



HILL END GOLD LIMITED

ACN 072 692 365

Technical and Strategic Update

8 April 2010

ASX Code : HEG

HIGHLIGHTS

- The Hargraves Project continues to return excellent drilling results and the on-going drilling program has been expanded. The Company is considering various avenues for obtaining capital to accelerate the realisation of the outstanding potential of the project.
- Formulation of a new orebody model greatly increases the potential of the Hargraves deposit, in particular the potential to define significant depth extensions.
- The Hawkins Hill – Reward operation moves from the relatively high cost development-related activities of recent months to a focus on high grade production. Exploration and development activities are continuing.
- The strategy at the Hawkins Hill - Reward operation will switch, at least for the short term, to a selective lower tonnage/higher grade production approach to increase gold revenue.
- Investigation of the previously envisaged larger scale bulk stoping approach, which is subject to success in on-going exploration and development activities, is continuing. However, expansion in the mine production rate to 100,000 tonnes per year in 2010, as previously announced, will be deferred until sufficient exploration and development work is completed to form an adequate basis for mine planning which confirms the practicality and economic viability of the larger scale approach.

TECHNICAL UPDATE

Hargraves

At the BNH Deposit thirty-three HQ3 diamond drill holes (5,437 metres) have been completed on the BNH Central Zone. Drilling is continuing with eleven drill holes (1,505 metres) remaining in the current program, and further holes awaiting NSW – DII approval to test for Central Zone extensions to the north. The BNH Central zone program is delineating initial resources from surface to 150 metres depth over a 300 metre strike length. At the BNH South Zone twenty two holes (4,080 metres) have been drilled.

The BNH South Zone program is testing extensions of mineralisation over 500 metres south of the Central Zone. It will provide information to assist in mine planning and decline access design.

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Expenditure in the last six months at Hargraves totals approximately \$2.5m. A detailed update on drilling results was provided in the Company's release to the Australian Securities Exchange on 17 March 2010.

Detailed studies based on drilling to date have led to an improved understanding of the geological and structural controls for the BNH Deposit mineralisation. **The recognition by the Company of a strong vertical control to the mineralisation from Feeder Structures is highly significant.** A new predictive orebody model is now being used to direct continuing drilling, and will form the basis for future resource estimation.

The new model predicts that high grade gold mineralisation should occur at the intersection of near vertical Feeder Structures with multiple bedding plane parallel sub-horizontal Reefs. Predictions have been confirmed on four drill sections completed to date. Holes targeted at intersections have returned wide quartz zones with visible gold (assays awaited) and numerous fine quartz veins carrying gold mineralisation adjacent to the Feeder Structures. Near vertical, well-mineralised Feeder Structures have now been traced over a strike length of 1,000 metres extending from the BNH Central Zone to the BNH South Zone and to 400 metres depth. **The new BNH ore body model, and the drilling results to date, greatly enhance the potential of the BNH Deposit, in particular the potential to define significant depth extensions.**

Holes are now drilled sub-parallel to the Feeder Structures to intersect the high grade mineralisation adjacent to the Feeder Structures and HGCD20 is interpreted to have intersected the main Feeder Structure with multiple coarse gold occurrences throughout a 30-40m down hole interval. HGCD11 is now interpreted to have intersected a faulted zone alongside the Feeder Structure and has returned 2.0g/t over 35m downhole, with elevated results from the Reef 3 position of 4g/t over 15m. Further assays are awaited for this hole and HGCD20. Bonanza grade intersections have previously been obtained elsewhere at Feeder Structure/Reef intersections, such as HGD13 (9775N) with 20g/t over 14m from 41m, and a previous explorer RC hole H-17 (9600N) with 86g/t over 6m from 71m.

Hill End

Underground activities at Hawkins Hill – Reward from December 2009 to March 2010 focused on drilling, development and stope preparation with minimal stoping. Gold production over this period has, therefore, been only from lower grade (approx. 4 g/t average) development material. The drilling and development work is a necessary precursor to more productive stoping. Attaining the correct balance between development and stoping activities is critically important in establishing a long life underground operation. Establishment of a critical mass of production areas must precede any expansion of the scale of mining beyond the current level.

Recently, the balance of activities has moved towards stoping of high grade ore.

Stoping of the Mica 1 veinset has now commenced on the 640 level (above the 1555 decline) in the high grade Emmetts area, where the veinset averages 35g/t over 1.1m for a strike length of 110m.

The Mica 2 veinset has also been identified as mineable in the same 1555 Decline – 640 level production block, and the decline is being extended downwards towards the Emmetts crosscourse in the expectation that high grade ore exists adjacent to the crosscourse.

The Mica 1 and Mica 2 veinsets are being mined in both the 1210 and 1380 Declines below the 640 level to open additional production blocks in the short term.

Advancement of the 1430 Incline into the wide Patriarch zone has been reduced with simultaneous increases in advance of the Declines described above to focus on high grade production. For the same reason, development of the Frenchmans veinset on the 780 level and the extension northwards of the 755 level drive (which tests a possible wide stope in the ROZ structure) have been assigned lower priority.

Recent drilling has identified a 300m-long high grade zone in the Stevens veinset, part of which is immediately in the hangingwall of the existing Paxtons workings on the 695 level. Detailed drilling to delineate the zone is underway.

Drilling continues with the Company-owned rigs off the 640 level and in the upper levels of the Reward shaft, where drill hole dewatering of the Exhibition workings has now been completed to the 755 level. The slow laboratory turnaround of assays has significantly delayed the drilling program.

STRATEGY UPDATE

Previously, the Company has announced that its basic gold exploration strategy was to explore, develop and gradually increase gold production from the Hawkins Hill - Reward deposit at Hill End and to explore, and ultimately develop, the larger earlier stage Hargraves Project that, together with Hill End, has a targeted resource potential of 4–5 million ounces.

Underground exploration and development efforts at Hawkins Hill – Reward, coupled with small scale production commencing in 2008, have confirmed the continuity and tenor of the high grade quartz vein system and outlined resources of 660,000 tonnes at 10.6g/t gold. In the December 2009 Quarterly report it was announced that during the quarter activities focused on underground drilling, development and planning to assess the potential of the outlined resources for an expansion of the project during 2010 to a production rate of 100,000 tonnes per year (approximate production rate of 40,000 ounces per year). During the December 2009 Quarter, production predominantly from lower grade development material was 1,511 ounces from 6,272 tonnes at 8.0g/t gold.

In the same Quarter, underground drilling identified a persistent near-vertical structural feature containing quartz ladder veins, over a strike length of at least 500 metres and dip length of 250 metres. This geologically significant Reward Ore Zone (ROZ) structure is considered to be a major control to the localisation of high grade gold shoots. **The discovery of the Reward Ore Zone has dramatically changed mine planning**, as it is a predictable and continuous structure closely associated with the gold mineralisation, and assists the targeting of drilling and potential development of wide ore zones at the intersection of the ROZ with the main veinsets. It opens up the possibility of bulk mining to underpin expansion plans. Its discovery, though very positive, has greatly increased the requirement for underground drilling with major impacts on both costs and timing. It was hoped that sufficient underground drilling would be completed to delineate early stoping blocks for detailed mine planning of an expanded scope by the end of the March quarter 2010. However, it was noted that the scope of the project expansion depended on the results of the drilling and mine planning activities.

The substantial success of the on-going drilling program at the Hargraves Project, which began in late 2009, has greatly elevated the priority of that project for the Company.

Accordingly, the Board has recently changed the Company's operating strategy in response to several key factors including:

- (a) The increased priority of the Hargraves Project.
- (b) Exploration and development drilling at Hawkins Hill – Reward which has not been completed rapidly enough to permit any early implementation of an expanded, bulk tonnage-type operation.
- (c) Gold revenue during the development-focused phase of recent months at Hawkins Hill – Reward has been substantially less than the cost of development, mining, processing and exploration thereby reducing working capital.

Consequently, the current strategy is to expand the drilling effort at Hargraves, and at least for the short term, to adopt a low tonnage-high grade production approach at Hawkins Hill – Reward to

increase gold revenue. Expansion to 100,000 tonnes of mine production per year at Hawkins Hill – Reward, as previously announced, will be deferred until sufficient exploration and development work is completed to form an adequate basis for mine planning which confirms the practicality and economic viability of the larger scale approach.

Given the very positive developments at the Hargraves Project, the Company is considering various avenues for obtaining capital necessary to accelerate the realisation of the outstanding potential of the Hargraves Project.

Philip Bruce

Attribution

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mike Quayle and Philip Bruce. Mr Quayle is a Member of The Australian Institute of Geoscientists and is a full-time geological employee of the company. Mr Bruce is Fellow of the Australasian Institute of Mining and Metallurgy and both Mr Quayle 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Quayle and Mr Bruce consent to the inclusion in the announcement of the matters based on their information in the form and context in which they appear.

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