



ACN 072 692 365

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Report for June Quarter, 2018

30 July 2018

ASX Code: HEG, HEGOC

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## Hill End marks successful quarter with strong pre-feasibility study of its Yendon high purity alumina project and progress towards sale of gold assets

Detailed planning for Yendon Definitive Feasibility Study now underway

### Highlights

- Pre-feasibility Study finds Yendon High Purity Alumina Project in Victoria was technically robust and has the potential to generate outstanding financial returns
- In light of the strong PFS, Hill End has started detailed planning for the Definitive Feasibility Study with the aim of capturing opportunities identified in the PFS to further reduce capital and operating costs
- Strong progress made on sale of Hill End's gold assets, with several parties in the data room
- Highly experienced battery minerals executive Tom Eadie appointed Chairman

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## CORPORATE

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Tom Eadie was appointed to the Board as Chairman in July 2018.

Mr Eadie is a geologist/geophysicist with extensive experience across many commodities and as a Company Director. He is currently a Non-Executive Director of ASX-listed companies Strandline Resources, Alderan Resources and New Century Resources.

Mr Eadie was the founding Chairman of Syrah Resources (ASX: SYR). During his time in this role, Syrah discovered and began development of the world-class Balama graphite project in Mozambique.

The rapidly increasing use of lithium batteries in vehicles and energy storage is forecast to be a key driver of growth for high purity alumina. Mr Eadie's in-depth knowledge of the battery materials industries and Asian markets will therefore be immensely valuable to Hill End.

Mr Eadie was one of the vendors of Pure Alumina Pty Ltd, the Company which held the Yendon tenements and was acquired by Hill End in August last year.

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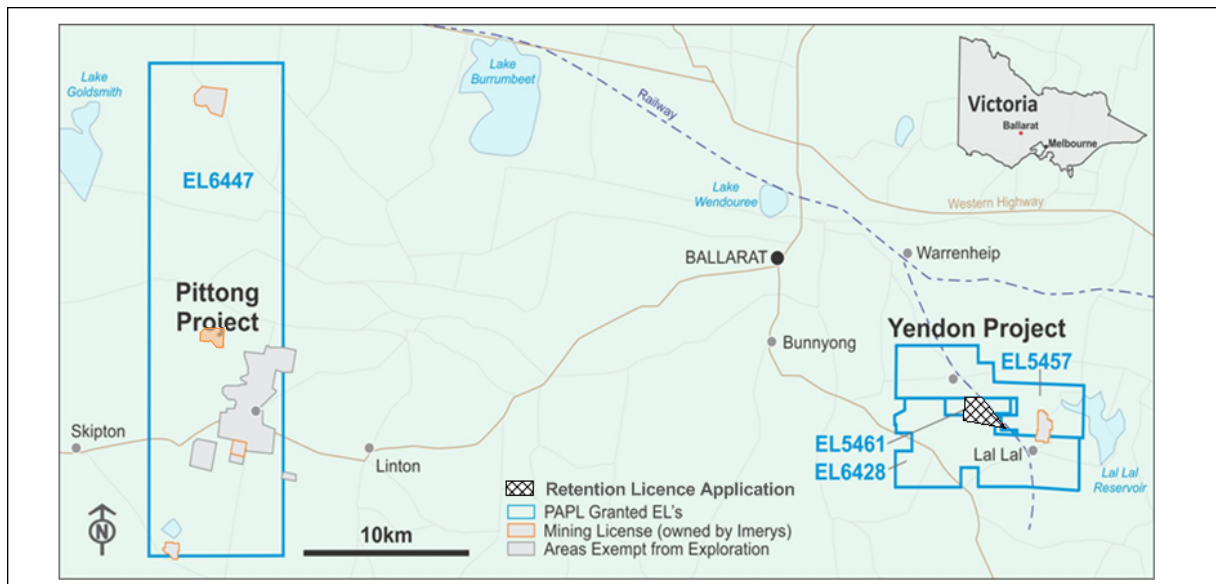
## PROJECTS

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### Yendon High Purity Alumina Project (HEG 100%)

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The HPA Project tenements, Exploration Licences 5457, 5461, 006447 and 006428, are located near Ballarat, Victoria at Pittong and Yendon in areas where kaolin mining and processing has occurred for decades. The Yendon kaolin Resource is located on EL5457 and EL5461. Application for a retention licence over the Yendon kaolin deposit has been made to the Victorian Mines Department.



HEG HPA Project location near Ballarat, Victoria

## Results of the Pre-feasibility Study

<b>Annual HPA Production</b>	<b>8,000 tpa +99.99% Al<sub>2</sub>O<sub>3</sub></b>
<b>Capital Cost*</b>	<b>\$271 million (incl contingencies of \$53m)</b>
<b>Capital Cost per t of HPA</b>	<b>\$33,875 based on 8,000 tpa HPA</b>
<b>Average Cost of Production</b>	<b>\$7,668 /tonne of HPA</b>
<b>Forecast Sale Price</b>	<b>\$25,200 /tonne</b>
<b>Average EBITDA</b>	<b>\$133m per annum</b>
<b>Payback Period</b>	<b>4.1 years</b>
<b>Project NPV @ 10%</b>	<b>\$692m</b>
<b>IRR</b>	<b>34%</b>

\*All monetary amounts contained in this release are in US dollars

### ***PFS Risks and Assumptions***

Refer to announcement titled, "PFS Results," dated 14 June 2018. HEG confirms that all material assumptions and risks underpinning the pre-feasibility study continue to apply and have not materially changed.

Risk includes, Resource, Technology, Market, Permitting and Financing Risk. HEG currently does not have sufficient funds to construct and commission the Yendon HPA project. Due to the strong economic results from the PFS, HEG believes there are reasonable grounds to expect that sufficient funding will be available to finance the A\$271M capital development cost of the project. A number of funding sources may be available to HEG, including but not limited to: access to debt finance facilities; access to equity funding from capital markets; and funding from other sources such as potential off-take agreements, equipment suppliers and / or government business development financing. Securing funding is not normally contemplated at the PFS stage of a project. HEG's funding requirements depend on numerous factors, including the completion of a Definitive Feasibility Study.

In June, Hill End Gold Ltd (HEG) announced that a Pre-feasibility Study (PFS) found that its Yendon High Purity Alumina Project (Yendon) in Victoria would be technically and financially robust.

The PFS demonstrated that Yendon will deliver strong financial returns, underpinned by a low capital cost of \$271 million on projected annual production of 8,000 tonnes of HPA grading 99.99% aluminium oxide.

Production costs are expected to be extremely competitive at just \$7,668 a tonne. This will ensure Yendon enjoys robust margins, approaching 70%, based on a conservative sale price of \$25,200/t.

The internal rate of return is forecast to be 34 per cent.

Hill End believes the revenue assumptions contained in the PFS are conservative. This view is supported by the test work which showed that HPA produced from kaolin mined at Yendon comfortably exceeds the 99.99% alumina specification and pricing assumed in the PFS.

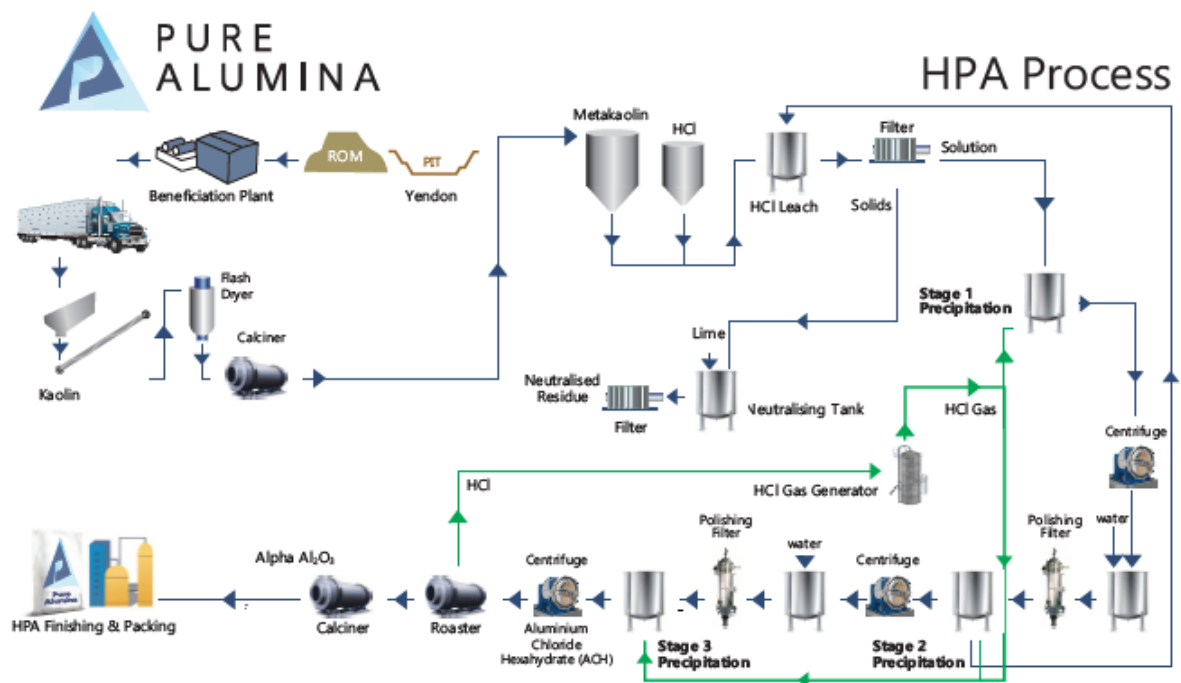
The price of HPA rises as purity increases, meaning that revenue from HPA produced from Yendon may exceed that assumed in the PFS.

The PFS is underpinned by:

- a substantial high-grade kaolin resource near Ballarat, Victoria that contains low levels of deleterious impurities;
- a shallow open pit mine design with low stripping ratios, which can be efficiently contract mined without blasting, crushing or grinding;
- simple beneficiation by screening the kaolin ore at the mine site to remove 57% of the ore mass comprising mainly coarse silica, upgrading the ore to a 35% kaolin concentrate for transport to the hydrometallurgical process facility (HPF);

- significant metallurgical test work which has defined a robust chemical process to convert Yendon kaolin to HPA. This process is based on the industry-standard process derived from the US Bureau of Mines published and public data customised by Hill End specifically for the Yendon orebody;
- confirmation via this developed chemical process that Yendon kaolin can produce high purity alumina exceeding 99.99% alumina;
- development of a simple and effective process flow diagram using commercially proven, and largely “off the shelf”, operations that result in competitive capital and operating costs to produce HPA with low environmental impact; and
- adoption of a conservative HPA selling price of \$25,200/ tonne for 99.99% HPA over the life of the project, which is at the bottom end of the current HPA market price range as established by independent market analyst Roskill.

### The Defined Process Flow Sheet



A risk and opportunity analysis was completed as part of the PFS. This resulted in a very high level of confidence in the ability of the process path to produce HPA to the necessary specification on a reliable basis. A number of opportunities were identified that may enhance revenue and/or reduce capital and operating costs. A focus going forward will be to fully investigate these opportunities to capture the benefits.

### Definitive Feasibility Study

The outcomes of the PFS provides significant encouragement to commence a Definitive Feasibility Study (DFS) immediately. The scope of the DFS will be developed over the next quarter in conjunction with Primero, BHM and other key consultants. The key focus of the DFS will be:

- metallurgical and engineering design studies, including the development of a locked cycle pilot plant to enable commercial samples of Yendon HPA to be trialed by potential customers;
- location study to optimise the operating conditions for the project;
- detailed construction and commissioning plan;
- advance discussions with potential offtake partners;
- lower capital and operating costs; and
- engagement with potential funders to work through the DFS process.

HEG intends to conduct further test work on the HPA produced from Yendon to establish if a 99.999% (5N) specification can be achieved. Insights gained from test work undertaken for the PFS have provided confidence that the steps needed to produce 5N HPA can be incorporated in the process flow diagram for Yendon.

An updated project schedule is outlined below:

<b>Objective</b>	<b>Delivery Date</b>
Define DFS scope	Q3 2018
Deliver DFS and pilot plant	Q3 2019
Secure project funding	Q1 2020
Construct Yendon HPA project	Q3 2022
Commission Yendon HPA project	Q4 2022

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## Hill End Gold Project

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In June, Hill End Gold announced its decision to test the market for its gold assets.

The decision followed the results of a strategic review conducted by PCF Capital Group (PCF). The review included a full assessment of the extensive database on the assets and recommended that there is likely to be strong interest in their sale. Hill End's decision also comes in light of the strong results of the recently completed Pre-Feasibility Study on the company's Yendon high purity alumina project in Victoria.

PCF is now well advanced with a formal sales process which will seek to secure an outcome for the assets during Q3 2018. Currently multiple parties are in the data room reviewing the project.

### **Forward-looking Statements**

*This announcement contains forward-looking statements which are identified by words such as 'anticipates', 'forecasts', 'may', 'will', 'could', 'believes', 'estimates', 'targets', 'expects', 'plan' or 'intends' and other similar words that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.*

### **Competent Persons Statement**

*The information in this statement that relates to the Mineral Resource estimates is based on work done by Rod Brown of SRK Consulting (Australasia) Pty Ltd.*

*Rod Brown is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 edition).*

*The information in this statement that relates to the geology, drilling, and sampling is based on work done by Mike Ware.*

*Mike Ware is a fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 edition).*

## 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")

June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12..months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(400)	(1,415)
(b) development	(5)	(15)
(c) production		
(d) staff costs		
(e) administration and corporate costs	(477)	(1,897)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	25
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(872)</b>	<b>(3,306)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(3)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (..12..months) \$A'000</b>
(c) investments	60	60
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>59</b>	<b>57</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		4,176
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options	45	45
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)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>45</b>	<b>4,221</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	<b>2,372</b>	<b>632</b>
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(872)	(3,306)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	59	57
4.4 Net cash from / (used in) financing activities (item 3.10 above)	45	4,221
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>1,604</b>	<b>1,604</b>



<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,604	2,372
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,604</b>	<b>2,372</b>

**6. Payments to directors of the entity and their associates**

<b>Current quarter \$A'000</b>
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6.1 Aggregate amount of payments to these parties included in item 1.2

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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

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

<b>Current quarter \$A'000</b>
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7.1 Aggregate amount of payments to these parties included in item 1.2

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7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

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7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

<b>Total facility amount at quarter end \$A'000</b>
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<b>Amount drawn at quarter end \$A'000</b>
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8.1 Loan facilities

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8.2 Credit standby arrangements

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8.3 Other (please specify)

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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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<b>9. Estimated cash outflows for next quarter</b>		<b>\$A'000</b>
9.1	Exploration and evaluation	
9.2	Development	29
9.3	Production	
9.4	Staff costs	161
9.5	Administration and corporate costs	466
9.6	Other (provide details if material)	
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>656</b>

<b>10.</b>	<b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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				

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....

(Director/Company secretary)

Date: .....July 2018 .....

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.