



ACN 072 692 365

Report for December Quarter

29 January 2016

ASX Code: HEG, HEGOA

CORPORATE

- Corporate and management restructuring have reduced corporate and project costs to an optimal low.

HILL END PROJECT

- The Red Hill total Indicated and Inferred resource estimated to be 1.5 Mt at 1.7 g/t gold (80,000 ounces of contained gold) following completion of revised estimate to JORC 2012 standard.
- The new resource generally includes all drilling results above 700m RL (to approximately 150m depth) but, owing to the wider drill spacing, excludes wide intersections of up to 28.2 metres at 4.7 g/t between depths of 120 and 150 metres over a 750 metre strike length.
- As a result of the positive resource update, an economic feasibility study is being prepared for a Red Hill open pit development as a stand-alone project or to add significant value to a development of the Hargraves Gold Project.

Hill End Gold Limited (HEG) is an ASX-listed gold exploration and resource investment company with projects and investments that have advanced development potential as drivers for share price growth.

Its Hargraves and Red Hill projects near Hill End in central New South Wales, Australia have total resources of 5.2 Mt at 3.4 g/t containing 571,000 ounces and are being permitted for development as low cost mines with C1 costs <A\$1,000 per ounce.

HEG has restructured its corporate and management costs to a low optimal level and continues to seek out opportunities in Australia and in selected countries throughout the world to increase its asset value and share price.

CORPORATE

During the quarter Dr Denis Clarke resigned from the Board and a corporate and management restructuring of the Company was completed in order to reduce overhead and project costs to an optimal long term low level.

While maintaining its core asset holdings, the Company is pursuing a long-term asset value enhancement and low cost acquisition strategy to both increase shareholder value and obtain cash-producing assets.

PROJECTS

Hargraves Project - EL 6996 (HEG 100%)

The wholly-owned Hargraves Project is located approximately 30 kilometres south-west of Mudgee in central New South Wales (Figure 1, Figure 2).

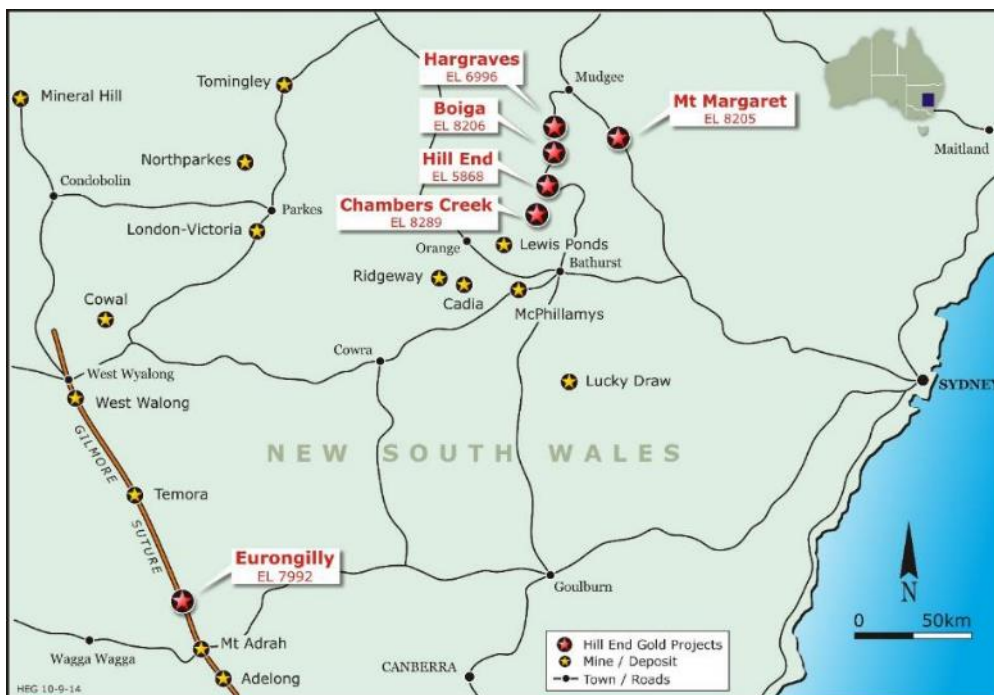


Figure 1. Hill End Gold Project locations

HEG proposes to develop the BNH Deposit to recover 1.2 Mt with an average grade of 2.5 g/t gold. The production estimate includes approximately 20% inferred resource blocks and it is proposed to mine two initial open pits, the Central Pit and the South Pit for a combined production of 300,000 tonnes per year. The South Pit is planned to be approximately 70 metres deep and the Central Pit about 165 metres deep. There is excellent potential for resource extensions beyond the current pit optimisation design.

Hargraves Gold Mine Development Proposal Summary Economics

- Initial production of ~100,000 ounces over four years at <A\$900/oz cash cost
- Production rate 300,000 tonnes per year at 2.5g/t from two initial open pits
- 11:1 waste to ore stripping ratio at a pit design gold price of A\$1,450/oz
- Gold recovery of 95%
- Pre-development cost of A\$2m and project capital of A\$13m
- Net profit of ~A\$40m after full cost recovery / royalty payments at A\$1,600/oz
- Proposed development of Red Hill deposit will add significant net profit

The Hargraves Gold Project can be developed at a relatively low capital cost, as liberation of gold from quartz veins requires only coarse grinding and can be recovered by low cost, simple gravity methods. The proposed gold recovery method is similar to that which was used at Hawkins Hill – Reward during trial mining. Metallurgical test work on samples from Red Hill also indicated similar rates of recovery using gravity processing.

The technical and economic feasibility of building and operating an expanded processing plant at Hargraves to also treat material from Red Hill and Hawkins Hill has been investigated during the quarter.

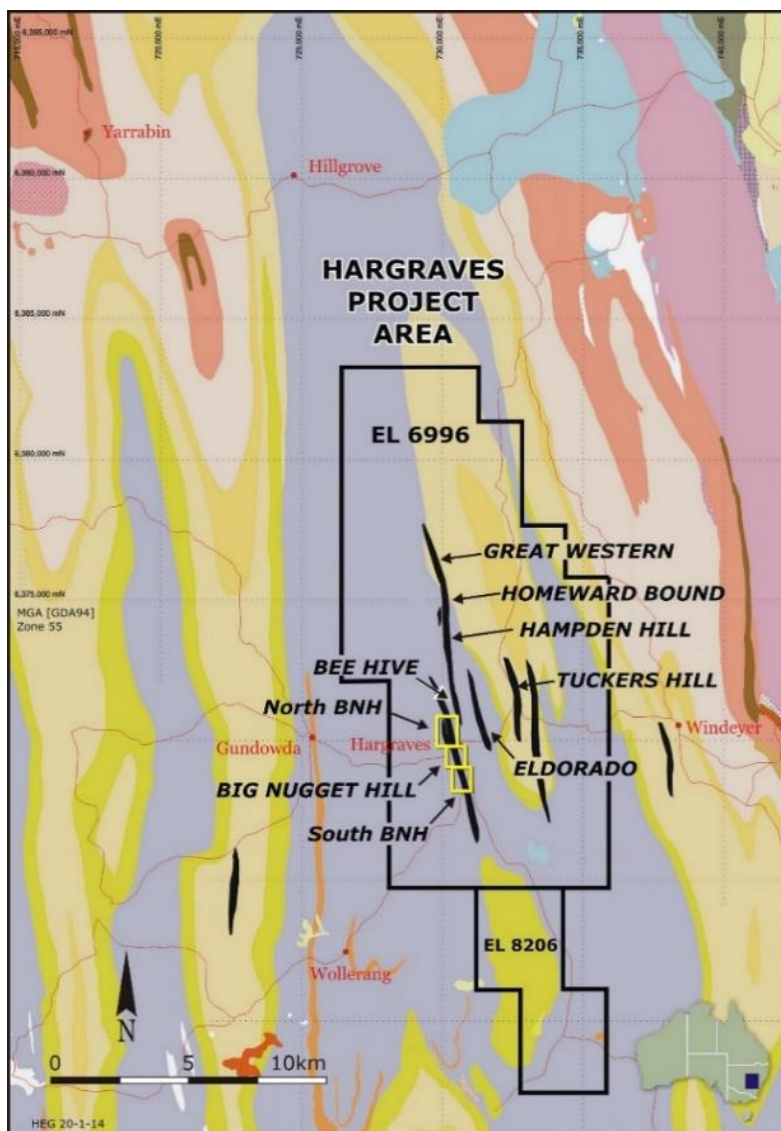


Figure 2. Hargraves tenement location plan

Hill End Project - EL 5868 (and Mining Leases) (HEG minimum 85%) & EL 8289 (HEG 100%)

The Hill End Project is located approximately 50 kilometres north of Bathurst in central New South Wales (Figure 1).

Red Hill

Red Hill is located five kilometres north of Hill End and 25 kilometres south of Hargraves on EL 6558. Gold mineralisation is hosted in a large number of bedding-parallel veins which dip moderately to the east-north-east. Where these veins are intersected by steeply east-south-east dipping faults, higher gold

grades commonly occur. The intersection between the two structures results in the mineralisation striking north-north-east and, dipping steeply to the east with shallowly north-plunging high grade shoots.

A new resource estimate that is consistent with JORC 2012 for the Red Hill deposit was released on 30 November 2015 which incorporates all the drilling above 700m RL (approximately 150m below surface) as shown in Figure 3. The resource is summarised in the table below.

Category (0.5 g/t Cut Off)	Oxidation	Tonnes	Gold Grade (g/t)	Contained Gold (oz)
Indicated:	<i>Oxide</i>	228,000	1.3	9,300
	<i>Transition</i>	77,000	1.3	3,300
	<i>Fresh</i>	107,000	1.8	6,000
Total Indicated		413,000	1.4	18,600
Inferred:	<i>Oxide</i>	180,000	1.6	9,200
	<i>Transition</i>	212,000	1.7	11,400
	<i>Fresh</i>	671,000	1.9	40,700
Total Inferred		1,063,000	1.8	61,400
Total Indicated & Inferred		1,475,000	1.7	80,000

Resources estimated by Ordinary Kriging.

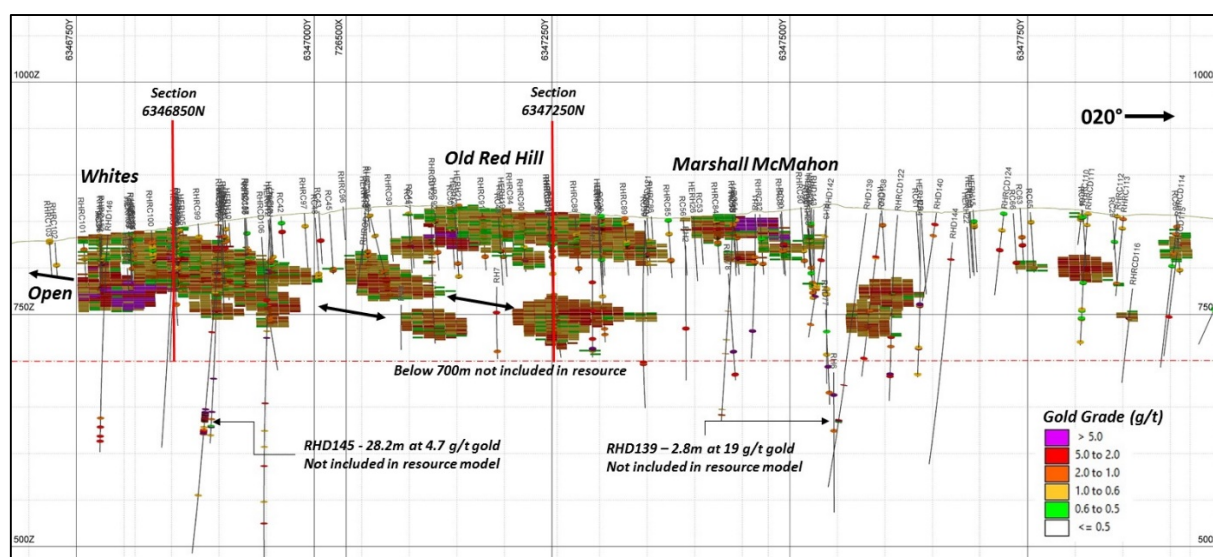


Figure 3. Longitudinal section (looking West) of drilling through Red Hill showing the resource block model block grades greater than 0.5 g/t gold. Previously reported intersections shown below 700m RL are not in the resource model but do provide encouragement for higher grade extensions at depth with additional drilling.

Preliminary studies suggest that Red Hill Gold Project development may be viable as a stand-alone project or could add significant value to the any future development of the Hargraves Gold Project. Project design includes an open pit, gravity processing plant and infrastructure located at Red Hill, or for the Red Hill ore to be trucked to a planned processing plant near Hargraves approximately 30km to the north.

Either development scenario for Red Hill includes approximately 30% Indicated Resource and may add approximately \$20m net profit to the Company's estimated \$40m net profit for the Hargraves Gold Project after total cost recovery and royalty payments at A\$1,600/oz.

Previous metallurgical test work on oxide, transition and primary material from Red Hill has confirmed that a high recovery of gold is achievable with simple gravity processing at a coarse grind and without the use of cyanide.

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

More detailed studies are to be conducted for both projects before any development decision.

Current Tenement Schedule

An application to renew EL 6996 over 24 units for a further 3 years was made during the quarter. There were no other changes in tenements held to the end of the quarter. On 21 January 2016, Hill End Gold Limited notified the NSW Department of Industry, Resources and Energy of the relinquishment in full EL 7992, EL 8205 and EL 8206. Relinquishment is expected to be finalised following submission of statutory final reports. Table 1 contains details of tenements held by HEG to the end of the quarter.

Table 1. Details of All Tenements Held by Hill End Gold Limited as at the end of the Quarter

Lease	Project	Lease Status	Application Date	Grant Date	Expiry Date	Current Area
EL 5868	HILL END	Granted	12/11/1999	18/06/2001	17/06/2017	16 Units
EL 6996	HARGRAVES	Renewal Pending	23/08/2007	21/12/2007	21/12/2018	24 Units
EL 8289	CHAMBERS CREEK	Granted	24/3/2013	20/8/2014	20/8/2017	3 Units
EL 7992 *	KURRAJONG	Pending Renewal	18/6/2012	23/10/2012	23/10/2017	11 Units
EL 8205 *	MT MARGARET	Granted	18/7/2013	26/11/2013	26/11/2016	9 Units
EL 8206 *	BOIGA	Granted	19/7/2013	26/11/2013	26/11/2016	8 Units
GL 5846	HILL END	Granted		15/02/1968	7/12/2019	2.044 Ha
ML 1116	HILL END	Granted		28/03/1984	16/10/2024	15.71 Ha
ML 1541	HILL END	Granted	26/11/1999	17/10/2003	16/10/2024	279.2 Ha
ML 315	HILL END	Granted		8/12/1976	7/12/2019	6.671 Ha
ML 316	HILL END	Granted		8/12/1976	7/12/2019	8.846 Ha
ML 317	HILL END	Granted		8/12/1976	7/12/2019	7 Ha
ML 49	HILL END	Granted		30/07/1975	7/12/2019	1.618 Ha
ML 50	HILL END	Granted		30/07/1975	7/12/2019	3.02 Ha
ML 913	HILL END	Granted		20/01/1981	19/01/2023	22 Ha
ML 914	HILL END	Granted		20/01/1981	19/01/2023	21.69 Ha
ML 915	HILL END	Granted		4/02/1981	3/02/2023	13.27 Ha

EL – Exploration Licence

ML / GL – Mining Lease

* On 21 January 2016, Hill End Gold Limited notified the NSW Department of Industry, Resources and Energy of the relinquishment in full EL 7992, EL 8205 and EL 8206.

Philip Bruce
Managing Director

Competent Persons' Statement

The information in this report that relates to Reward and Red Hill Mineral Resources is based on information reviewed by Mr Philip Bruce, for Hargraves Mineral Resources and for Exploration results is based on information reviewed by Dr Stuart Munroe and Philip Bruce. Dr Munroe is a Member of the Australasian Institute of Mining and Metallurgy and Mr Bruce is a Fellow of the Australasian Institute of Mining and Metallurgy and both are full-time employees of HEG. Dr Munroe and Mr Bruce have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Dr Munroe and Mr Bruce consent to the inclusion of the matters based on their information in the form and context in which it appears.

The Mineral Resource information referred to in this document was prepared and first disclosed under the JORC Code 2004.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(27)	(314)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	316
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	316
	Net increase (decrease) in cash held	(27)	2
1.20	Cash at beginning of quarter/year to date	85	56
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	58	58

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	60
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	Directors Fees	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- N/A
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	50
4.2	Development	-
4.3	Production	-
4.4	Administration	50
Total		100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	58	56
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	58	56

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed	-	-
6.2		Interests in mining tenements acquired or increased	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	1,220,704,835 OFP	1,220,704,835 OFP		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	37,500,000	Director	Exercise price 5 cents	Expiry date 29 Nov 2017
7.8 Issued during quarter	2,500,000	Director	Exercise price 5 cents	Expiry date 29 Nov 2017
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: ..January 2016...
(Director/Company secretary)

Print name: Kevin Lynn.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.