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3 Spring Street
Sydney, NSW 2000

Date of lodgement: 9-Sep-2008

Title: Open Briefing®. Hill End Gold. Towards Production

Record of interview:

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Hill End Gold Limited (ASX code: HEG) has recently reported a number of high grade results within its Hill End Project. Can you comment on the extent of your recent drilling, the best results and what they mean for the overall Project?

MD Philip Bruce

The Hill End Project includes tenements covering the Hill End, Hargraves and Windeyer goldfields. The most recent results came from the initial stoping exercise of the Cornelian M2 vein, which is part of the Reward Gold Mine within the Hill End goldfield. The gold mineralisation at Reward is up to 100 metres wide with about 50 mineralised quartz veins and previous mining reported high grade gold mineralisation up to 15 metres wide. The results from the first 30 metres along the Cornelian M2 averaged approximately 96 g/t gold over 0.8 metre stoping width including a 15 metre zone at 177.3 g/t gold.

We are evaluating whether we have scope for a relatively small, but high grade development or a larger, moderate grade development. The underground sampling, mining and processing program confirms the continuity of the very high grade zones in the Hill End mineralisation and underground drilling confirms that the resource potential extends far beyond the blocks that were in our initial estimate last year. The very high grade mineralisation is expected to underpin the overall Reward Gold Mine development.

We've also mined the first gold from the Exhibition Paxton's vein set in Reward mine. Driving on Paxton's has just commenced out of the new Exhibition shaft at the 671 level crosscut and we are preparing the 683 level to mine. The mined material returned a diluted grade of 10-15 g/t, which was in the expected range, and driving and rising will continue to access the Paxton's

current resource, which has a conservative grade estimate from surface drilling of 48 g/t.

As mentioned, rises will be developed to access the 12 metre spaced levels above the Paxton's 671 level at 50 metre spacing along strike. Further driving on the Paxton's, Stevens and the other vein sets in the Reward area is to open up the Reward Exhibition part of the deposit.

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HEG also commenced a resource evaluation for the Big Nugget Hill (BNH) deposit on the Hargraves goldfield within its Hill End Project. What has the recent drilling campaign revealed about the mineralisation of the BNH deposit? When do you expect to be in a position to deliver a resource? How will this information guide your ongoing exploration program around BNH?

MD Philip Bruce

The drilling program at BNH has outlined a 30 metre wide zone of gold mineralisation to a depth of 400 metres, which has a strike length of about one kilometre. This initial drilling program for us in the Hargraves area has been very successful on the first of many deposits to be drilled and has shown the huge potential of the BNH structure.

The BNH deposit is expected to be a large, moderate grade deposit and the first holes have had excellent results. Hole HGD13 returned an average grade of 4.2 g/t over 75 metres from 22 metres below surface, including individual veins of 722.1 g/t gold over 0.2 metre and 609.7 g/t gold over 0.18 metre and the next hole, HGD14, averaged 1.5 – 2 g/t over 150 metres in two major zones. We are still waiting on results for another seven holes, so the timing for the resource estimate depends on getting the results back from the lab, which is expected to be at least another few weeks.

Prior to the resource estimate we will be announcing the exploration potential for the BNH deposit and will provide information in terms of being able to mine it, the tonnes, grade and the size of the project. Previous mining has only taken the deposit to a depth of about 50 – 60 metres. We expect BNH will be the first of a number of new deposits that we'll be drilling up at Hargraves.

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As mentioned, Hill End received excellent results from the initial stope in the Cornelian M2 vein at the Reward Gold Mine. Can you give more detail on these results and the preparation to produce 1,500 tonnes over the next few months? What further progress has been made in underground development in scoping out the Reward area for mining?

MD Philip Bruce

The Cornelian M2 stope was initially opened up to assess the continuity of the high grade material. Compared to a surface drilled grade estimate of about 10 g/t, we found that the M2's mineralisation is high grade, averaging 60 – 90 g/t over the nominal 0.8 metre that we use as a stoping width. In that, there were very high grade stretches that can run 10 ounces a tonne over ten's of metres. The individual veinsets vary in number and thickness so we tend to just report the main vein itself and average it over 0.8 metre nominal width.

Both the mine and processing operations have been modified to increase high grade production. The plant is currently treating ore from the Cornelian M2 vein sourced from the initial underground stope on the Amalgamated level, and targeting the 1,500 tonnes at grades of up to two ounces per tonne.

The grades and tonnage we've identified in the M2 vein are in excess of the estimates from surface drilling and we're very encouraged with the work so far. The mineralisation is looking stronger, more consistent and more extensive than what we identified from surface drilling.

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What is the plant's current production capacity? When do you expect to reach that level? Can you outline your plans for possible throughput expansion?

MD Philip Bruce

The plant's nameplate capacity is 5 tonnes per hour as a batching plant design to process small samples. We have modified a number of areas in the plant to improve reliability as a continuous operation and to reduce high wear rates and required maintenance. We've also brought in a cone crusher and a ball mill in to be installed in future, which will increase production. The areas we've modified are larger pumps, screen sizes, conveyor belt design, recycle water settling tanks and modifications to the secondary and tertiary crusher wear parts.

We're now operating the plant to run more continuously over two shifts per day with the plant producing about 50 tonnes per day. The removal of bottlenecks has improved production, and as the underground opens up, the target production rate is expected to increase to about 100 tonnes per day.

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An updated resource estimate is underway at Reward and Red Hill. When do you hope to deliver an upgrade of your resources? Where do you see the best possibilities for additional resources at Reward?

MD Philip Bruce

The resource estimates for the Hill End Project are being updated for the Annual Report.

We've had some terrific results out of the Reward development and underground drilling and we do need to spend some time in correlating the new results with the previous surface drilling estimate. We expect a significant upgrade to the resource position at Reward and at Red Hill from the more recent results.

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You aim to establish the economic scope of the Hawkins Hill/Reward area mine development as a large moderate grade project or small high-grade project. Both options have very different cost outcomes. When do you expect to make a decision on how to proceed? What are the key milestones toward making your decision?

MD Philip Bruce

We're probably around 3 – 6 months away from having some sufficient data out of Paxton's and Steven's to look at the scope of the Reward Exhibition area, and we'll have results out of Cornelian M2 as well.

At our current low production/high grade throughput rate, we'd be looking at operating costs of about \$300-\$350 a tonne of ore and we would expect that with a larger, more productive project there'd be an economy of scale and much lower costs per tonne, but there would be additional dilution in terms of the waste involved in mining wider zones.

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Drilling in the Scandinavian area has confirmed the continuity of the Reward vein sets. Can you comment on the extent of the mineralisation and on any further drilling? What other areas will you target?

MD Philip Bruce

The vein sets intersected at Scandinavian are a continuation of the main zone of mineralisation at Hawkins Hill/Reward. The mineralised system is about 1.5 kilometres long from the south of Hawkins Hill through to north of Scandinavian, and the material we intersected confirms there's gold in the system.

I think it's still too early to determine whether we've drilled in the right spot, whether we're exactly along strike or whether there are deviations in the structural corridor. However, what we have found is that the system does extend to north of Scandinavian and we believe it continues right through to Red Hill as well, which is about another 4 kilometres to the north. We are currently drilling Red Hill and a hole to the south of Red Hill in the Tambaroora area. Historically, this is where a lot of alluvial gold was mined, but there has never been a hole drilled into it. This is a very exciting development for us.

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Thank you Philip.

For further information on Hill End Gold please visit www.hillendgold.com.au or call Philip Bruce on (02) 8249 4416.

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The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Philip Bruce. Mr Bruce is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Bruce has 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Bruce consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.