus statutory superannuation in Director Fees.

### *Share Price*

The price of the Company's shares quoted on the ASX over the last 12 months have ranged from a low of 7 cents on 15 February 2006 to a high of 23.5 cents on 12 May 2006. The closing price of the Shares on ASX on the trading day immediately preceding the date of lodgement of this Notice with the ASX was 12 cents on 19 September 2006.

### *Other Information*

Neither the Directors nor the Company are aware of any other information that would be reasonably required by the shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 6, 7, 8 and 9.

## **TERMS AND CONDITIONS OF OPTIONS**

Full details of the terms and conditions of the Options to be issued are as follows:

	<b>Options</b>	<b>No. of Options</b>	<b>Vesting Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
<b>Alfred Paton</b>	Tranche	200,000	Date of issue	4 years after date of issue	\$0.15
<b>Graham Reveleigh</b>	Tranche	200,000	Date of issue	4 years after date of issue	\$0.15
<b>Ian Sloan</b>	Tranche	200,000	Date of issue	4 years after date of issue	\$0.15
<b>Philip Bruce</b>	Tranche	200,000	Date of issue	4 years after date of issue	\$0.15
<b>Bruce Thomas</b>	Tranche	200,000	Date of issue	4 years after date of issue	\$0.15

- a) Subject to condition (g) the options are exercisable wholly or in part at any time from day of issue and will expire on the date that is 4 years from the date of issue;
- b) Each option shall entitle the option holder to acquire one (1) share in the capital of the Company;
- c) Each option may be exercised by delivering to the registered office of the Company a notice in writing during the period referred to in condition (a) stating the intention of the option holder to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the options held does not affect the holder's right to exercise the balance of any options remaining;
- d) All shares issued on exercise of the options will rank pari passu in all respects with the Company's then issued shares. These options will be unlisted;
- e) The options are not transferable;
- f) Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of the receipt;
- g) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of securities Offered to Shareholders of the Company during the currency of the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the record date will be at least 10 Business Days after the issue is announced so as to give holders the opportunity to exercise their Options before the date for determining entitlement to participate in any issue;
- h) Share allotted pursuant to the exercise of the Options will be allotted following receipt of all the relevant documents and payment and will rank equally with existing issued shares; and
- i) In the event of a reconstruction (including consolidations, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reconstructed in accordance with the ASX Listing Rules.

## ANNEXURE A

### Material Terms and Conditions of Options

The Options will entitle the holders to subscribe for Shares in the Company on the following terms:

- a) each Option entitles the holder, when exercised, to one (1) Share in the Company;
- b) the Options are exercisable at any time on or prior to 5.00pm (Eastern Standard Time) on 31 May 2007 (Expiry Date) by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;
- c) each option may be exercised by notice in writing to the Company during the period referred to in condition (a), accompanied by payment of 15 cents per share;
- d) an Option does not confer the right to a change in exercise price or a change in the number of underlying shares over which the Option can be exercised;
- e) the options will be listed;
- f) the Options are transferable;
- g) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for the quotation on ASX of the Options and all Shares issued upon exercise of the Options;
- h) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to and such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- i) if at any time the issued capital of the Company is reorganised, the rights of an Option holder are to be changed to the extent necessary to comply with the Listing Rules applying to the reorganisation of capital at the time of the reorganisation.