

Report for June 2005 Quarter

29 July 2005

ASX Code : HEG
HEGO

HIGHLIGHTS

- ***Excellent drilling results in the Reward area at Hill End have indicated a broad zone of high grade gold mineralisation over a strike length of 370 metres to date.***
- ***Diamond drilling has returned broad intersections of up to 25 metres downhole width with three major veins identified in the hanging wall zone known as Suttor's, Frenchman's and Cross' vein.***
- ***The continuous veins contain coarse gold associated with minor sulphide material with individual assays of up to 38g/t over 0.4 metres and mineralised veins up to 10 metres in width.***
- ***Diamond drilling continues at Reward with the next program starting in the first week of August to infill and extend the outline of the deposit with a target scope of 500,000 – 1,000,000 tonnes between 10 and 20 g/t.***
- ***The Reward deposit is now interpreted to extend north for an additional 500 metres to below the Golden Mile deposits.***
- ***At Red Hill a new high grade target of the Hawkins Hill – Reward style has been identified from 100 metres below surface in a broad slate bearing unit with a target potential similar to Reward.***
- ***A new exploration licence has been applied for south of the existing EL 5868 over the interpreted continuation of the Hill End structural zone containing the Hill End Fault with unexplored old gold workings and the Bruinbun Granite with previous exploration for molybdenum.***

CORPORATE

The Company has recently completed a placement raising gross proceeds of \$400,000 from the issue of 5,000,000 ordinary fully paid shares at 8 cents per share and 2,500,000 options exercisable at 15 cents and expiring 30 May 2007. The placement was undertaken through Martin Place Securities Pty Ltd.

HAWKINS HILL – REWARD GOLD PROJECT

Reward drilling

High grade gold deposits occur in the Hawkins Hill – Reward mineralised system as zones of bedding veins linked with quartz stockwork mineralisation within the recently recognised Hill End structural corridor. The structural corridor is the main controlling feature for high grade mineralisation and extends for tens of kilometres along strike. There are outcropping high grade deposits such as Hawkins Hill, Reward, Golden Mile and Red Hill where slaty stratigraphy, which hosts the bedded veins, intersects the structural corridor. It is believed that further deposits occur down plunge and down structure of these outcropping deposits with the Hill End system hosting multiple million ounce deposits.

The Reward area is located 500 metres north of the very high grade Hawkins Hill deposit, which produced a reported 400,000 ounces at a grade of approximately 300g/tAu during the nineteenth century. The Reward area is geologically similar to the Hawkins Hill and Tambaroora - Red Hill deposits at Hill End which are estimated to have contained ~one million ounces prior to mining during the nineteenth century.

During the quarter, a first stage reverse circulation and diamond drilling program was completed in the Reward area. The program was designed to:

- ❖ test near surface over workings in the area between the Patriarch Shaft and the Exhibition Shaft, and to
- ❖ extend the high-grade mineralised zone in the Reward area intersected by previous drilling to over 200 metres in strike length.

The diamond drilling has indicated to date a strike length of the high grade hanging wall veins of 370 metres while near surface potential has been partially tested.

Twelve RC holes were completed totalling 931.4 metres with five holes continued on with HQ3 diamond tails for a further 502.7 metres drilled. Drilling conditions were generally good with only minor groundwater intersected. The list of drill hole results is noted in the attached table.

The diamond drill holes were designed to intersect the interpreted strike extensions of the high grade zone at Reward which has returned assays up to 208g/tAu over 0.9 metres from previous drilling. Based on the drill results, a reliable predictive model has now been established for the three main hanging wall veins in the 120 metre wide unit which hosts the high grade mineralisation at Hawkins Hill – Reward. These veins are the Suttor's Blow,

Frenchman's and Cross' veins which have good continuity within the Reward hanging wall zone which has up to 25 metres downhole width and is open down dip and along strike.

The three main hanging wall veins contain coarse gold associated with minor sulphide material. Individual veins assayed up to 38g/tAu over 0.4 metres with mineralised veins of up to 10 metres wide carrying 1g/tAu. It is noted in other deposits similar to those at Hill End that the distribution of the coarse gold mineralisation in the veins produces similarly variable assay results in high grade gold mineralisation.

A second stage program of diamond drilling will start in the first week of August to infill and extend the outline of the high grade gold mineralisation at Reward with a target scope of 500,000 – 1,000,000 tonnes with an average grade between 10 and 20 g/t.

Mapping and interpretation of the northerly extension of the Reward deposit in close proximity to the very rich Emmett and Hughes crosscourse is in progress. There has been almost no mining on the Reward mineralisation beyond this crosscourse as it was more than 100 metres below surface to the north. It has been identified that the Reward deposit is likely to extend down plunge for at least an additional 500 metres to the north to below the Golden Mile area which is the next outcrop of high grade mineralisation in the stratigraphic sequence to the north. In the Golden Mile area there has been no drilling yet on the Golden Mile deposits or at depth within the mineralised structural corridor.

In addition to the Reward area there are further areas to be tested within the eastern structural corridor and the West Limb project areas. These highly mineralised corridors have extensive, continuous surface workings up to 100 metres wide and parallel to the Hill End Anticline for a strike length of over 20 kilometres in which virtually no modern exploration has been done.

HILL END EXPLORATION

Red Hill

The outcropping mineralisation at Red Hill is hosted by a relatively tight stratigraphic unit which is predominantly greywacke/sandstone. Historical mining and diamond drilling by Flanagan McAdam during the 1980's have identified a broad slaty unit, at a depth of 100 metres, which is similar to the mineralised slates at Hawkins Hill – Reward. A drilling program is planned to test this slaty unit for deposits at depth.

Gowan Exploration Licence Application

The Hill End gold field is located about the Hill End Anticline with workings along either flank for a distance of 30 kilometres. The historically recognised southern boundary of the field is at Chambers Creek with the Bruinbun Granite to the south of Chambers Creek truncating and post dating the mineralisation. It is noted that south of the Bruinbun Granite the Hill End anticline continues for a further 10 kilometres in close association with the Hill End Fault.

It is believed that the structures hosting gold mineralisation along the Hill End Anticline are also present to the south of the Bruinbun Granite. Local knowledge indicates prospecting and mining in the Killongbutta area in the 1930's along the Hill End Anticline. Application has

been made for an Exploration Licence of 165 square kilometres to have the entire prospective length of the Hill End Anticline under tenement.

Bruinbun Granite

Previous exploration by Noranda Australia Limited was undertaken to follow up the discovery of molybdenite bearing quartz material in Chambers Creek sediments. The molybdenum is associated with the Bruinbun Granite but no hard rock source was found. Reconnaissance work is being planned to investigate the source of the molybdenite occurrence.

General

Following field investigation of geophysical anomalies in EL 6119 and EL 6125, the decision was made to relinquish these tenements.

Attribution

Exploration comment and data herein are based on information provided by either Mr John Gallo of JNK Exploration Services or Mr Ian Cooper of Southern Cross Technical and Field Services. Mr Gallo is a Fellow of the Australasian Institute of Mining and Metallurgy and Mr Cooper is a Member of The Australasian Institute of Mining and Metallurgy. Both Mr Gallo and Mr Cooper have sufficient relevant experience in the styles of mineralisation being reported on to qualify as Competent Persons as defined in the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves".

Yours faithfully



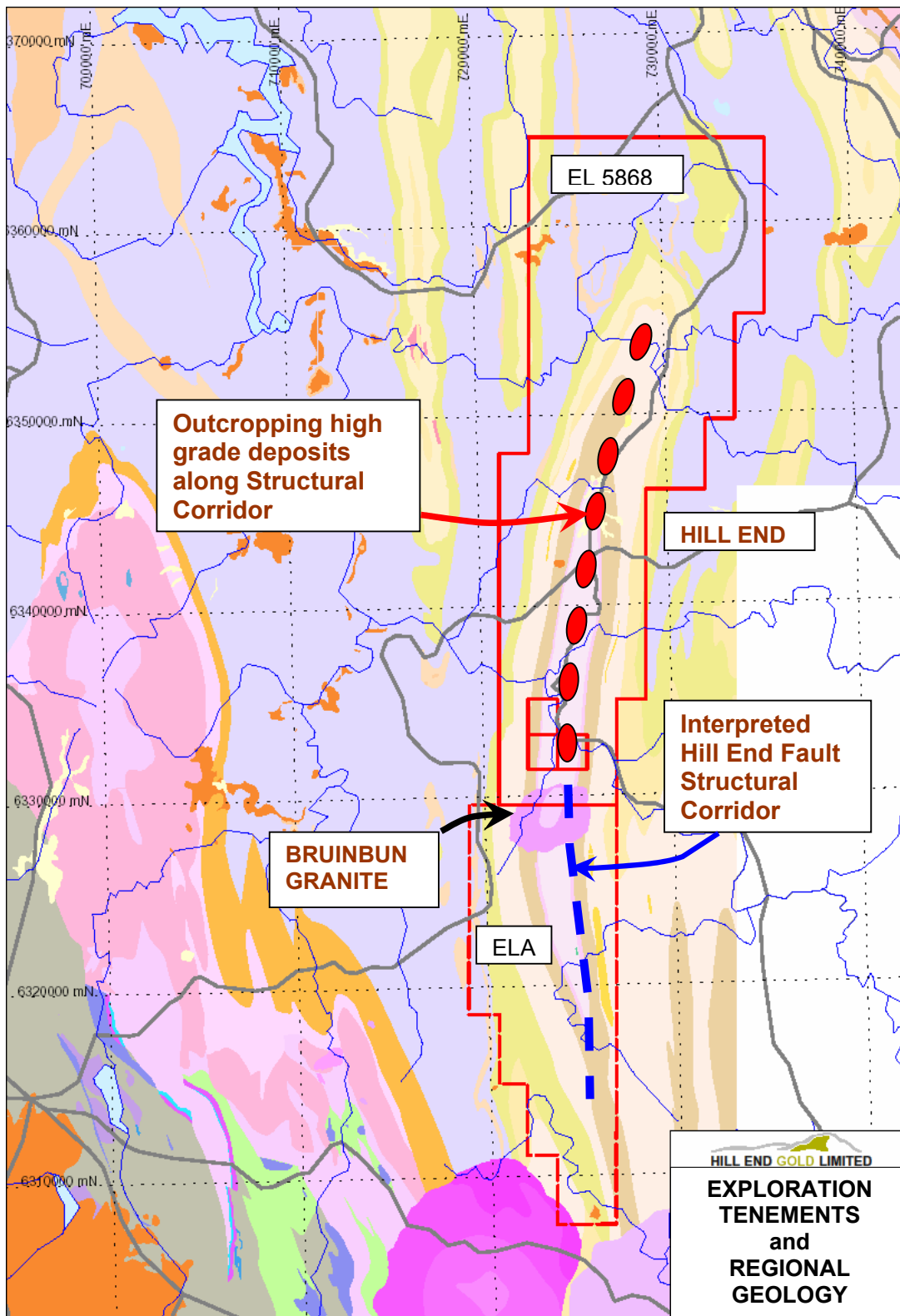
Philip Bruce
Managing Director

Attached: - Table of First Stage Reward Drilling Results
 - Exploration Tenements and Regional Geology
 - Reward Area Drilling Program

Hawkins Hill / Reward Area Significant Assay Results Stage 1 April - June 2005

Hole name	MGA Easting	MGA Northing	Dip (deg)	Azimuth (MGA)	Total Depth (m)	From (m)	To (m)	Interval (m)	Gold Grade (g/t)*	Sample Type	Comments
HHRCD01	725297	6341701	-50	270	78	No significant intercepts					
HHRCD02	725338	6341698	-50	280	78	No significant intercepts					
HHRCD03	725380	6341694	-50	269.5	140.9	17.00	18.00	1.00	0.52	RC	quartz, Fe-oxide veining in siltstone
						48.00	49.00	1.00	0.70	RC	thin quartz vein in slate
						64.00	65.00	1.00	0.37	RC	thin quartz, Fe-oxide vein in slate
HHRCD04	725354	6341597	-50	268	108.8	No significant intercepts					hole abandoned in slope
HHRCD05	725292	6341504	-52	268.5	72	No significant intercepts					
HHRCD06	725451	6341682	-55	265	248.9	156.00	156.15	0.15	7.77	HQ core	quartz, calcite, chlorite, pyrite, pyrrhotite vein
						170.70	173.20	2.50	6.11	HQ core	multiple quartz, calcite, chlorite, pyrite, pyrrhotite, galena veins, visible gold
					includes	171.00	171.40	0.40	37.82	HQ core	4mm visible gold particle
						193.80	193.92	0.12	1.47	HQ core	quartz, calcite, pyrite, pyrrhotite vein, visible gold?
HHRCD07	725421	6341542	-65	269	277.4	99.76	100.26	0.50	12.45	HQ core	quartz, calcite, chlorite, pyrite veins, visible gold
						144.92	145.02	0.10	1.48	HQ core	quartz, calcite, pyrite vein
						148.63	148.75	0.12	6.12	HQ core	quartz, calcite, chlorite, pyrite veins
						156.15	156.30	0.15	15.45	HQ core	quartz, calcite, pyrite, pyrrhotite veins
						161.95	171.60	9.65	0.99	HQ core	stock work quartz, calcite, chlorite, pyrite, pyrrhotite, galena veins, visible gold?, electrum?
					includes	161.95	162.07	0.12	4.01	HQ core	
					and	165.03	165.15	0.12	1.34	HQ core	
					and	167.90	171.60	3.70	2.26	HQ core	higher intensity veining
					or	169.85	170.85	1.00	5.28	HQ core	higher intensity veining
						211.05	211.65	0.60	0.52	HQ core	quartz, calcite, chlorite, sericite, pyrite, pyrrhotite vein
HHRCD08	725348	6341499	-50	269	90	No significant intercepts					
HHRCD09	725374	6341334	-52	258	150.1	23.00	24.00	1.00	0.48	RC	trace vein quartz
						71.00	72.00	1.00	5.52	RC	trace vein quartz;
						104.37	104.50	0.13	0.47	HQ core	quartz, calcite, chlorite, pyrite, pyrrhotite vein, visible gold?
						135.20	135.50	0.30	0.36	HQ core	quartz, calcite, chlorite, pyrite, pyrrhotite, chalcopyrite veins
HHRCD10	725370	6341399	-50	269	70	59.00	60.00	1.00	3.95	RC	quartz vein in slate; hole abandoned in slope
HHRCD11	725330	6341416	-50	264	48	No significant intercepts					stopes at 20m and 28m.
HHRCD12	725303	6341293	-55	278	72	52.00	53.00	1.00	7.07	RC	thin quartz vein in slate
						67.00	68.00	1.00	0.01	RC	7.53ppm Au by 50g fire assay; thin quartz vein in slate

* Gold content by Screen Fire Assay

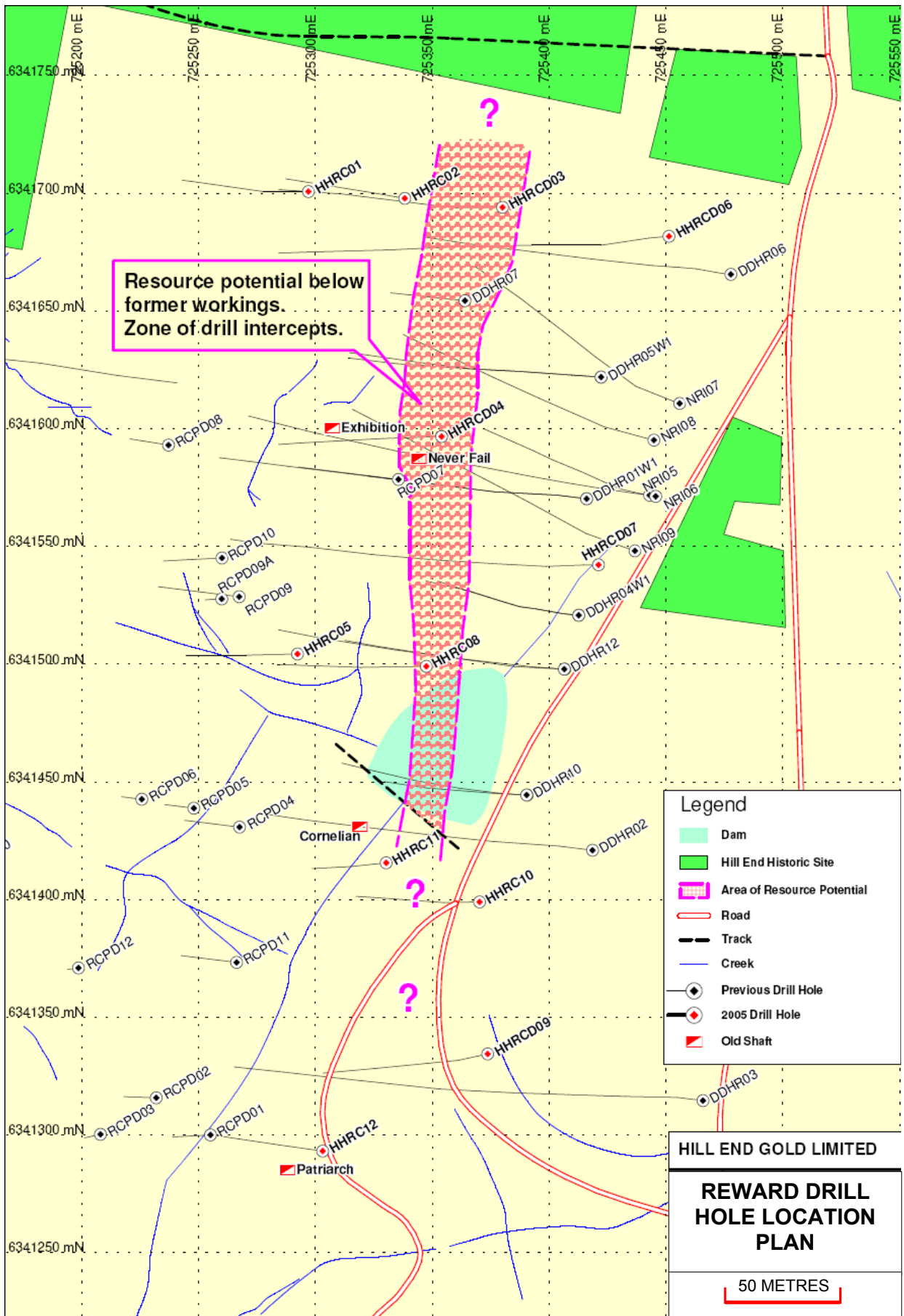


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