



ACN 072 692 365

Clarification of some matters in June Quarter Report 20 September 2016

ASX Code: HEG

ASX request received to clarify some matters:

- Provide details of gold resources totalling 571,000 ounces and cross-reference relevant previous announcement as per listing rule 5.23.1 and include the statement required by listing rule 5.23.2.
- Cross-reference the relevant previous announcement relating to the 2014 Hargraves Gold Project Pre-Feasibility Study and include the statements required by listing rules 5.23.2 and 5.19.2, and include the JORC Table 1, Section 4.
- Include the following information with respect to the Exploration Target of 250,000-400,000 tonnes at 5-8 g/t gold for the Reward Gold Project:
 - Cross-referencing the relevant previous announcement.
 - A statement required by listing rule 5.23.2.
 - The cautionary statement required by paragraph 17 of the JORC code.
- Complete the statement regarding the resources with respect to the 2004 JORC Code.

HEG 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 (see Resources Summary). 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.

Hill End Site Office
4 Bowen Street
Hill End NSW 2850
Phone +612 6337 8343
Fax +612 6337 8345

Sydney and Registered Office
Suite 111, 350 George Street
Sydney NSW 2000
Phone +612 8283 1915

Website: www.hillendgold.com.au
Email: admin@hillendgold.com.au

PROJECTS

Hargraves Project - EL 6996 (HEG 100%)

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.

The relevant authorities have accepted the Conceptual Project Development Plan (30.6.15) and monitoring of environmental parameters at Hargraves continues in preparation for a Mining Lease application for the development of the project.

Hargraves Gold Mine Development Proposal Summary Economics (PFS 2014)^{1,2,3}

- 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.

¹ First announced 30.4.2013 and PFS report completed June 2014. We are not aware of any new information or data that materially affects the information included in the relevant market announcement and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

² The pit optimisation study for the Hargraves Gold Project used a Mineral Resource made up of a combination of indicated and inferred resource blocks. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

³ The 'material assumptions' for the Pre-Feasibility Study are outlined in the attached JORC Table 1, Section 4 – Estimation and Reporting of Ore Reserves. Note that, while the PFS was quite detailed, the Mineral Resources and material assumptions were of insufficient confidence to convert the Mineral Resources to Ore Reserves and the outcome is deemed to be a Production Target until an upgraded Feasibility Study is completed.

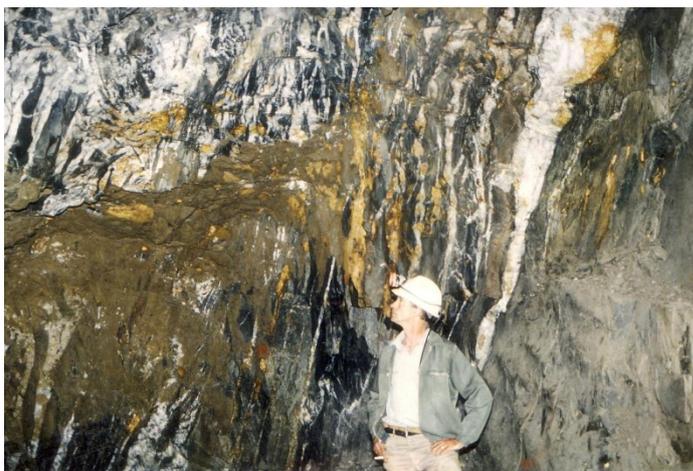


Figure 1. Wide Frenchmans vein set accessed in mid-1980s and 2010

The Reward Gold Project is located approximately 50 km north of Bathurst in central New South Wales.

Geology

Mapping and interpretation of the surface and underground drilling and the underground development in the Hawkins Hill - Reward deposit has correlated a conjugate set of north trending steep west dipping faults parallel to regional cleavage with high grade gold mineralisation occurring where the faults intersect quartz veins (laminated and stockworks), particularly if the veins are adjacent to fine grained or graphitic material.

These conjugate faults are identical to the 'Indicator' faults described in historical literature associated with the very high grade zones in the Hawkins Hill – Reward deposit mined during the nineteenth and twentieth centuries, which can occur as wide stockworks (Figure 1). The Mine Sequence of graphitic slates, greywacke and quartz veining is host stratigraphy for the gold mineralisation and is approximately 80m thick in the east limb of an internal anticline adjacent to the axis of the Hill End Anticline. Strong gold mineralisation has been observed in the Mine Sequence in the Reward Ore Zone and the Hawkins Hill Ore Zone – the conjugate fault set, over a dip length of over 200m and a strike length of over 1,000m.

Background

Prior to 1919, the upper Mine Sequence vein sets in the Reward area were partially mined to ~100m below surface in widths reported to be up to 24m and grades of up to 32 ounces per tonne. When mining ceased in 1919 following a labour dispute, much was left unmined in the Reward area.

Old records have noted that of the upper vein sets, including the Stevens, Calcite, Frenchmans and Rowleys vein sets, only Rowleys has been extensively mined above 785 level (324 foot level) to the north of the HEG Reward shaft, and the Frenchmans vein set is partially mined to the south towards the old Patriarch shaft.

In sampling and mapping of the Frenchmans vein set on the 785 level during the 1980s and the Reward Trial Mining exercise between 2008 and 2010, there were significant wide mineralised zones intersected in diamond drilling and crosscut development in the upper zones of the Mine Sequence, adjacent to the contact with the competent hanging wall sandstone unit.

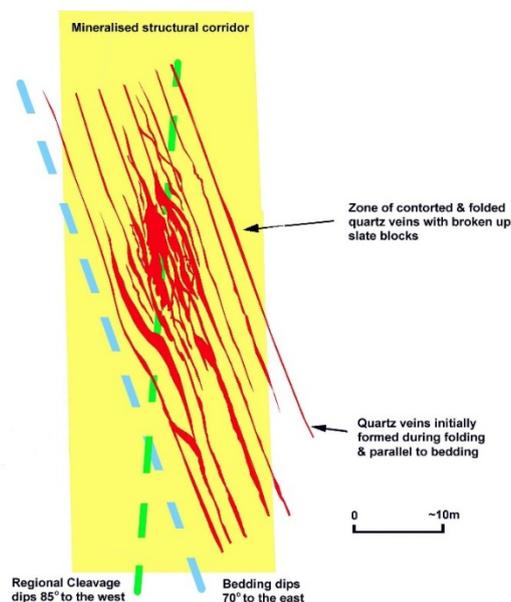


Figure 2. **Frenchmans Zone**
Generalised Section Looking North
Modified from Northern Gold NL mapping 1985.

Mapping, sampling and review of the historical mining reports indicates that there also remains significant potential for wide, stope production among the old workings above the level to the north up to the Emmetts crosscourse, and below the level to the north and to the south towards the Patriarch shaft. The mineralisation immediately below the old workings was avoided in the 2008 resource drilling program and, since Hawkins Hill – Reward activities were curtailed in mid-2010, the upgrading of resources and delineation of the Frenchmans – Stevens wide zone has not yet been done.

Completed in 2009 and 2010, diamond drilling intersections and development in the Frenchmans vein set around the 780 level and Stevens vein set around the 730 level (mostly located around the 1500N position), support the target range of width and grade. It is noted that the adjacent Frenchmans, Calcite and Stevens vein sets can merge together as an echelon stacked quartz veins and stockworks to significantly increase the overall width (Figure 2).

Diamond drilled intersections of Frenchmans from underground (true widths) include (31.10.2013):

- HHUG083 – 7.1m at 11.1 g/t gold
- COV020 – 7.8m at 5.5 g/t gold
- HHUG082 – 5.5m at 7.6 g/t gold

Sheeted quartz veins carrying visible gold were also intersected about 50m below in the Stevens vein set in the Reward 730 level cross cut with an average grade of 5.2g/t over an 8.5 metre wide zone.

Nominal Development Study

Funding negotiations are underway for a proposal to test and develop the upper levels of the Hawkins Hill – Reward deposit, which involves initial drill testing the Frenchmans – Stevens wide-zone to upgrade part of the existing Hawkins Hill – Reward resource (total Inferred Resources of 642,200 tonnes at 8.8g/t) and develop a nominal target of 250,000 - 400,000 tonnes at 5 - 8 g/t gold¹. Exploration activities are expected to take three months upon funding. An internal report indicates that the Reward Gold Mine may be an economic underground project with an offsite plant, a short decline and three initial levels at 24m spacing.

¹ The target estimate is based on drill and development intersections with sample spacing ranging from ~1m up to ~100m spacing supporting the grade range and indicating the zone as 3 - 8 metres wide over a strike length of 400 - 500m and a dip length of over 50m (The potential quantity and grade of this Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource, so it is uncertain if further exploration will result in the estimation of a Mineral Resource).

RESOURCES SUMMARY

HEG Resource	Resource Category	Tonnes	Grade g/t gold	Contained gold oz
Hargraves				
Big Nugget Hill	Indicated	1,262,000	3.5	143,000
	Inferred	1,594,000	2.0	102,000
	Sub-total	2,856,000	2.7	245,000
Hill End				
Hawkins Hill – Reward	Measured	77,400	11.3	28,100
	Indicated	180,400	6.5	37,700
	Inferred	273,200	5.1	45,200
	Inferred ²	369,000	11.4	135,800
	Sub-total	900,000	8.6	246,800
Red Hill	Indicated	413,000	1.4	18,600
	Inferred	1,063,000	1.8	61,400
	Sub-total	1,475,000	1.7	80,000
All Projects	Total	5,231,000	3.4	571,800

² Resource extrapolated from old workings

Cut off grades:

- Big Nugget Hill : 0.5 g/t gold per block and inverse distance squared grade interpolation.
- Reward : 2 g/t gold over minimum horizontal width of 1.1 metre and an inverse distance squared grade interpolation.
- Red Hill : 0.5 g/t gold per block and Ordinary Kriging grade interpolation with included blocks to only ~160m below surface.

Relevant market announcements:

Big Nugget Hill : 10.10.2011, 30.4.2013; Hawkins Hill – Reward : 17.9.2009, 27&30.10.2009, 13.10.2010; Red Hill : 30.11.2015.

Numbers include insignificant rounding errors.

Tenements

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 HEG to do so, contributes at the 15% level.

Philip Bruce
Managing Director / Executive Chairman

Competent Persons' Statement

The information in this report that relates to Hawkins Hill - Reward Mineral Resources and Exploration Target is based on information reviewed by Philip Bruce, for Red Hill and for Hargraves Mineral Resources and Mineral Resources underpinning the Hargraves Gold Mine Production Target and for Exploration results is based on information reviewed by 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.

Mineral Resource information referred to for Hawkins Hill – Reward and for Big Nugget Hill was prepared and first disclosed under the JORC Code 2004. Except for the Big Nugget Hill North estimate (30.4.2013) these estimates have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Similarly, for the other Mineral Resource estimates, there is no new information that materially affects the estimates and information provided in earlier referenced announcements and all material assumptions and technical parameters underpinning the mineral resources estimates in the relevant market announcements continue to apply and have not materially changed.

JORC TABLE 1

Section 4 Estimation and Reporting of Ore Reserves

(Note that the Production Estimate for the Hargraves Gold Project is not deemed to be an Ore Reserve, however ASX have required the reporting of the assumptions used in the PFS under the following format)

Criteria	Explanation	
<i>Mineral Resource estimate for conversion to Ore Reserves</i>	<ul style="list-style-type: none"> • <i>Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.</i> • <i>Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.</i> 	<p>The Mineral Resource estimate for the BNH Central and Southern areas was prepared by Dr Stuart Munroe (prior employee of HEG) and Mr Oliver Willett of GEOS Mining Consultants as an ID² grade interpolated model and was reported to the ASX on 10 October 2011.</p> <p>The Mineral Resource is reported inclusive of the Production Estimate.</p>
<i>Site visits</i>	<ul style="list-style-type: none"> • <i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i> • <i>If no site visits have been undertaken indicate why this is the case.</i> 	Dr Munroe and Mr Willett visited the site.
<i>Study status</i>	<ul style="list-style-type: none"> • <i>The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.</i> • <i>The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.</i> 	<p>The Mineral Resources have not been converted to Ore Reserves.</p> <p>A PFS level study has been completed to consider the Modifying Factors.</p>
<i>Cut-off parameters</i>	<ul style="list-style-type: none"> • <i>The basis of the cut-off grade(s) or quality parameters applied.</i> 	The cut-off grade of 0.5g/t has been calculated using a gold price of A\$1,600/oz and a metallurgical recovery of 95%.
<i>Mining factors or assumptions</i>	<ul style="list-style-type: none"> • <i>The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).</i> • <i>The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.</i> • <i>The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.</i> • <i>The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).</i> • <i>The mining dilution factors used.</i> • <i>The mining recovery factors used.</i> • <i>Any minimum mining widths used.</i> • <i>The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.</i> • <i>The infrastructure requirements of the selected mining methods.</i> 	<p>Pit optimisations have been carried out by Australian Mine Design & Development (AMDAD) to identify the mineralisation drivers for pit shape and depth and the likely economic pit dimensions. The preferred pit shell used a gold price of A\$1,450/oz.</p> <p>The project is to have grade control drilling to a nominal depth of 10m and 8 x 10 spacing. Drill and blast is assumed from surface, though waste ripping is likely to the depth of weathering at about 30m. Ore is to be mined on 2.5m benches and waste on 5m benches.</p> <p>The average pit wall angle of <50° allowed for double lane ramps to within 40m of the projected pit floor at a 1:8 gradient and small scale dry hired equipment, such as Bell B50D articulated trucks and Hitachi EX1200 excavators.</p> <p>The resource model was reblocked for the optimisation and production estimate from 1x12.5x1m sized blocks to 2x5x2.5m blocks, which added over 30% dilution.</p> <p>Ore loss was assumed to be 12%.</p> <p>Inferred Mineral Resources were used, however the preferred pit shell excluded the deeper high grade zone in the Southern Pit. Inferred Resource blocks represent 20% of the resource blocks included in the Production Estimate.</p> <p>The mining equipment is proposed to be dry-hired with a maintenance contract requiring laydown, hardstand and workshop areas.</p>

Criteria	Explanation	
<p><i>Metallurgical factors or assumptions</i></p>	<ul style="list-style-type: none"> • <i>The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.</i> • <i>Whether the metallurgical process is well-tested technology or novel in nature.</i> • <i>The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.</i> • <i>Any assumptions or allowances made for deleterious elements.</i> • <i>The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.</i> • <i>For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?</i> 	<p>The project proposes to use a gravity gold recovery processing plant. The project gold mineralisation is similar to the Reward Gold Mine, which the Company operated 2008-10 and achieved over 90% gold recovery with gravity processing to a smeltable concentrate.</p> <p>The proposed processing route is well-tested and the Company has strong experience in designing, building and operating the proposed process.</p> <p>Metallurgical test work has been conducted in stages to optimise the process design. Initial work confirmed high gravity recovery and rapid, near 100% cyanide dissolution of gold and subsequent work on representative drill core confirmed that at the anticipated head grade, grinding to a relatively coarse grind size (P₈₀0.5 mm) followed by simple gravity treatment to a 2% mass yield indicated excellent gold recovery of approximately 95% with the grade of gravity tailings less than 0.15 g/t gold. The more conservative proposed process design at a grind of P₈₀0.3mm is expected to recover 95% of gold in two products: a direct smelting concentrate that will contain 85% of the gold and a high grade gravity concentrate that contains 10% of the gold to be treated in a high intensity cyanide circuit.</p> <p>There are no deleterious elements in the 'ore', however there are minor amounts of non-gold-containing arsenopyrite, which will be mostly extracted with the high grade concentrate and be removed from that concentrate as required.</p> <p>Pilot scale test work was not conducted given the consistency of the style of mineralisation across the deposit and the experience gained with similar mineralisation while operating the Reward Gold Mine processing plant.</p>
<p><i>Environmental</i></p>	<ul style="list-style-type: none"> • <i>The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.</i> 	<p>The Conceptual Project Development Plan has been accepted by the relevant authorities and the Company is proceeding with background data acquisition. Proposed locations of waste rock and residue storage have been put forward in the CPDP and detailed studies are required to confirm the environmental impact.</p>
<p><i>Infrastructure</i></p>	<ul style="list-style-type: none"> • <i>The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.</i> 	<p>A small village is located within a few hundred metres of the deposit with a general store. There are many small farms in the region and the towns of Mudgee and Hill End are approximately 35km distant, from where personnel will be sourced. Power may be provided by an upgraded grid supply, however self-generation is proposed at this stage. Water is quite plentiful and the Company has existing extraction licences in the aquifer which are expected to be sufficient for the project, however the pit dewatering exercise will require further approvals.</p>
<p><i>Costs</i></p>	<ul style="list-style-type: none"> • <i>The derivation of, or assumptions made, regarding projected capital costs in the study.</i> • <i>The methodology used to estimate operating costs.</i> • <i>Allowances made for the content of deleterious elements.</i> 	<p>The capital cost estimate is based on the use of lower cost reliable equipment for the processing plant and offices, some of which is already owned by HEG. Mining equipment is proposed to be acquired on a dry hire basis with maintenance contract.</p>

Criteria	Explanation	
	<ul style="list-style-type: none"> • <i>The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products.</i> • <i>The source of exchange rates used in the study.</i> • <i>Derivation of transportation charges.</i> • <i>The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.</i> • <i>The allowances made for royalties payable, both Government and private.</i> 	<p>The operating costs for mining excavation are based on five year lease, 15% margin equivalent dry hire hourly rates for equipment and other estimates derived from AMDAD in house estimates. Processing costs are based on estimates by Timora, including power generation.</p> <p>There are no allowances for deleterious elements.</p> <p>Gold price of A\$1,450/oz was used for optimising pit design and A\$1,600/oz for economic analysis, which are based on conservative long term gold prices and exchange rate according to available forecasts (eg. PCF Capital).</p> <p>NSW royalty was applied and other economic inputs are based on internal experience of other similar projects.</p>
Revenue factors	<ul style="list-style-type: none"> • <i>The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.</i> • <i>The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.</i> 	See above
Market assessment	<ul style="list-style-type: none"> • <i>The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.</i> • <i>A customer and competitor analysis along with the identification of likely market windows for the product.</i> • <i>Price and volume forecasts and the basis for these forecasts.</i> • <i>For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.</i> 	<p>Gold is a deeply traded commodity with affinity to financial markets rather than influenced by conventional supply/demand factors. It is a commodity that is well covered by analysts' market assessment and pricing forecasts.</p> <p>Pricing as above.</p>
Economic	<ul style="list-style-type: none"> • <i>The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.</i> • <i>NPV ranges and sensitivity to variations in the significant assumptions and inputs.</i> 	<p>The cost and revenue inputs are as above. The cost inputs have less influence on the outcome than the revenue inputs, such as gold price, head grade and recovery. These are covered above. The NPV calculation used a reasonable cost of capital/risk rate of 10%.</p> <p>NPV ranges and sensitivity to variations in these inputs were canvassed and deemed to be less useful for the purpose of the PFS: to justify further detailed studies leading to application for a mining lease.</p>
Social	<ul style="list-style-type: none"> • <i>The status of agreements with key stakeholders and matters leading to social licence to operate.</i> 	Frequent and timely community consultations have been held along the path of the exploration and pre-development studies. Baseline environmental data is being regularly collected in preparation for further detailed studies, mining lease application and social licence to operate.
Other	<ul style="list-style-type: none"> • <i>To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:</i> • <i>Any identified material naturally occurring risks.</i> • <i>The status of material legal agreements and marketing arrangements.</i> • <i>The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and</i> 	<p>Production Estimate is not an Ore Reserve.</p> <p>No material naturally-occurring risks have been identified for the project.</p> <p>The project is located on a valid NSW Exploration Licence (EL 6996) and will require the issue of a Mining Lease and Mid-Western Regional Council Development Approval to proceed.</p> <p>There are reasonable grounds to expect necessary approvals within 18 months of funding being available. Further studies, approvals by relevant authorities and</p>

Criteria	Explanation	
	<p><i>discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.</i></p>	<p>stakeholder agreements are to be completed and the outcome may vary the timing, project scope and/or profitability.</p>
<p><i>Classification</i></p>	<ul style="list-style-type: none"> • <i>The basis for the classification of the Ore Reserves into varying confidence categories.</i> • <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i> • <i>The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).</i> 	<p>Production Estimate not an Ore Reserve.</p> <p>Dr Stuart Munroe has reviewed the work undertaken for the estimation of Mineral Resources and the pit optimisation studies and considers that the inclusion of Inferred Resource blocks into the Production Estimate is appropriate at this stage of the project development.</p> <p>Inferred resource blocks included are 20% of the total total blocks within the open pit outlines.</p>
<p><i>Audits or reviews</i></p>	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of Ore Reserve estimates.</i> 	<p>Production Estimate not an Ore Reserve.</p> <p>Project resource estimates were undertaken by GEOS Mining, initially in October 2010, updated in April 2011 and reviewed by MiningOne /GEOS/HEG for the September 2011 estimate model that was used for the Central Pit optimisation. The GEOS Mining February 2013 model was used for the South Pit optimisation. In addition to the optimisation studies, external consultants were used for the Production Estimate and the mining, processing and infrastructure capital and operating costs.</p>
<p><i>Discussion of relative accuracy/ confidence</i></p>	<ul style="list-style-type: none"> • <i>Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.</i> • <i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i> • <i>Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.</i> • <i>It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i> 	<p>The Hargraves Gold Project PFS addresses the various modifying factors to a PFS level of confidence commensurate with the Production Estimate. Capital and operating costs are expected to be of the order of +/-25%.</p> <p>While the geological controls influencing the high grade zones are known to be consistent and continuous over 100s of metres, the relatively close-spaced drill intercepts are not necessarily in the exact spot to confirm these for section after section along strike, and for up/down dip closure. Therefore the projected grade continuity relies on intensive logging and interpretation that has demonstrated the geological controls of the mineralisation and the high probability of the continuity of the high grade zones.</p> <p>The next stage of the study will include geotechnical drilling, water drawdown drill testing, resource infill and extension drilling and pit re-optimisation studies.</p> <p>Social and environmental issues, site preparation and property consolidation and appropriate agreements and mining lease application are yet to be completed.</p>