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Report for December 2004 Quarter

31 January 2005

ASX Code : HEG  
HEGO

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### HIGHLIGHTS

- *Improved understanding of the controls to the mineralisation in the Hill End area has indicated the potential for repetitions of high grade gold shoots below previous drilling at the Reward area.*
- *Data compilation and modelling of the mineralisation in the Hawkins Hill – Reward area has demonstrated the potential for mineralisation to repeat at depth within the Hawkins Hill ‘mine sequence’ and at depth within the well-defined sub-vertical structural corridor extending from south of Hawkins Hill to north of Red Hill.*
- *Re-logging of diamond drill core in the Hawkins Hill – Reward area has identified additional mineralisation within the known area of mineralisation at Reward.*
- *Rising commenced within the unmined Central Hawkins Hill along the intersection of the Holtermann’s crosscourse.*
- *Expressions of interest received for proposed Hawkins Hill – Reward development and drilling of down plunge extensions to Hawkins Hill.*

## **CORPORATE**

During the quarter Hill End Gold Limited completed a placement of ten million shares through Martin Place Securities Pty Limited at 10 cents per share to raise \$1.0 million before costs. Attached options on a one for every two shares were issued to the placees.

Expressions of interest have been received from mining contractors for the next stage of development at Hill End. Fundraising will be undertaken for the proposed development to sample and drill interpreted extensions of Hawkins Hill and the zone of mineralisation below the Reward area.

## **HAWKINS HILL – REWARD GOLD PROJECT**

Compilation of the historical exploration and mining data continued during the quarter. A comprehensive review of Hawkins Hill – Reward drilling included drillhole location and examination of all data and available core from previous diamond drilling by Northern Gold NL (NGNL) and Nugget Resources Inc (NRI). NGNL drilled holes DDH R1 to DDH R12 in the 1980's for 3273 metres and NRI drilled holes NRI 01 to NRI 13 in the 1990's for 3470 metres.

Drill core from holes DDH R3 and DDH R9 was found in government archives and examined. Core from holes DDH R1, R1W1, R4 and R10, which was located at Silver Orchid Pty Ltd storage at Hill End, is yet to be examined. Core from holes DDH R5, R6, R7, R8, R11 and R12 has been lost.

Drill core from holes NRI 1 to 9 has been examined with some additional sampling of quartz veins yet to be assayed. Visible gold was located in some samples. Assays are pending.

The limited number of holes in the two kilometres of strike of Hawkins Hill – Reward in the zone below the high grade workings indicates that the area remains grossly under-explored.

A more complete database of all information within the Hawkins Hill – Reward area has assisted modelling of the mineralisation within the Hawkins Hill 'mine sequence' stratigraphy.

The Hawkins Hill 'mine sequence' is a stratigraphic horizon approximately 120 metres thick comprised of alternating bands of greywacke and slate hosting extensive mineralised quartz veins. The sequence dips about 65° to the east and is well mineralised where it intersects the sub-vertical structural corridor which is parallel to the cleavage direction of the axial plane of the Hill End Anticline. Mineralised quartz veins can be parallel to either the bedding or cleavage direction. This is an important relationship in that, while the mineralisation is largely contained by the north plunging intersection of the stratigraphy with the structural corridor, the individual high grade gold shoots can be dipping east in bedding veins though repeating in parallel shoots aligned vertically. Drilling to test the downdip vein extensions has not tested the depth potential.

Much of the previous Reward area drilling targeted extensions of the mineralisation down the dip along bedded veins rather than in the parallel repetitions at depth so that several holes have been drilled too short to test the Reward target area. The Reward area mineralisation

**Mine and Administration**  
C/o Hill End Post Office  
Hill End NSW 2850  
Phone 02 63378319  
Fax 02 63378133

**Exploration**  
Bowen Street  
Hill End NSW 2850  
Phone 02 63378343  
Fax 02 63378345

**Sydney**  
Suite 1310, 3 Spring Street  
Sydney NSW 2000  
Phone 02 82494416

**Registered Office**  
P O Box 92 Earlville QLD 4870  
Phone 07 4033 1805  
Fax 07 4033 6415

is open at depth and also remains partially open to the north and south of the current intercepts.

Additional surface drilling is planned combined with the proposed underground development and drilling program. Re-logging and sampling of the remaining drillcore will be completed during the March quarter.

Rising continued on the Holtermanns crosscourse to test for enriched gold mineralisation along the intersection of the Star of Peace vein and the northern splay of the structure. The rise advanced 19 metres with no significant gold mineralisation encountered within the associated quartz blow nor in the Star of Peace vein. Rising will continue during the coming quarter along the intersection with sublevel intermediates being driven at ten metre intervals. Cross cutting to the Mica vein will be undertaken to test the Mica vein intersection which was the location of the very high grade mineralisation approximately 90 metres above the present rise position.

## **HILL END EXPLORATION**

Additional mapping of the West Limb area (Clines, Whites and Kings line of workings) was undertaken during the quarter. Exploration data compilation was completed in preparation for database entry. Further drilling is proposed for the Red Hill and West Limb areas.

The high grade mineralisation at Hill End is strongly influenced by the north-striking, sub-vertical structural corridor which has been mapped on the east side of the Hill End Anticline from south of Hawkins Hill to north of Red Hill for a strike of over ten kilometres and approximately 100 meters wide.

The regional potential for repetitions of the large high grade Hawkins Hill – Reward and Red Hill – Tambaroora deposits is quite high, particularly at depth where almost no exploration has been undertaken.

Yours faithfully

Philip Bruce  
Managing Director