



ACN 072 692 365

Report for September Quarter, 2018

30 October 2018

ASX Code: HEG, HEGOC

Yendon High Purity Alumina project DFS progressing well with commercial demonstration plant study now underway

Highlights

- The Definitive Feasibility Study (DFS) on the Yendon high purity alumina (HPA) Project is making strong progress
- Strong emphasis on identifying opportunities to further reduce capital and operating costs
- As part of the DFS, Hill End has started assessing a commercial demonstration plant for its HPA
- A demonstration plant would significantly de-risk the scale-up to full commercial production
- Sale of Hill End's gold assets at an advanced stage with firm offers now being received
- Shareholders voted to change the company name to Pure Alumina Ltd to reflect the focus on the Yendon HPA project
- Graham Reveleigh retired as a Non-executive Director of the Company

CORPORATE

Graham Reveleigh retired from Hill End Gold's board, effective at Hill End's AGM in October.

Mr Reveleigh was a founding director of Hill End when it listed in 2003 and has made a significant contribution to the Company's progress and its principal asset at the time, the Hill End gold assets. Graham also was a major driver behind the acquisition of the high purity alumina project in 2017.

The Company thanks Mr Reveleigh for his services and wishes him success in his future endeavours.

PROJECTS

Yendon High Purity Alumina Project (HEG 100%)

The HPA Project tenements, Exploration Licences 5457, 5461, 006447 and 006428, are located at Pittong and Yendon near Ballarat, Victoria, 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.

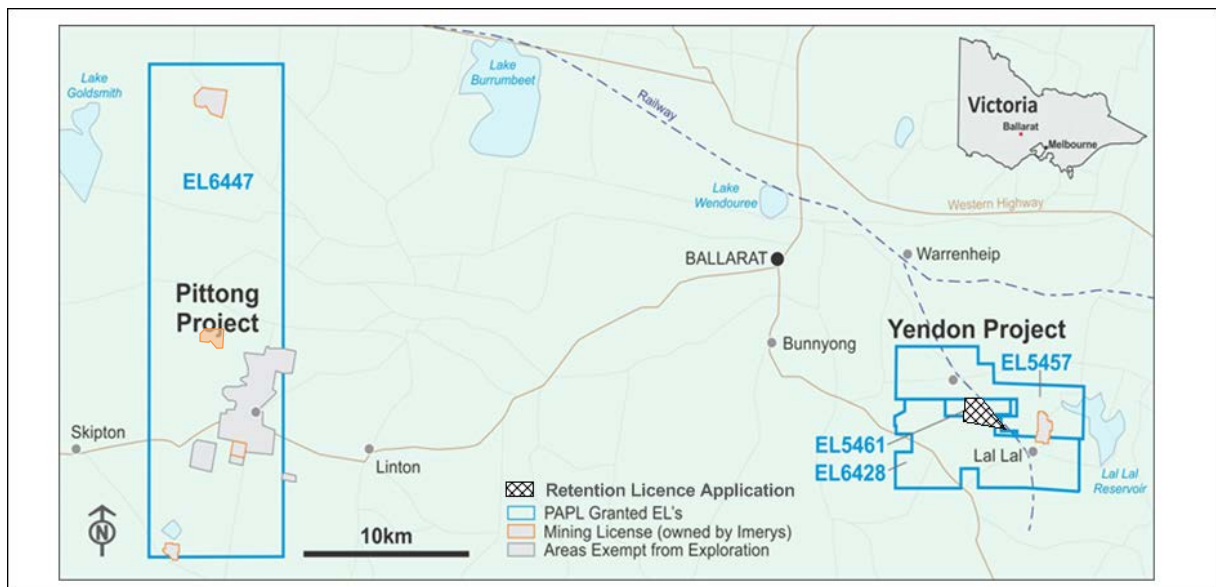


Figure 1: HEG HPA Project location near Ballarat, Victoria

Following the successful completion of the pre-feasibility study (PFS) of the Yendon high purity alumina (HPA) project, Hill End has commenced work on the definitive feasibility study (DFS). In addition to the usual requirements of a DFS, Hill End has prioritised work on reducing the capital and operating costs outlined in the PFS.

The PFS identified a number of areas where capital and operating costs might be reduced. The most significant being the acid regeneration plant, which is the most expensive capital item for the HPA project comprising approximately 40% of the total cost. It is also a material operating expense.

The PFS utilised the most conservative assumptions for the acid plant design as the test work to optimise the acid plant was out of scope. Hill End has now commenced testing to optimise the acid plant parameters and is working with acid plant suppliers and specialists to incorporate these findings into the project. If successful, material capital and operating savings are potentially available.

As part of the DFS, Hill End is assessing options for substituting the planned pilot plant with a larger commercial scale demonstration plant. Under the scenario being assessed, the demonstration scale plant would produce a commercial volume of HPA of up to 1000 tonnes a year.

This option could deliver several key benefits for both the DFS and Hill End's profitability including:

- HPA process optimisation and proof of scalability up to 8,000tpa of HPA;
- Capex of a demonstration plant should be considerably lower than outlined in the 8,000 tpa Yendon HPA project PFS;
- HPA production would be fast-tracked, potentially years ahead of the 2022 commissioning schedule outlined in the Yendon PFS;
- The plant would continue to operate once the study phase was completed, generating ongoing revenue from HPA sales;
- The plant would produce marketable quantities of HPA. This would be used to meet the HPA customer's supplier qualification processes and generate offtake contracts from the demonstration plant which would lead to larger contracts when the full scale HPA operation is commissioned.

Hill End has commenced a preliminary economic assessment to determine the capital and operating costs to ensure the commercial demonstration plant is financially feasible.

A recent marketing trip to Asia and the USA confirmed high purity alumina's use in lithium batteries and synthetic sapphire for high-technology is growing rapidly, creating the ideal environment for Hill End's Yendon HPA project.

Discussions with manufacturers of lithium battery separators highlight the huge increases they are making in their production capacity. All are in the process of increasing their separator production by up to ten times current levels. Discussions also reveal that around 70% of the new capacity involves making separators which are coated with high-purity alumina. This is more than double the current percentage. The combination of these two factors is expected to result in additional demand for HPA equal to many times the 8,000tpa which Hill End aims to produce at its Yendon HPA project.

HPA demand is also set to rise sharply on the back of its role in the production of synthetic sapphire, which has a rapidly growing number of high-technology applications driven by the expanding LED lighting market, semiconductors and optical equipment.

Hill End Gold Project

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

PCF Capital is running the gold asset sale process and following strong participation in the data room review, a number of indicative offers were received. From this a short list of candidates was formed to undertake detailed due diligence. This process is almost finished. Final offers have been received and will be considered when the current phase closes.

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 2018

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	(420)	(420)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(287)	(287)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)	4	4
1.9 Net cash from / (used in) operating activities	(698)	(698)
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		
2.2 Proceeds from the disposal of:		
(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
2.3 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		
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		
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,604	1,604
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(698)	(698)
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)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	906	906

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	906	1,604
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)	906	1,604

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	118
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	
Directors' remuneration	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	142
9.2 Development	-
9.3 Production	-
9.4 Staff costs	124
9.5 Administration and corporate costs	265
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	531

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				

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: Date: 30 October 2018
(Director/Company secretary)

Print name:Martin McFarlane.....

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.