

HILL END GOLD LIMITED
ACN 072 692 365

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2009

HILL END GOLD LIMITED DIRECTORS' REPORT

The Directors present their report together with the financial statements of Hill End Gold Limited for the six months ended 31 December 2009

Directors

The Directors of Hill End Gold Limited during the financial period and up to the date of this report are:

Alfred Lampard Paton (Chairman)
Philip Francis Bruce (Managing Director)
Graham Charles Reveleigh
Ian Noel Stuart Sloan
Bruce Geoffrey Thomas
Ian Cunynghame Daymond

Principal Activities

The principal activities of the Company during the financial period were the exploration for minerals and development of the Hill End and Hargraves Project Areas in New South Wales.

Review of Operations

During the period under review, the Company continued underground mining operations in the Hawkins Hill - Reward deposit in the Hill End Project Area, which comprised development, drilling and some minor stoping. These activities focussed on outlining the size and grade of the mineable resources within the overall resource estimate of 660,000 tonnes at 10.6g/t, which is predominantly of an inferred category. At Hargraves, located 35km north of Hill End, a 12,000 metre drilling program was commenced to drill out a maiden resource and to test extensions of the Big Nugget Hill deposit. On the Murray Basin tenements a ground based gravity survey and a magnetic survey were completed over an initial target. The Company recorded a loss from ordinary activities of \$7.688 million (2008: \$4.523million) after reviewing the value of exploration assets and writing down the carrying value by \$0.420 million.

Corporate

During the period the Company raised an amount of \$10.759 million net of issue costs through the exercise of 46,368,051 options at 25 cents each. The Company also raised \$4.624 million net of issue costs through a placement of 29,044,000 shares at 17 cents each.

Exploration

The diamond drilling program on the southern extension of the Big Nugget Hill deposit at Hargraves intersected very high grade mineralisation at 40m and 110m below surface. The intersections of 627g/t over 0.8m and 248g/t over 3.6m respectively are located approximately 500m along strike from the Central Big Nugget Hill zone, which is being drilled out for a maiden resource estimate. The Big Nugget Hill structure is being drilled over a strike length of 1000m to depth of approximately 200m to identify an initial mining target for the mining lease application. The Company holds mineral tenements along the under-explored Hill End Anticline between Bathurst and Mudgee and is targeting a resource potential of 4 – 5 million ounces interpreted to exist below shallow workings.

Hawkins Hill – Reward Gold Project

During the period, the underground drilling identified a number of targets for early mine production of both wide, moderate grade and narrow high grade gold mineralisation. In particular the 640 level development to the north of the Reward shaft along the Mica veinset intersected very high grade mineralisation over 100m of strike to the south of the Emmetts crosscourse. This new zone of mineralisation is being developed below the 640 level with a decline at a gradient of one in seven and drilling is to test for similar zones of very high grade mineralisation in the other veinsets above the 640 level. Another three declines were also commenced during the period to access high grade mineralisation below the 640 level and an incline was commenced to access the Patriarch wide zone mineralisation. Development from the Reward shaft continued to open up the upper levels and the top level at 780m RL accessed the bottom level of the old Exhibition shaft at a depth of 100m below surface. Underground drilling continues to delineate the mineable areas of the resource estimate and to establish the appropriate scope of the project production.

The resource update of 660,000 tonnes at 10.6g/t, which was predominantly inferred resource, was completed for the Reward area to June 2009,

During the period a total of 3,122 ounces of gold were produced from 11,945 tonnes at a feed grade of 8.6g/t gold.

Future Exploration

Additional exploration is planned for the Hill End and Hargraves areas. Drilling on these areas may provide additional sources of high grade material for a proposed, larger central treatment facility.

Other Exploration

Tenements in the Murray Basin area of Swan Hill – Barham were assessed for shallow targets in the interpreted extension of the Bendigo group, which hosted a large Victorian goldfield, into New South Wales. An initial target in the Tullakool area identified a coincident gravity and magnetic anomaly. Further targets are being considered for detailed geophysical surveying to provide the basis for an initial drilling program.

The Company submission to the Lao PDR government for a Foreign Investment licence and a Mineral Reconnaissance and Exploration Agreement for the Lak Sao Project area in Laos has progressed to final approval but is held pending resolution of competing interests in the Lak Sao area. Other opportunities for acquiring interests in near-term development projects in Laos are under review.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs in the Company during the half year.

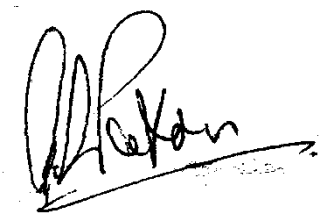
Rounding of Amounts to nearest Thousand Dollars.

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The auditor's independence declaration is set out on page 4 for the half-year ended 31 December 2009.

This report is made in accordance with a resolution of the directors.



ALFRED PATON
Chairman
Sydney
1 March 2010



PHILIP BRUCE
Managing Director

HILL END GOLD LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	Half year Ended 31 Dec 09 \$'000	Half year Ended 31 Dec 08 \$'000
Revenue		3,752	1,455
Interest		150	137
Changes in work in progress		(157)	1,127
Raw materials and consumables used		(1,143)	(198)
Employee benefits expense		(1,256)	(735)
Depreciation and amortisation expense		(1,320)	(569)
Finance costs		(2)	-
Other expenses		(7,712)	(5,740)
		<hr/>	<hr/>
Loss before income tax		(7,688)	(4,523)
Income tax expense		-	
		<hr/>	<hr/>
Loss from continuing operations after income tax		(7,688)	(4,523)
		<hr/>	<hr/>
Loss for the period	2	(7,688)	(4,523)
Other comprehensive income			
Other comprehensive income for the period net of tax		-	-
		<hr/>	<hr/>
Total comprehensive loss for the period attributable to members		(7,688)	(4,523)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share from continuing operations:		Cents	Cents
Basic earnings per share		(2.1)	(1.5)
Diluted earnings per share		(2.0)	(1.2)
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

HILL END GOLD LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	31 Dec 2009 \$'000	30 June 2009 \$'000
Current Assets		
Cash and cash equivalents	12,887	3,043
Trade and other receivables	613	804
Inventory	459	577
Total Current Assets	<u>13,959</u>	<u>4,424</u>
Non-Current Assets		
Other assets	340	340
Mining property	17,125	18,137
Deferred Exploration & Development	6,844	5,898
Property Plant & Equipment	1,661	1,579
Total Non-Current Assets	<u>25,970</u>	<u>25,954</u>
Total Assets	<u>39,929</u>	<u>30,378</u>
Current Liabilities		
Trade and other payables	2,976	1,137
Provisions	97	85
Other	2	5
Total Current Liabilities	<u>3,075</u>	<u>1,227</u>
Non-Current Liabilities		
Provisions	30	27
Other	114	109
Total Non-Current Liabilities	<u>144</u>	<u>136</u>
Total Liabilities	<u>3,219</u>	<u>1,363</u>
Net Assets	<u>36,710</u>	<u>29,015</u>
Equity		
Issued capital	58,881	43,498
Reserves	2,292	2,292
Accumulated losses	(24,463)	(16,775)
Total Equity	<u>36,710</u>	<u>29,015</u>

The accompanying notes form an integral part of these financial statements.

HILL END GOLD LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Share Capital Ordinary \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2008	35,394	804	(9,377)	26,821
Profit (loss) attributable to equity shareholders	-	-	(4,523)	(4,523)
Total other comprehensive income	-	-	-	-
Shares issued during the half year	5,450	-	-	5,450
Options issued during the half year	-	1,488	-	1,488
Balance at 31 December 2008	40,844	2,292	(13,900)	29,236
Balance at 1 July 2009	43,498	2,292	(16,775)	29,015
Profit (loss) attributable to equity shareholders	-	-	(7,688)	(7,688)
Total other comprehensive income	-	-	-	-
Shares issued during the half year	4,625	-	-	4,625
Options exercised during the half year	10,758	-	-	10,758
Balance at 31 December 2009	58,881	2,292	(24,463)	36,710

The accompanying notes form part of these financial statements.

HILL END GOLD LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Half Year Ended 31 Dec 2009 \$'000	Half Year Ended 31 Dec 2008 \$'000
Cash Flows From Operating Activities		
Receipts from customers	3,738	1,088
Interest received	73	80
Payments to suppliers and employees	(7,613)	(5,276)
Research and development tax rebate	14	367
	<u>(3,788)</u>	<u>(3,741)</u>
Cash Flows From Investing Activities		
Payment for exploration expenditure	(1,366)	(5,529)
Payment for mining properties	(217)	-
Purchases of property plant & equipment	(168)	(267)
	<u>(1,751)</u>	<u>(5,796)</u>
Cash Flows From Financing Activities		
Proceeds from the issue of shares	15,383	5,450
Proceeds from issue of options	-	1,488
	<u>15,383</u>	<u>6,938</u>
Net cash inflows from financing activities		
	<u>15,383</u>	<u>6,938</u>
Net Increase/(Decrease) in cash held	9,844	(2,599)
Cash at the beginning of the financial year	3,043	6,450
	<u>3,043</u>	<u>6,450</u>
Cash at the End of the Financial Year	12,887	3,851
	<u>12,887</u>	<u>3,851</u>

The accompanying notes form an integral part of these financial statements.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Hill End Gold Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are required to be identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the board of directors. In this regard, the information provided is consistent to that used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Given this consistency no additional disclosure is required, refer note 3.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations may affect the Company in the future however, given that there have been no business combinations historically there is no additional disclosure required.

Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by the management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's financial report as at and for the year ended 30 June 2009.

Going Concern

Despite the current period loss and negative operating cash flows, the directors believe that the going concern basis is appropriate for the preparation and presentation of the financial statements as the Company has sufficient cash or access to cash to continue to operate for the foreseeable future and expects to deliver positive cash flow in the future. Further, the Company is confident of being able to raise additional funds through share placement or rights issue for acquisitions which would enhance profitability and cash flow.

The directors have prepared a forecast for the foreseeable future reflecting the abovementioned expectations and their effect on the Company. The achievement of the forecast is largely dependent upon the following matters, the outcomes of which are uncertain:

- The ability of the company to increase the tonnage and grade of ore recovered from mining operations at Hill End
- The ability of the Company to raise additional equity capital.

In the event that the outcome of most or all of the above mentioned matters are unfavourable and result in a negative outcome, the directors believe that they have sufficient cash for the company to meet its debts as and when they become due and payable.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	31 Dec 2009 \$'000	31 Dec 2008 \$'000
2. PROFIT FOR THE PERIOD		
The following revenue and expense items are relevant in explaining the financial performance for the interim period		
Research & Development Claim	14	367
Exploration expenditure written off	(426)	(2,418)

3. SEGMENT INFORMATION

Business Segments

The Company operates in the mining industry in Australia only. Operations comprise the exploration, development and mining of precious minerals.

4. CAPITAL AND RESERVES

	31 Dec 2008 Number	31 Dec 2008 Number
Ordinary Shares		
Balance at 1 July	324,589,542	271,172,394
Shares issued	75,412,051	36,331,879
Balance at 31 December	400,001,593	307,504,273

Share Capital

The Company recorded the following amounts within shareholder equity as a result of the issuance of ordinary shares

	31 Dec 2009 \$'000	31 Dec 2008 \$'000
Issuance of ordinary shares	15,383	5,450

5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

6. EVENTS SUBSEQUENT TO REPORTING DATE

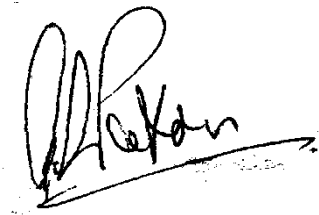
There were no significant events after the reporting date until the date of this report.

HILL END GOLD LIMITED
DIRECTORS DECLARATION

The Directors of the Hill End Gold Limited declare that:

1. The financial statements and notes as set out on pages 3 to 9 are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



Alfred Paton
Chairman

Sydney
1 March 2010



PHILIP BRUCE
Managing Director

HILL END GOLD LIMITED ACN 072 692 365

INDEPENDENT AUDITOR'S REVIEW REPORT - HILL END GOLD LIMITED

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hill End Gold Limited (the company) which comprises the statement of financial position as at 31 December 2009, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors' of Hill End Gold Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Energy One Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the company for the half-year ended 31 December 2009 included on the website of Hill End Gold Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting or review, we have complied with the independence requirements of the *Corporations Act 2001*.

Total Financial Solutions

HILL END GOLD LIMITED ACN 072 692 365

INDEPENDENT AUDITOR'S REVIEW REPORT - HILL END GOLD LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hill End Gold Limited is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2002.

WHK Horwath Sydney

Ash Pather
Principal

Dated this 1 March 2010.



The Board of Directors
Hill End Gold Limited
Suite 1004, 3 Spring St
Sydney NSW 2000

1 March 2010

Dear Board Members,

Hill End Gold Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hill End Gold Limited.

As audit principal for the audit of the financial statements of Hill End Gold Limited for the financial period ended 31 December 2009, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor's independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

WHK HORWATH SYDNEY

Ash Pather

Principal

Total Financial Solutions



Horwath refers to Horwath International Association, a Swiss Verein. Each member of the Association is a separate and independent legal entity.



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A WHK Group Firm

**HILL END GOLD LIMITED
CORPORATE DIRECTORY**

Directors

Alfred Lampard Paton
Non Executive Chairman

Philip Francis Bruce
Managing Director

Graham Charles Reveleigh
Executive Director

Bruce Geoffrey Thomas
Non Executive Director

Ian Noel Stuart Sloan
Non Executive Director

Ian Cunynghame Daymond
Non Executive Director

Company Secretary

Kevin Martin Lynn

Australian Company Number

072 692 365

Registered Office

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Principal Office

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Share Registry

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Auditor

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