

Initial resources for Red Hill

14 September 2004

**ASX Code : HEG
HEGO**

Exploration funds raised earlier this year for drilling in the Red Hill area have resulted in the first resource estimate for the Hill End project. The successful drilling program over the Red Hill project area, located five kilometres to the north of Hill End, New South Wales, has outlined approximately 27,000 ounces of gold in three contiguous zones of shallow gold mineralisation.

The Red Hill drilling program targeted near-surface weathered mineralisation in addition to high grade zones associated with the extensive historical workings in the area. The White's, Old Red Hill and Marshall McMahon zones have potentially economic open pittable gold mineralisation within an area of approximately 50 metres in width and totalling approximately 750 metres in strike length.

Mineralisation Category	White's			Old Red Hill		
	Tonnes	Grade	JORC Category	Tonnes	Grade	JORC Category
Oxide	209,400	1.05	Indicated	177,600	1.50	Inferred
Transitional	275,700	1.27	Indicated			
TOTAL	484,100	1.18	Indicated	177,600	1.50	Inferred
Contained gold	18,300 ounces			8,600 ounces		

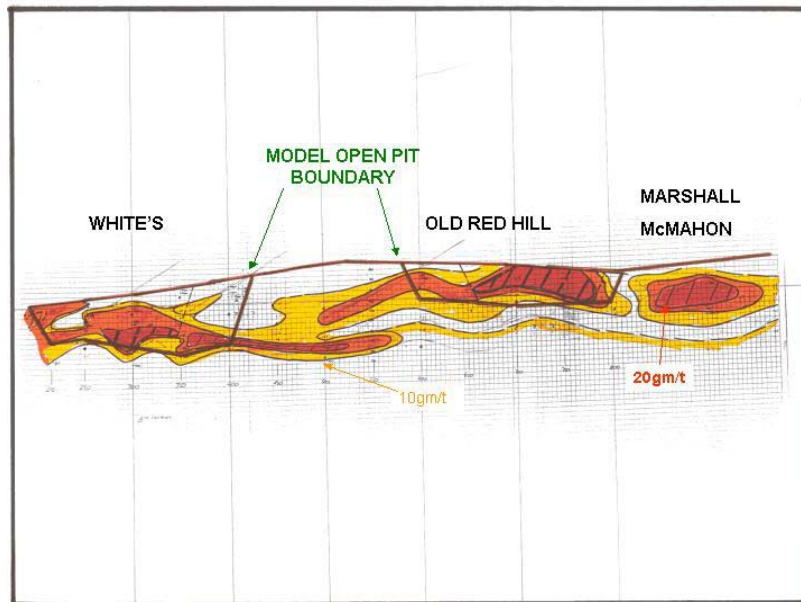
It is noted that the oxide and transitional (partially oxidised) mineralisation is open along strike and primary mineralisation is open at depth and along strike with many drill holes finishing in good grade. The Marshall McMahon zone, which is along strike to the north of White's and Old Red Hill, requires additional drilling for a resource estimate.

Further funds will be raised to extend the near-surface resources at Red Hill and to explore the many other targets in the Hill End area and to pursue deeper targets in the Hawkins Hill – Reward area areas by development.

Metallurgical testing of oxide, transitional and primary samples from White's and oxide samples from the Old Red Hill resource drill intersections was carried out with results indicating excellent gold recovery using simple gravity and leach processing at a relatively coarse grind. In summary, for all mineralisation categories:

- gold appears to be free gold and liberated at a maximum particle size of 212 microns;
- the leach tail assays were all low with total gold extraction of 98-99%;
- gold recovery by amalgamation (~gravity recoverable) averaged 77% and the remainder leached quite rapidly over approximately six hours.

The Red Hill zones appear to be flat-lying along strike and contain gold mineralisation in association with quartz veins dipping steeply to the east. Gold mineralisation occurs in a dilatant central zone of approximately 50 metres width between high-grade footwall and hanging wall mineralisation.



Longitudinal section looking west, Red Hill Workings, showing g.m/t contours

The interpretation of the mineralisation at White's and Old Red Hill areas indicates a level of continuity at the 0.2g/tAu cut off grade sufficient for the estimation of JORC resources. The apparent "barren" gap between White's and Old Red Hill could be due to the presence of a massive greywacke unit, which may not have produced the dilation sites necessary for multiple mineralised veins.

The cross sectional polygonal resource estimation for oxide and transitional material was completed for the White's and Old Red Hill areas using the following parameters:

Parameter	Criteria
Lower Cut Off Grade	0.2g/tAu (low cost mining and processing)
Upper Cut Off Grade	Nil, no composite > 5g/tAu
Assay Interval	1 metre
Intersection Grade Averaging	Arithmetic
Sectional Grade Averaging	Polygon area weighted
Internal Dilution	Two assay intervals (2m)
Mining Dilution	Nil
Polygon Influence on Section	Half distance to adjacent drill hole
Polygon Influence between Sections	Half distance to adjacent section
Nominal Pit Slopes	60° east slope, 45° west slope
Bulk Density	2.5t/m ³

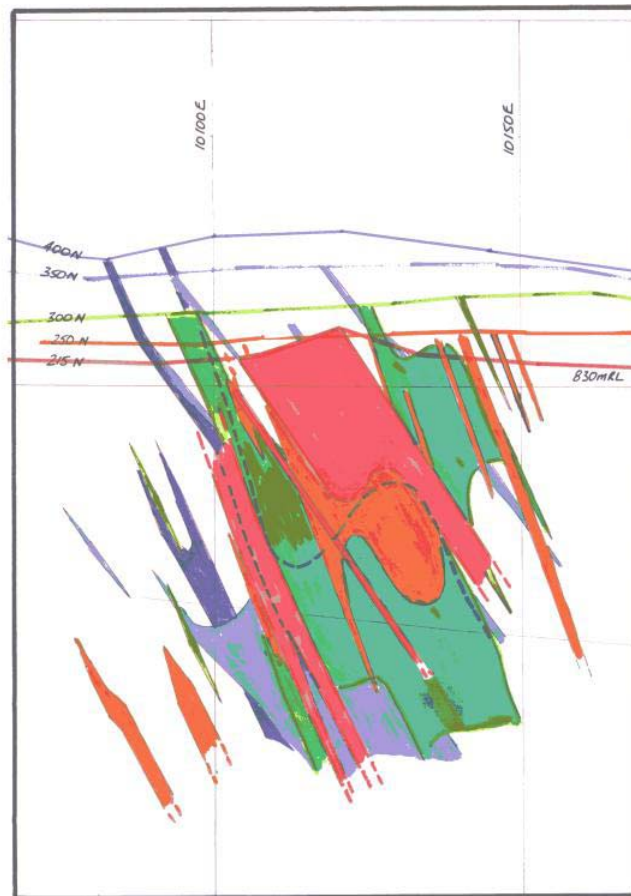
A compilation of stacked cross sections of the smoothed polygons and a contoured gram.metre/tonne longitudinal section demonstrated, in the White's area:

- the apparent north plunge of the smoothed 0.2g/tAu cut off grade block shapes;
- the footwall and hanging wall "wings" to the main mineralisation;

- the coalescing of footwall and hanging wall mineralisation to form the main zone of mineralisation.

Similar geological controls for the Old Red Hill area are interpreted, while data are as yet insufficient at the Marshall McMahon area to establish mineralisation continuity.

Extrapolation of the mineralised polygons in the White's area to the surface also showed a definite N-S trending zone cutting across mapped stratigraphy and open stopes following bedded quartz veins. Stacked sections for the White's and Old Red Hill areas indicate that significant mineralisation occurs within an approximately 50m wide, grid north trending corridor centred on 10100E.



Stacked smoothed sectional polygons looking north, White's Area.

Further drilling is expected to extend the resources in the Red Hill area, particularly along strike. Additional drilling is also planned for the extensive mineralised structural corridor to the west of the Hill End Anticline along the Clines line of workings.

Attribution

Exploration comment and data herein are based on information provided by Mr John Gallo of JNK Exploration Services. Mr Gallo is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient relevant experience in the styles of mineralisation being reported on to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves".

For further information: Philip Bruce 0412 409555
Media Enquiries: Suzanne Blake 0414 233500