



ACN 072 692 365

Report for September Quarter

26 October 2016

ASX Code: HEG, HEGOA

CORPORATE

- A subscription agreement was signed with Bao Industry Pty Ltd (01.08.2016) for a number of placements to raise up to approximately \$1m, subject to various conditions precedent. Placements to date to Bao Industry amount to \$180,000 at 0.2c per share and while the agreement remains on foot, Bao has proposed the terms be renegotiated.
- The Australian gold price has consolidated at a near 10 year high and, with recent tightening of the commodity market, HEG with its advanced gold projects is among the better positioned companies for a share price re-rating.
- 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 plant.
- 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 (20.9.2016). 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

As previously announced (1.8.16, 2.8.16), HEG has entered into a share subscription agreement with Bao Industry Pty Ltd to undertake a number of placements to raise up to approximately \$1 million.

The subscription price for each share issued pursuant to the placements is the lower of:

- \$0.002; and
- the volume weighted average market price for shares calculated over the last 5 days on which sales in shares were recorded before the day on which the issue is made.

To date placements of 90,000,000 shares raising \$180,000 at 0.2c per share have been completed (1.8.16, 14.9.16) and the remainder of the placement is conditional on various conditions precedent.

Bao Industry has undertaken a due diligence process and advised that this condition has not yet been satisfied and in accordance with the conditions of the agreement is willing to consult with Hill End Gold in good faith with a view to determine whether the placements may proceed by way of alternative conditions, means or methods. Discussions on these matters continue.

During the quarter further placements were made (10.8.16, 5.9.16) with the issue of a total 108,904,525 shares to a sophisticated investor and to employees and consultants as payment for salaries and fees.

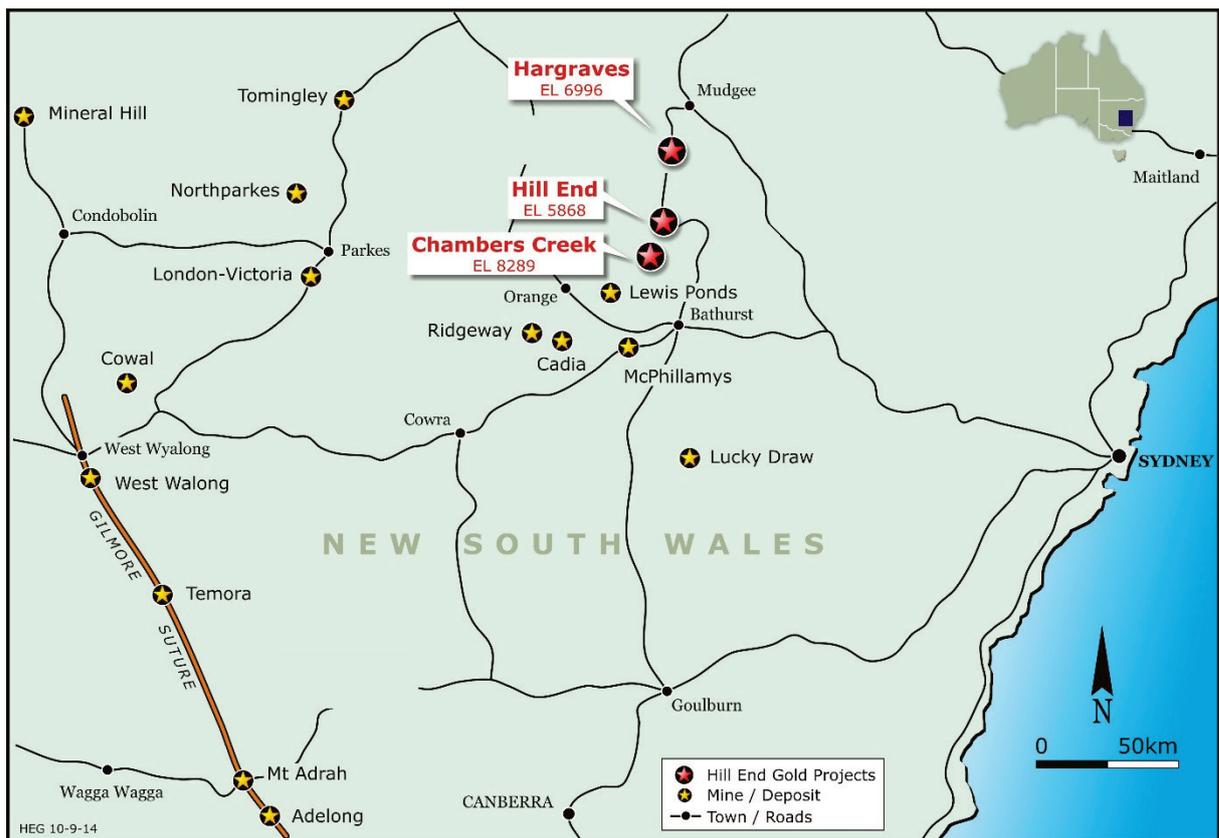


Figure 1. Hill End Gold Project locations

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

Hargraves Gold Project 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 could 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, a potential source of ore for the Hargraves Gold Project, 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 JORC Table 1, Section 4 – Estimation and Reporting of Ore Reserves (16.9.16). 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.

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

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

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.

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.

Exploration activities for this proposal 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.

During the quarter a review of the Reward Gold Mine Annual Environmental Management Report was undertaken on site with representatives of the relevant government departments: Department of Industry, Environment Protection Authority, National Parks and Wildlife Service and Bathurst Regional Council. Notification has been received from the Department of Industry, Resources and Energy that the AEMR has been approved.

Current Tenement Schedule

The DOI R&E have renewed EL 5868 over 16 units for a further two years and EL 6996 over 24 units for a further two years. 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.

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).

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	Granted	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 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

HILL END GOLD LIMITED

ABN

74 072 692 365

Quarter ended ("current quarter")

September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(27)	(27)
(b) development		
(c) production		
(d) staff costs		-
(e) administration and corporate costs	(205)	(205)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(234)	(234)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from the disposal of: (a) property, plant and equipment (b) tenements (see item 10) (c) investments (d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	384	384
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	384	384

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	28	28
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(234)	(234)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	384	384
4.5 Effect of movement in exchange rates on cash held		-
4.6 Cash and cash equivalents at end of period	178	178

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	178	28
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	178	28

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

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7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
(125)
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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	50
9.2 Development	
9.3 Production	
9.4 Staff costs	100
9.5 Administration and corporate costs	100
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	250

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

