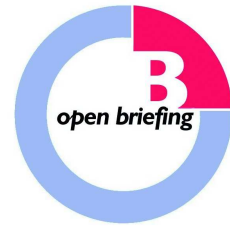


**Attention ASX Company Announcements Platform  
Lodgement of Open Briefing®**



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**Title:** Open Briefing®. Hill End Gold. Production Increases on Track

**Record of interview:**

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Hill End Gold Limited (ASX code: HEG) has significantly increased gold production from its Hill End Project over the past few weeks. How was this achieved and what are your recent results?

**MD Philip Bruce**

The production results have been pretty well in line with what we expected now that we're into the high grade area. The Paxton's vein sets that we've developed in the Reward area have been averaging a mined grade of about an ounce per tonne.

We have been putting that ore through the plant at about 50 tonnes per day over the last few weeks, which has been a vast improvement. We've recently put a ball mill in and improved the tailings materials handling and both those have provided a consistent plant throughput.

The underground has also been opened up to the point where it can provide material to the plant on a more consistent basis from the high grade Paxton's area. Both the Reward mine and the plant have come together very well to be now operating in a semi-continuous production state and the operation is now profitable, which is important given current market conditions.

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You have mentioned the processing of high grade underground ore at Hill End has increased to an average of 50 tonnes per day since the beginning of December, on a five day basis. What is planned for the plant over the next few months? Is there scope to increase production beyond the present target of 100 tonnes per day?

**MD Philip Bruce**

We're looking to increase the production over time depending on what we have available from underground and how much we can push the plant. The current target is 100 tonnes per day, however, our current production of about 50 tonnes per day is on a five day basis with two 10-hour shifts and leaving weekends available for maintenance.

We've still got the further plant optimisation and the current plant design would probably be limited to producing that 100 tonnes per day. If we were to increase production beyond this target, we would need to relocate the plant and look at some larger equipment. That's not envisaged at the moment, but we remain focussed on the Reward resource area to determine the scope of the project and find an appropriate plant size over the next few months. That will be assisted by underground drilling, which we've already started and also by developing in the upper sections of the Reward shaft.

We're currently producing from four levels from just opening up Paxton's. We may open a higher level on that and also the Steven's and Frenchman's zones further above. We found that between the vein sets and even the vein sets themselves, are much wider than we anticipated. We will open up the area to commence drilling and identify the extent of those wider zones.

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What additional resource upgrades are expected over the coming months? How do you expect resources to evolve in your main target areas at Hill End and Hargraves?

**MD Philip Bruce**

Over the next few months, the Reward area will be the focus for further development and potential upgrades. We're looking to drill the areas between the Paxton's, Steven's and Frenchman's vein sets to determine where the wider areas of mineralisation are, whether the mineralisation is pervasive throughout those areas and to identify the size of the resource.

We're finding zones like Paxton's to be more continuous and a lot wider than we thought. Initial estimates for the resources were based on 0.8 metre minimum width, but Paxton's has returned up to 7 metres in width and some areas are demonstrating very high grades. For the moment, our development is running along the higher grade veins, and we're putting in cross cuts to open it up to determine the full width.

We need to develop the Steven's area higher up in the shaft and complete more drilling before there is sufficient information for an updated estimate for the total Reward area resource. However, within Paxton's in the immediate vicinity of the Reward Shaft, we expect to delineate an updated resource within a couple of months. That will be to a higher level of resource reliability than our current Inferred Resource estimate and it will include the results from the mining and ore processing from the area. For the larger Reward resource, we expect it will take a little longer.

The cash flow from production from the Reward area will subsidise the exploration effort at Hargraves to provide further information for the resource estimate there. In fact Hargraves could be quite substantial. We've already

identified mineralisation extending over 1,000 metres and it's running at depth of about 400 metres, which is the extent of our drilling so far. The structure is in the order of 30-40 metres wide and within that envelope there are a number of high grade zones. They've been identified, but require further drilling. In addition to the main Hargraves target at Big Nugget Hill, we've also identified parallel zones that we've yet to drill. We think we have a big future, but at the moment we're just opening up the first zones at Hawkins Hill and Reward.

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To what extent do the recent results make you lean towards a larger, lower grade operation or a smaller, but higher grade commercial operation? What is the potential size of the operation?

**MD Philip Bruce**

The current market influenced us to move to a smaller high grade commercial operation at the Reward area because that is more self funding than the larger scale option. We have been working towards this over the last few months and we're now at the point that we have a small, high grade operation. We are converting the original batch plant to a more continuous processing operation and increasing the scope of the underground from the initial two levels on the Paxton's vein sets to opening up to 10 levels.

The grades that we're producing out of Reward are averaging around an ounce per tonne, but have been up to three or four ounces per tonne. I expect production of 50 tonnes per day will be maintained in the near future, but when we increase throughput it will provide us with improved productivity and operating costs and a scale of operation that will be quite profitable.

The next step is identifying the size of the resource that would allow a more productive operation, but that will require a few months of data gathering.

It's looking like we can maintain a relatively small but profitable operation, however, with the recent work on the project, it looks like it would certainly be productive on a much larger scale and the resource seems to be bigger than what we had originally anticipated. The contract with Downer EDI will help us better understand optimisation options and that includes being productive at a much larger scale if the resource is bigger than what we had originally anticipated.

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Has the recent financial turmoil impacted your business and can you comment about your funding for exploration, and the next milestone for HEG?

**MD Philip Bruce**

The financial turmoil has really put a spanner in the works for capital funding in our sector. However, we continue to focus our efforts on making sure the Reward area is self supporting and generating early cash flows and a profit. The focus of the Company has been very specifically on making money from the capital we have put into the Reward project and with little additional capital required, the Reward project is profitable in its own right.

We've been most fortunate compared to most mining companies and certainly the explorers by having a project that is providing cash flow to keep the project

on track. In fact, it could even generate sufficient funds to consider other opportunities such as acquisitions as well as the additional exploration I mentioned at Hargraves and also further development at Reward.

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Is your longer term development strategy for the Hill End Project on track?

**MD Philip Bruce**

The Hill End Project is certainly on track. We've achieved all that we said we would. We said we would initially undertake a bulk sampling exercise, but during preparations for that we saw that the zones were more continuous, higher grade and more extensive than we initially envisaged. So we moved directly into a continuous, small scale operation at Reward and we're probably a little advanced of where we said we would be.

The overall development strategy for the Hill End Project is to expand production and resources from the Hawkins Hill – Reward area. However, I expect that the Hargraves area will become a large scale operation in terms of the size of resource envelope that we've already identified, indicating that it's going to be long life, bulk tonnage project, with a relatively low grade in the order of 4-5 grams per tonne instead of 20 – 30 grams per tonne currently from Paxton's.

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Thank you Philip.

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For further information on Hill End Gold please visit [www.hillendgold.com.au](http://www.hillendgold.com.au) or call Philip Bruce on (02) 8249 4416.

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**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 contractor for the company. Mr Bruce is Fellow of the Australasian Institute of Mining and Metallurgy. 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 his information in the form and context in which it appears.