



ACN 072 692 365

Report for June Quarter

29 July 2016

ASX Code: HEG, HEGOA

### CORPORATE

- Several investment opportunities are under review.
- The increase in the gold price over the past six months has spurred a revival in the equity funding of gold companies and HEG is among the better positioned companies with advanced gold projects.
- HEG continues to maintain low project and corporate costs.

### PROJECTS

- The three main HEG gold projects of Hargraves, Red Hill and Reward are at various stages of pre-development and permitting.
- The Hargraves project (100% owned) has a Pre-Feasibility Study completed in 2014 for a 100,000oz open pit and low impact processing project.
- The Red Hill project (minimum 85%) is in preparation for a PFS on an open pit project with an onsite processing plant or as a source of ore for an offsite plant.
- The Reward Gold Mine (minimum 85%) requires drilling of the near-surface Frenchmans wide zone and modification of the mining permits.

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.

The HEG growth strategy is to leverage up its extensive experience in exploration, development and the operation of resource projects and in acquiring and enhancing project and corporate opportunities. HEG intends to acquire direct and indirect interests in projects Australia and in selected countries throughout the world to increase its asset and shareholder value.

The HEG advanced projects of Hargraves and Hill End are in the historically gold-rich region of central New South Wales, Australia with existing gold resources totalling 571,000 ounces. Exploration and pre-development activities continue for the open pit development of Hargraves and Red Hill and the underground extensions of the Hill End project.

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## CORPORATE

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Several investment opportunities are under review.

Cost reductions have been made at project and corporate levels to optimise the allocation of working capital funds.

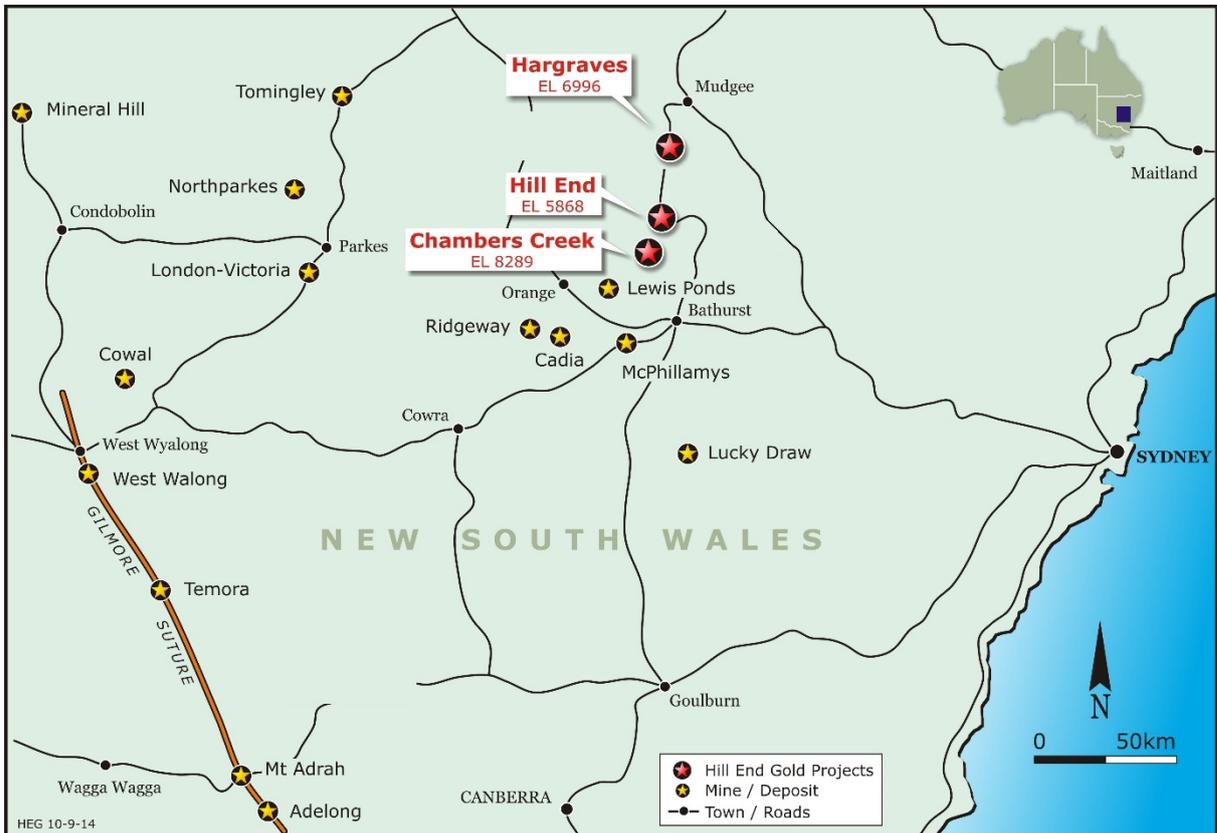


Figure 1. Hill End Gold Project locations

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## PROJECTS

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### Hargraves Project - EL 6996 (HEG 100%)

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

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 70m deep and the Central Pit about 165m deep. There is excellent potential for resource extensions beyond the current pit optimisation design.

During the quarter the monitoring of environmental parameters at Hargraves continued in preparation for a Mining Lease application for the development of the project.

## Hargraves Gold Mine Development Proposal Summary Economics (PFS 2014)

- 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
- Potential for Hargraves development extensions at same production rate
- Potential development of Red Hill deposit may add significant net profit

The Project can be developed at a relatively low capital cost, as metallurgical test work has confirmed that the liberation of gold from quartz veins requires only coarse grinding with processing 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.

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

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

A proposal to test and develop the upper levels of the Hill End Deposit involves initial drill testing the Frenchmans – Stevens wide-zone to extend the existing resource and develop a nominal target of 250,000 – 400,000 tonnes at 5 - 8 g/t gold.

The project development would include a short decline and three initial levels at 24m spacing. Existing drill intersections indicate the wide zone is 3 - 8 metres wide and carries the target grade where it has been intersected in earlier development and in underground drilling.

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### Current Tenement Schedule

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The DOI R&E have advised the renewal of EL 6996 over 16 units for a further two years. However a correction to the expenditure requirements for only two years, instead of for three years as per the prior application, are underway.

Table 1 contains details of tenements held by HEG at the end of the quarter.

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 resources at Hill End and 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.

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	21/12/2017	24 Units
EL 8289	CHAMBERS CREEK	Granted	24/3/2013	20/8/2014	20/8/2017	3 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

Philip Bruce  
 Managing Director / Executive Chairman

*Competent Persons' Statement*

The information in this report that relates to Reward Mineral Resources is based on information reviewed by Mr Philip Bruce, for Red Hill and 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 Mr Bruce is a full-time employee 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

Introduced - 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**HILL END GOLD LIMITED**

ABN

**74 072 692 365**

Quarter ended ("current quarter")

**June 2016**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12..months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(2)	(226)
(b) development and mine suspension		(50)
(c) production		
(d) administration	(81)	(991)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	6
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes paid		
1.7 Other (provide details if material)		9
	(82)	(1,255)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:(a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects (DMR Bonds refund)	41	41
(b) equity investments		
(c) other fixed assets		61
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (Sale of Shares/ Investments)		657
	41	759
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(41)	(496)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(41)	(496)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		466
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)		
	<b>Net financing cash flows</b>	-	466
	<b>Net increase (decrease) in cash held</b>	(41)	(30)
1.20	Cash at beginning of quarter/year to date	67	56
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>26</b>	<b>26</b>

**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	-
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	25
4.2	Development	-
4.3	Production	-
4.4	Administration	50
<b>Total</b>		<b>100</b>

### 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	26	67
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>26</b>	<b>67</b>

### 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 <b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	1,298,369,360 OFP	1,298,369,360 OFP		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	37,500,000	Director	Exercise price 5 cents	Expiry date 29 Nov 2017
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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: July 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.