

HILL END GOLD LIMITED  
ACN 072 692 365

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2006

**APPENDIX 4D REPORT TO ASX**

**HILL END GOLD LIMITED  
ACN 072 692 365**

**HALF YEAR REPORT**

**Half Year Ended 31 December 2006**

Revenue from ordinary activities	up	785%	to	<b>\$'000</b> <b>177</b>
Profit (loss) after tax from ordinary activities attributable to members	down	61%	to	<b>(394)</b>
Net Profit (loss) after tax attributable to members	down	61%	to	<b>(394)</b>
Dividends	<b>Amount per Security</b>			<b>Franked amount per security at 30% tax</b>
Final dividend	-			-
Interim dividend	-			-
Record date for the determination of results	n/a			n/a

**This half-year report is to be read in conjunction with the annual financial report the year ended 30 June 2006**

## 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 2006

### **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 (Executive Director)  
Ian Noel Stuart Sloan (Non-Executive Director)  
Bruce Geoffrey Thomas (Non-Executive Director)

### **Principal Activities**

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

### **Review of Operations**

During the period under review, the Company continued exploration and development activities in the Hill End Project Area.

### **Corporate**

During the period the Company completed a placement to raise a net amount of \$3.893 million through the issue of 36.286 million ordinary shares (HEG) and 18.143 million 15 cent options, which are exercisable by 31 May 2007 (HEGOA).

### **Exploration**

Hill End is targeting a resource potential of 4 – 5 million ounces interpreted to exist below shallow workings within the under-explored Hill End Anticline.

### **Hawkins Hill – Reward Gold Project**

During the period, high grade gold shoots were the target of exploration and development activities, particularly along the ten kilometres of strike encompassing the Hawkins Hill, Reward, Scandinavian, Germantown and Red Hill areas.

Diamond drilling recommenced at Hill End on 24 September with a 2,000 metre diamond drilling program to extend the resource area at Reward and to test the Germantown and Scandinavian areas. This drilling program was completed in January with 2071 metres drilled in seven holes. Two high grade zones, the Exhibition and Cornelian, were drilled in the Reward resource area, with excellent drill intersections extending the Paxton's and Phillipson's vein sets to strike lengths of 300 metres and 375 metres respectively.

Drilling along strike to the north of the Exhibition area has extended Reward beyond the Robert Emmett's Cross Course, which has been the historical limit of the Reward area mineralisation. The Reward mineralisation is now interpreted to continue at depth beneath the town of Hill End where no drilling has yet taken place. Diamond drilling at Germantown, which is located to the west of town in the central part of the Hill End Anticline, has commenced and approval for diamond drilling of the Scandinavian area from the roads in Hill End is anticipated soon.

Based on the old workings at Hawkins Hill, Patriarch and Reward and the drilling results in the area, the strike length of the individual Hawkins Hill – Reward vein sets is interpreted to be approximately one kilometre and open along strike to the north.

In August 2006, Dr Simon Dominy and Andre Gaston of Snowden Mining Industry Consultants visited Hill End to progress the preliminary scoping study and to complete the Reward resource estimation. The successful diamond drilling program at Reward has led to a review of the Snowden Mining Industry Consultants draft scoping study.

The 2006 initial mineral resource estimate for part of the Reward area was 680,000 tonnes at 6g/tAu. During the period mini-bulk samples were taken for metallurgical testwork from one of the Amalgamated veins with a resulting gravity recovery of 98% at a grind size of P80 670µm.

It is proposed to develop directly into the high grade Exhibition area and sample and process the Paxton's and Steven's vein sets. Following bulk sampling, the Reward high grade area target potential is expected to be of the order of 100,000 tonnes at 20 –30g/t.

The start of mine development to Reward and the refurbishment of the sample gravity plant are planned for April 2007. Approvals are in place for the underground sampling and processing of the Reward area.

A 250 metre geotechnical hole to test the new Exhibition shaft position for rock quality and the presence of significant structures is to be drilled in the near future. The planned schedule is to mine and process bulk samples from the Paxton's and Steven's vein sets during 2007.

Gekko Systems have completed a preliminary review of the Amalgamated processing plant as a bulk sampling plant for the Reward development with an estimated cost to re-commission the plant and install a gold room of approximately \$0.25m.

Underground bulk sampling may lead to the development of the Reward underground project as a small, though profitable, high grade operation.

### ***Future Exploration***

Additional targets in the Hawkins Hill – Reward area include the Amalgamated and Brand and Fletcher's vein sets in the un-mined and unexplored mineralised corridor beneath the historical Hawkins Hill deposit. The new Hawkins Hill target is in close proximity to the Amalgamated plant and further evaluation and underground drilling is planned.

### ***Red Hill Gold Project***

The Red Hill project is located over a zone of near surface gold mineralisation and old high grade workings of three kilometres in strike length and 50 to 100 metres in width. The area is being evaluated as an open pit project, which may be worked together with the Reward project and processed through a combined plant located in the Red Hill area.

A reverse circulation drill rig arrived at Hill End during January 2007 and reverse circulation drilling and diamond drilling has recommenced at Red Hill to follow up intersections from the early 2006 drilling program. The initial 3000 metre forty hole program is designed to extend the resources along strike, to test for parallel mineralised corridors and drill areas which are potential infrastructure sites for open pit and plant construction.

An updated Red Hill resource estimate will be completed by mid-year. Preparation for a mining lease application for the Red Hill area has commenced.

### ***Other Exploration***

The diamond drill rig and RC rig will move to scout drilling at Germantown, north of Red Hill at Valentine, Emily and Old Company, then to the Clines Gully line and the Kings/ Marshall's Line on the western side of the Hill End Anticline.

Work on the Gowan exploration licence EL6558 has identified a number of targets which are being assessed with field work over the coming quarter.

### **Significant Changes in the State of Affairs**

There were no significant changes in the state of affairs in the Company during the half year other than, the Company raising \$3.992 million (before costs) in two Placements which were used to continue exploration and development in the Hill End Project Area

### **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 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.

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

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2006.

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



**ALFRED PATON**  
Chairman  
Sydney 14 March 2007



**PHILIP BRUCE**  
Managing Director

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Hill End Gold Limited**

I declare that, to the best of my knowledge and belief, in relation to our review of Hill End Gold Limited for the half-year ended 31 December 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



**William Buck**  
Chartered Accountants

Dated: 14 March 2007.  
Brisbane, Australia.



**D W Langdon**  
Lead Audit Partner

HILL END GOLD LIMITED

INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	Half year Ended 31 Dec 2006 \$'000	Half year Ended 31 Dec 2005 \$'000
Revenues	2	177	20
ASX / Registry Expenses		(51)	(23)
Travel and Accommodation Expenses		(64)	(16)
Directors Emoluments		(159)	(67)
Office Expenses		(30)	(33)
Professional Services		(97)	(18)
Depreciation Expense		(31)	(32)
Advertising / Promotions Expenses		(10)	(8)
Other expenses		(131)	(67)
<b>Loss before income tax expense</b>		<b>(394)</b>	<b>(244)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(394)</b>	<b>(244)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(0.37)	(0.003)
Diluted earnings per share		(0.37)	(0.002)

*The accompanying notes form part of these financial statements.*

**HILL END GOLD LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	31 Dec 2006 \$'000	30 June 2006 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	3,602	1,633
Trade and other receivables	550	41
	<hr/>	<hr/>
<b>Total Current Assets</b>	4,152	1,674
<b>Non-Current Assets</b>		
Other non-current assets	207	203
Property plant & equipment	429	421
Capitalised exploration and tenement expenditure	6,773	5,944
	<hr/>	<hr/>
<b>Total Non-Current Assets</b>	7,409	6,568
	<hr/>	<hr/>
<b>Total Assets</b>	11,561	8,242
	<hr/>	<hr/>
<b>Current Liabilities</b>		
Trade and other payables	368	448
Short-term provisions	19	19
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	387	467
	<hr/>	<hr/>
<b>Non-Current Liabilities</b>		
Trade and other payables	-	100
	<hr/>	<hr/>
<b>Total Non-Current Liabilities</b>	-	100
	<hr/>	<hr/>
<b>Total Liabilities</b>	386	567
	<hr/>	<hr/>
<b>Net Assets</b>	<b>11,174</b>	<b>7,675</b>
	<hr/>	<hr/>
<b>Equity</b>		
Issued capital	14,188	10,296
Retained losses	(3,014)	(2,621)
	<hr/>	<hr/>
<b>Total Equity</b>	<b>11,174</b>	<b>7,675</b>
	<hr/>	<hr/>

*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 2006

	Share Capital Ordinary	Retained Earnings	Total Equity
<b>Balance at 1 July 2005</b>	7,049	(1,920)	5,129
Profit (loss) attributable equity shareholders		(244)	(244)
Shares issued during the year	3,245		3,245
Subtotal	10,294	(2,164)	8,130
Dividends paid or provided for	-	-	-
<b>Balance at 31 December 2005</b>	10,294	(2,164)	8,130
<b>Balance at 1 July 2006</b>	10,295	(2,620)	7,675
Profit (loss) attributable equity shareholders		(394)	(394)
Shares issued during the year	3,893		3,893
Subtotal	14,188	(3,014)	11,174
Dividends paid or provided for	-	-	-
<b>Balance at 31 December 2006</b>	14,188	(3,014)	11,174

*The accompanying notes form part of these financial statements.*



**HILL END GOLD LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	<b>Half Year Ended 31 Dec 2006 \$'000</b>	<b>Half Year Ended 31 Dec 2005 \$'000</b>
<b>Cash Flows From Operating Activities</b>		
Interest received	77	20
Payments to suppliers and employees	(1,584)	(717)
Other	100	20
	(1,407)	(677)
<b>Net cash inflows (outflows) from operating activities</b>		
<b>Cash Flows From Investing Activities</b>		
Payments for property plant & equipment	(39)	(2)
	(39)	(2)
<b>Net cash inflows (outflows) from investing activities</b>		
<b>Cash Flows From Financing Activities</b>		
Proceeds from the issue of shares	3,491	3,194
Other (Costs of Issue)	(76)	(226)
	3,415	2,968
<b>Net cash inflows from financing activities</b>		
<b>Net Increase (Decrease) in Cash Held</b>	1,969	2,289
Cash at the Beginning of the Financial Year	1,633	323
	3,602	2,612
<b>Cash at the End of the Financial Year</b>	<b>3,602</b>	<b>2,612</b>

*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 2006

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

##### **Statement of Compliance**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: "Interim Financial Reporting", Australian Standards Board Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The interim half-year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the interim half-year financial report be read in conjunction with the Annual Financial Report of Hill End Gold Limited as at the 30 June 2006. It is also recommended that the half-year financial report be considered together with any public announcement made by Hill End Gold Limited during the half year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Hill End Gold Limited is a company incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs.

The report was approved by the Board of Directors on 14 March 2007.

##### **Significant Accounting Policies**

The accounting policies applied by the company in this interim financial report are the same as those applied by the company in its financial report for the previous financial year and the corresponding interim reporting period.

##### **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 2006.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	31 Dec 2006 \$'000	31 Dec 2005 \$'000
<b>2. REVENUE</b>		
<b>Revenue from outside the operating activities</b>		
Interest received	77	20
Option Fee	100	-
	177	20

**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 2006 Number	31 Dec 2005 Number
<b>Ordinary Shares</b>		
Balance at 1 July	95,640,114	52,209,625
Shares Issued	36,290,740	43,393,750
Balance at 31 December	131,930,854	95,603,375

**Share Capital**

The company recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares

	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Issuance of ordinary shares	3,891	3,245

**5. CONTINGENT LIABILITIES**

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

**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 5 to 10:
  - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations;
  - (b) give a true and fair view of the Company's financial position as at 31 December 2006 and 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.

Signed in accordance with a resolution of the Directors:



**Alfred Paton**  
**Chairman**

**Sydney**  
**14 March 2007**



**PHILIP BRUCE**  
**Managing Director**

HILL END GOLD LIMITED

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hill End Gold Limited

We have reviewed the accompanying half-year financial report of Hill End Gold Limited ("the Company"), which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls 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 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 2006 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 Hill End Gold 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 other 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.

**Independence**

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

**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:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



William Buck  
Chartered Accountants

Brisbane, 14 March 2007



D W Langdon  
Partner

**HILL END GOLD LIMITED  
CORPORATE DIRECTORY**

**Directors**

Alfred Lampard Paton  
Non Executive Chairman

Philip Francis Bruce  
Managing Director

Graham Charles Reveleigh  
Executive Director

Ian Noel Stuart Sloan  
Non Executive Director

Bruce Geoffrey Thomas  
Non-Executive Director

**Company Secretary**

Kevin Martin Lynn

**Australian Company Number**

072 692 365

**Registered Office**

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Website: [www.hillendgold.com.au](http://www.hillendgold.com.au)  
Email: Contact via website

**Share Registry**

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**Auditor**

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**Legal Adviser**

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Sydney NSW 2000