

---

Report for December 2007 Quarter

31 January 2008

ASX Code : HEG, HEGO

---

### **Hill End Project, NSW**

#### **Reward**

- *Underground development at raise bore position in Exhibition area.*
- *Very high grade Mica HW 45m test drive averages 58g/t gold over diluted 0.8m width in Cornelian area.*
- *Central Zone bulk mining target in Patriarch area to be tested.*
- *Underground diamond rig to extend Hawkins Hill – Reward resource.*
- *Gravity gold recovery plant processing to start in February.*

#### **Germantown**

- *Diamond rig to drill to 600m.*

#### **Red Hill**

- *Diamond rig to outline resource extensions to 250m.*
- *Resource estimate progresses.*

#### **Hargraves**

- *Diamond rig to outline Big Nugget Hill resource to 250m.*

### **Swan Hill, NSW**

- *Geophysical data shows Swan Hill Project area, on the extension of the Bendigo Group, to have only shallow Murray Basin cover to basement.*

### **Lak Sao, Laos**

- *Significant progress with Mineral Reconnaissance and Exploration Agreement (MREA) approval.*

## ***SUMMARY***

Underground development to the Reward raise bore site in the Exhibition area was completed in mid January. During the quarter the Reward north drive also tested the Mica HW vein for 45 metres and exposed a very high grade zone averaging 58g/t gold over 0.8 metre width. This high grade vein set is expected to be extended along strike to the north and south by development on the level and will be drilled above and below the Amalgamated level with an underground diamond drill in the coming quarter.

The gravity gold recovery plant at the Amalgamated portal site is near completion and will be commissioned on stockpiled material of various grades during February.

The surface diamond drilling program using three rigs has been extended to 13,000 metres and commenced in January at Hargraves, Red Hill, Germantown and other prospects in the Hill End and Hargraves area.

The Mineral Reconnaissance and Exploration Agreement approval process for the Lak Sao Project in Laos has progressed significantly during the quarter and approval is expected in the near future.

## ***HILL END PROJECT***

The Hill End Project includes tenements covering the Hill End, Hargraves and Windeyer goldfields. Total gold output from these tenements of over two million ounces of gold came from surface and shallow underground workings during the nineteenth century. The majority of past hard rock production came from high grade deposits such as at Big Nugget Hill, Red Hill, Reward and, Hawkins Hill which yielded over 400,000 ounces of gold from a strike length of approximately 400 metres, averaging about 10 ounces per tonne.

At Hill End, the Reward area is interpreted to be continuously mineralised over a strike length of two kilometres from south of Hawkins Hill through Reward to at least Germantown in the north. Recent development has confirmed high grade mineralisation between Hawkins Hill and Reward and has tested 45 metres of the Mica Hangingwall vein set in the Cornelian area of Reward.

Historical diamond drilling at Hargraves has intersected a 15 metre wide zone at Big Nugget Hill containing visible gold to at least 150 metres below surface. Three holes are now completed in the new diamond drilling program with wide zones of quartz veining intersected in all three. The first hole has been logged and visible gold was noted in three veins and the hole is being deepened to test for parallel mineralised structures. Logging continues and assaying of the core will be done in the near future.

At Valentines, approximately 400 metres north of Red Hill, the first diamond drilling on the prospect has intersected visible gold at 75 metres depth below old workings.

## ***HAWKINS HILL – REWARD***

### General

During the quarter a total of 290 metres of development was completed, including 260 metres of drive advancing to the raise bore position at 1560N. At the time of writing, stockpiles in the vicinity of the raise bore position had been cut to handle the raise bore chips and a start has been made on drill cuddies for the underground diamond drill to drill the mineralised zone above and below the Amalgamated level on approximately 50 metre centres.

Three underground loaders are currently in operation and during the coming quarter an underground truck will commence on site. This will greatly enhance the removal of raise

borer chips, while providing loader availability for access development and preparation for trial mining in the Patriarch and Cornelian areas.

In early February the raise borer will commence drilling the 250 metre pilot hole from surface to the Amalgamated drive depth. The pilot hole and back reaming to a 2.4 metre raise bore hole will take approximately seven weeks.

The raise bore hole is to be equipped with steelwork, an Alimak conveyance, ladderway and service compartments to access the high grade vein sets in the Exhibition area of Reward. Trial mining the Paxton's high grade vein sets on two intermediate drives, which is expected to start in April, is the first step in the preparation of the Exhibition area for ongoing production. Success will lead to additional intermediate drives being developed at a number of levels in the Exhibition area to mine out Paxton's, Steven's, Mica, Star of Peace, Middle and Frenchman's vein sets where profitable.

A 60 metre rise is to be developed from the Amalgamated level up to the first two trial mining intermediates on the Paxton's vein set to be used as a rock pass. Additional access development is being planned from the Consolidated level and in the Patriarch area to increase operating productivity and safety, when mining the upper levels.

By the end of the quarter, the gravity gold processing plant at the Amalgamated portal area was essentially complete except for final electrical installations and the gold room. Commissioning the plant on stockpiled underground material of various grades will start in early February.

#### Reward Development

During 2007 the Reward north drive was started from the old development position in Hawkins Hill and advanced along the Phillipson's vein set, in the footwall of the Central group of vein sets (Mica, Star of Peace, Middle, Paxton's).

In the Patriarch area, old workings were intersected and the drive was moved from the Phillipson's vein set to the main Mica veins (M1), which carry higher gold grades, and which had been mined in the early part of the 20<sup>th</sup> century, from the south up to the Patriarch area. The M1 veins had moderate assays and after driving on it for approximately 100 metres the drive was moved a few metres to the east to test the Mica Hangingwall veins (M2, M2a, M2b and M2splays), which contained abundant visible gold. Driving continued on the highly mineralised M2 veins for 45 metres, then the drive left the M2 and was developed slightly to the west and directly towards the raise bore position.

The M2 quartz veins are highly mineralised over a strike length in excess of 300 metres and are open up and down dip. Coarse visible gold was first noted in M2 quartz veins in the old workings in the Patriarch area, with assays up to 191g/t gold over 0.15 metre. The 45 metre test drive along the Mica Hangingwall veins has continuous visible gold in individual veins assaying up to 286g/t gold over 0.40 metre and 386g/t gold over 0.25 metre.

The average gold grade of the combined Mica Hangingwall veins along the test drive is 58g/t gold over a diluted mining width of 0.8 metre and contains 182 ounces per vertical metre. This is similar to the Paxton's vein set resource grade and is five times higher than expected from diamond drilling data. The Mica Hangingwall veins resource "block" grade in the 2007 Inferred Resource estimate was 11.73g/t gold over the same mining width.

The trial mining and processing of the Paxton's and other veinsets through the 5tph gravity plant is to confirm that the Hawkins Hill, Patriarch and Reward areas can be economically mined by narrow vein mining and/or bulk mining. The exercise will provide information regarding the scope of the project that may be developed in the Hawkins Hill – Germantown area. The Reward drive on the Amalgamated level will continue to the north to test Reward North and Scandinavian and will be used for underground drilling for deeper potential.

During the 1870's the Central Zone vein sets at Hawkins Hill produced over 400,000 ounces at an average grade of about 10 ounces per tonne over a strike length of about 400 metres. The total strike length of the Central Zone from Hawkins Hill, through Patriarch and into Reward is known to be over one kilometre, and is interpreted to continue at least a further kilometre to Germantown.

## Mini-sampling

The veins in the Reward drive have been sampled and assayed using fine crushing, tabling and smelting of the table concentrate, and bulk leach assaying of the table tails. The three assay results for collected coarse gold, table concentrate and table tails are combined for a complete assay result. Final assay results for the Mica Hangingwall veins are shown below. Note that several high grade assay results have been significantly upgraded.

### **Mini bulk sampling results of the Mica Hangingwall veins to date**

<b>Sample Number</b>	<b>Sorted by</b>		<b>Gold Grade (g/t Au)</b>	<b>Vein Width (cm)</b>	<b>‡Vein Identifier</b>	<b>Face Assays Diluted to Mining Grade over 0.8m (g/t Au)</b>
	<b>Northing</b>	<b>Easting</b>				
UG285	1,243.6	5,301.4	2.11	15	M2	
UG157	1,280.4	5,314.3	0.77	7	M2	
UG156*	1,291.2	5,305.5	0.00	15	M2	
UG251	1,291.2	5,305.5	191.33	15	M2	35.87
UG139	1,341.7	5,308.2	22.70	15	M2	4.26
UG138	1,346.7	5,308.5	30.82	15	M2	5.78
UG141	1,350.9	5,308.5	89.71	15	M2	16.82
*UG289	1,407.0	5,310.9		15	M2	
UG259	1,412.5	5,312.8	12.36	6	M2b	
UG258*	1,414.5	5,312.0	27.81	15	M2a	5.21
UG260	1,416.5	5,312.0	172.63	22	M2	
UG261	1,416.5	5,311.8	7.91	6	M2sp	
UG262	1,416.5	5,312.0	50.55	22	M2	30.69
#UG263	1,420.2	5,312.2	112.66	18	M2a	
UG264	1,420.2	5,312.5	0.19	7	M2b	25.37
UG265	1,423.5	5,311.9	75.24	18	M2a	
UG266	1,423.5	5,312.3	20.63	14	M2b	20.54
UG267	1,425.3	5,312.0	289.00	8	M2a	
UG268	1,425.3	5,312.1	26.96	11	M2b	32.61
UG270	1,427.5	5,312.1	89.97	8	M2a	
UG271	1,427.5	5,312.3	13.82	14	M2b	
UG272	1,427.5	5,313.3	5.46	10	M2sp	11.42
UG273	1,430.7	5,312.4	252.31	9	M2a	
UG274	1,430.2	5,312.9	45.08	16	M2b	9.02
UG276	1,430.7	5,312.7	169.04	14	M2b	57.97
UG294	1,432.5	5,313.0	94.96	19	M2b	
UG295	1,432.5	5,313.4	28.13	11	M2sp	22.55
#UG300	1,436.4	5,312.8	83.93	6	M2a	
UG303	1,436.4	5,313.2	207.32	18	M2b	52.94
UG306	1,439.2	5,314.4	386.43	25	M2b	
#UG307	1,439.2	5,314.0	286.36	40	M2a	
#UG308*	1,439.2	5,314.6	0.99	2	M2ahwsp	263.94
UG310	1,443.0	5,314.6	381.26	25	M2	119.14
#UG315*	1,448.2	5,313.0	169.94	20	M2	42.49
#UG316	1,449.5	5,313.9	246.84	22	M2	
#UG317	1,449.5	5,313.9	162.61	22	M2	56.30

\* Incomplete assays.

# New results

‡ The Mica Hangingwall veins are the main vein – M2; M2a is the M2 footwall split; M2b is the M2 hangingwall split; and M2ahwsp refers to a spur vein in the hangingwall of the M2a vein.

## **RED HILL**

A diamond drill program of approximately 5,000 metres has commenced to test for extensions of the mineral resource to the north under the old Valentine's workings, and will further test the Red Hill vein sets at depth. The first hole into the Valentine's area has intersected visible gold approximately 400 metres to the north of previous drilling in the Red Hill area.

Gold mineralisation at Red Hill has remarkable continuity of the vein sets over some kilometres and new *en echelon* vein sets have been discovered at depth. Wide mineralised quartz stockwork zones have been intersected in the White's, Marshal McMahon's and Kessell's vein sets. The stockwork zones appear to overprint Hawkins Hill-style bedded mineralised veins and are significant because of their increased widths.

A resource estimate for the deeper vein sets has progressed and will be completed after results from the planned drill program are available.

Preparation for a mining lease application for the Red Hill area has commenced. The Red Hill area is being evaluated as a combined open pit and underground project, which may be worked together with the Reward Project and processed through a combined plant located in the Red Hill area.

## **GERMANTOWN**

Two diamond drill holes GTD01 and GTD02 drilled below the old Germantown workings confirmed the strike continuation of the Hawkins Hill - Reward mineralisation some 1000 metres north of previous drilling a Reward.

The geological setting at Germantown is interpreted to be a direct continuation of the Reward – Hawkins Hill vein sets, thus these drill holes indicate a total strike continuity of the Hawkins Hill - Reward – Germantown mineralisation of some two kilometres.

A program of 1,260 metres diamond drilling in six drill holes is proposed to start at Germantown in the next quarter. The program is designed to intersect mineralisation below historical workings, to refine the location of the mineralised corridor and to test the mineralised corridor to a maximum depth of 600 metres by intersecting the stacked vein sequence throughout its length and to identify the Reward/Hawkins Hill veins at depth.

The outcropping gold mineralisation at Germantown was mined to a maximum depth of 90 metres below surface during the nineteenth century, however deeper high grade vein sets such as Paxton's have not yet been mined nor explored.

## **SCANDINAVIAN**

A program of 1,300 metres diamond drilling in four drill holes is proposed for the Scandinavian area. The program is designed to traverse the northern extensions of the Reward/Hawkins Hill mineralised sequence from immediately north of Reward for a further 500 metres. The drill holes are to test below historical mining activity, which was stopped by water inflow, and will verify the location of the mineralised corridor. A deeper hole is designed to finish at 400 metres depth to test the stacked vein sequence at greater depth.

## **HARGRAVES**

The company has acquired 100% of the Hargraves tenements, which are adjacent to the Hill End tenements to the north. The Big Nugget Hill prospect, which is currently being diamond drilled, is located approximately 35 kilometres to the north of the town of Hill End.

The Hargraves tenements contain numerous historical production areas and Big Nugget Hill is the site of Australia's earliest gold reef mining in 1851, when large pieces of gold in quartz, containing up to 1,546 ounces, were discovered in quartz vein outcrops. Rich alluvial deposits were also mined in the nearby Louisa, Daly and Meroo Creeks and many large nuggets were found, with the 'King of Waterworn Nuggets' being the largest at 2,680 ounces of gold.

Previous exploration on the Big Nugget Hill zone of mineralisation has identified strong gold mineralisation over a strike length of 600 metres by drilling, and over 1,500 metres by surface sampling. The first three holes of an initial 2,800 metre diamond drill program have been completed at 9620N to test below the Big Nugget Hill workings. The first hole contained visible gold in two veins in a wide zone of laminated quartz and associated sulphide minerals between 71 and 90 metres downhole and visible gold in a new structure to the east of Big Nugget Hill at 107 metres downhole. The hole ended at 167 metres and is now being deepened a further 100 metres to test for parallel mineralised structures to the east of Big Nugget Hill.

This initial twelve hole diamond drilling program of 2,800 metres is to test the Big Nugget Hill zone to a maximum depth of 350 metres. Given the high grade results from previous drilling in the 1980's and 90's, this initial reconnaissance program is expected to be expanded to outline a new resource area.

## **WINDEYER**

Hill End Gold is the holder of Exploration Licence Application (ELA3260) over the Windeyer historic goldfield area, which is adjacent to the Hargraves and Hill End goldfields and is located on a mineralised structure parallel and to the west of the mineralised Hill End Anticline.

Windeyer has a number of historically rich hardrock deposits and during the 19<sup>th</sup> century rich alluvial deposits were mined in Clarkes Creek, which rises in the Boiga Mountain area: also covered by ELA3260.

Very little modern exploration has been done on the Windeyer-Boiga Mountain area.

## **NSW UNDERCOVER - MURRAY RIVER AREA**

### Swan Hill

The company has had two Exploration Licences granted (EL6905 and 6906) and has applied for further Exploration Licences (ELA3169, 3171, 3352 and 3407) in the Swan Hill area of New South Wales. The Swan Hill area applications cover the interpreted extension of the Bendigo Zone from Victoria into New South Wales and initial geophysical interpretation indicates that the Murray Basin sediments in the area are shallower than previously thought. Targets for field reconnaissance have been outlined and landowner details are being compiled for access arrangements.

### Deniliquin

The company has applied for Exploration Licences (ELA3167, 3168, 3170 and 3199) in the Deniliquin area of New South Wales. The Deniliquin area applications are along strike from the Victorian Mt William – Heathcote Fault zone, which hosts gold and base metal mineralisation in Victoria.

## LAOS

The Lak Sao Project application in Laos is progressing well. Hill End Gold Limited has been advised that the Mineral Reconnaissance and Exploration Agreement application has been signed off by the Department of Mining and is awaiting response from the Bolikhamxay Provincial Government.

The Lak Sao Project area of approximately 2000km<sup>2</sup> is located in the Bolikhamxay Province in Central Laos between the Mekong River and the Vietnam border. The area is approximately 100 kilometres north of the Sepon copper-gold project, operated by Oxiana Limited, in the Truongson Belt.

Previous prospecting has identified numerous precious and base metal occurrences in outcrop and in stream sediment dispersion haloes. Controlled artisanal gold mining of a moderate scale is underway on a small tenement excised from the tenement application.

Hill End Gold have a 51% interest in the Lak Sao Project with Mekong Resources Pty Ltd.

### ***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.

Yours faithfully



Philip Bruce  
Managing Director

Attached:

- Hill End Project Tenements
- Reward Drive Development Plan
- Hawkins Hill - Reward Long Section
- Photos of gravity gold plant at Amalgamated portal and raise bore site in Exhibition area

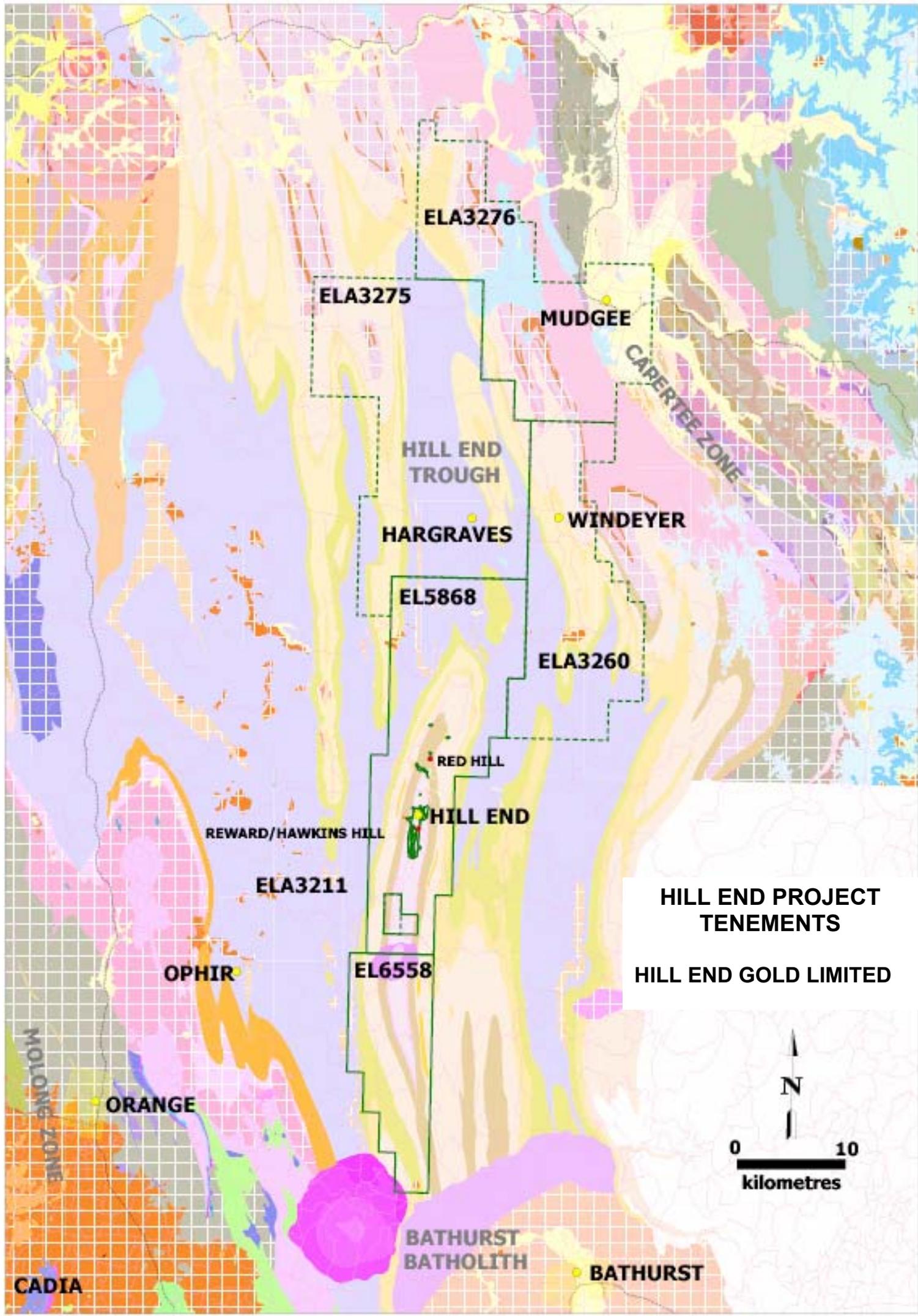
For further information contact Philip Bruce :-

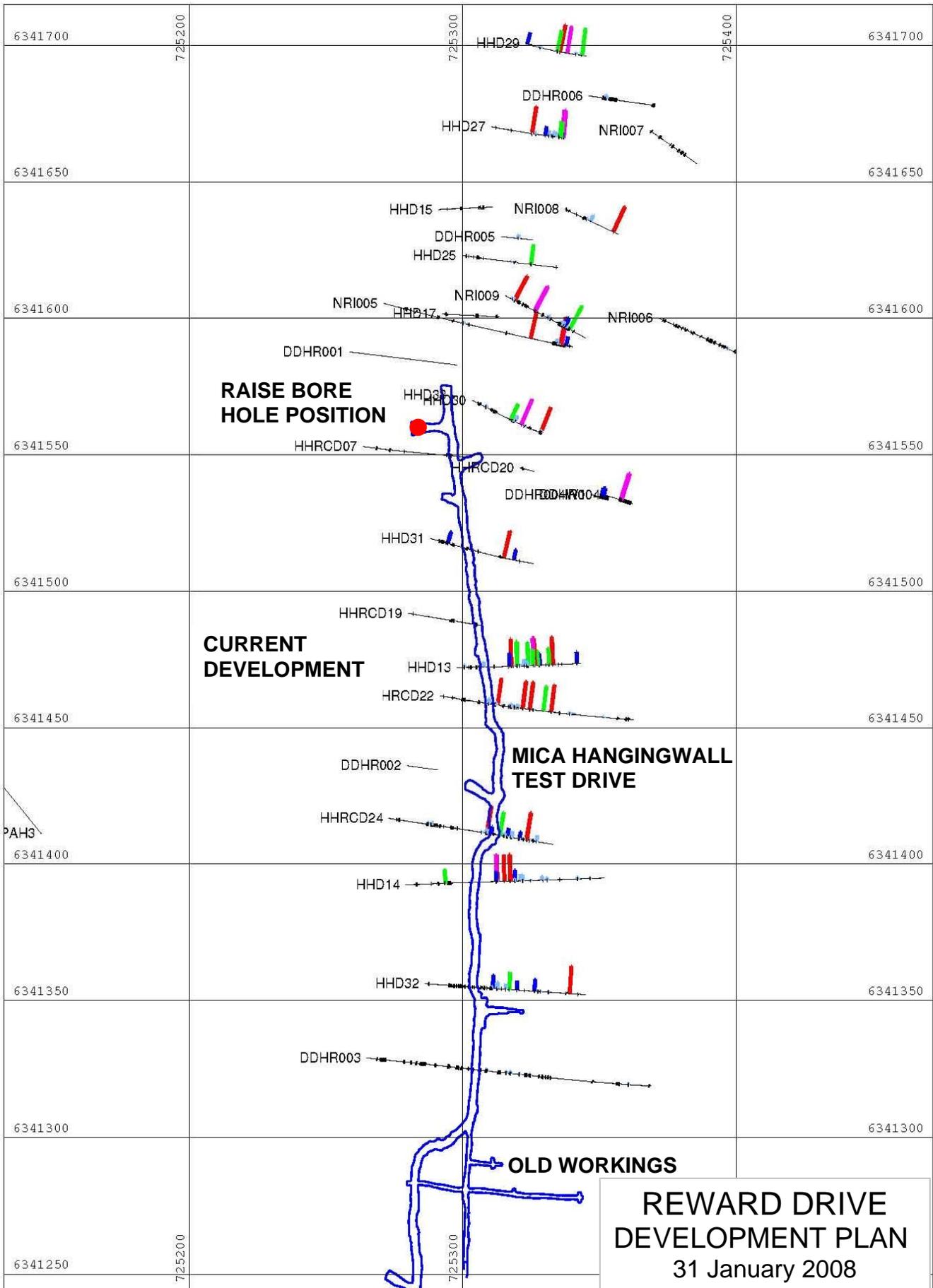
Phone:

+61 412 409555

Email:

[pfbruce@bigpond.com](mailto:pfbruce@bigpond.com)





**RAISE BORE  
HOLE POSITION**

**CURRENT  
DEVELOPMENT**

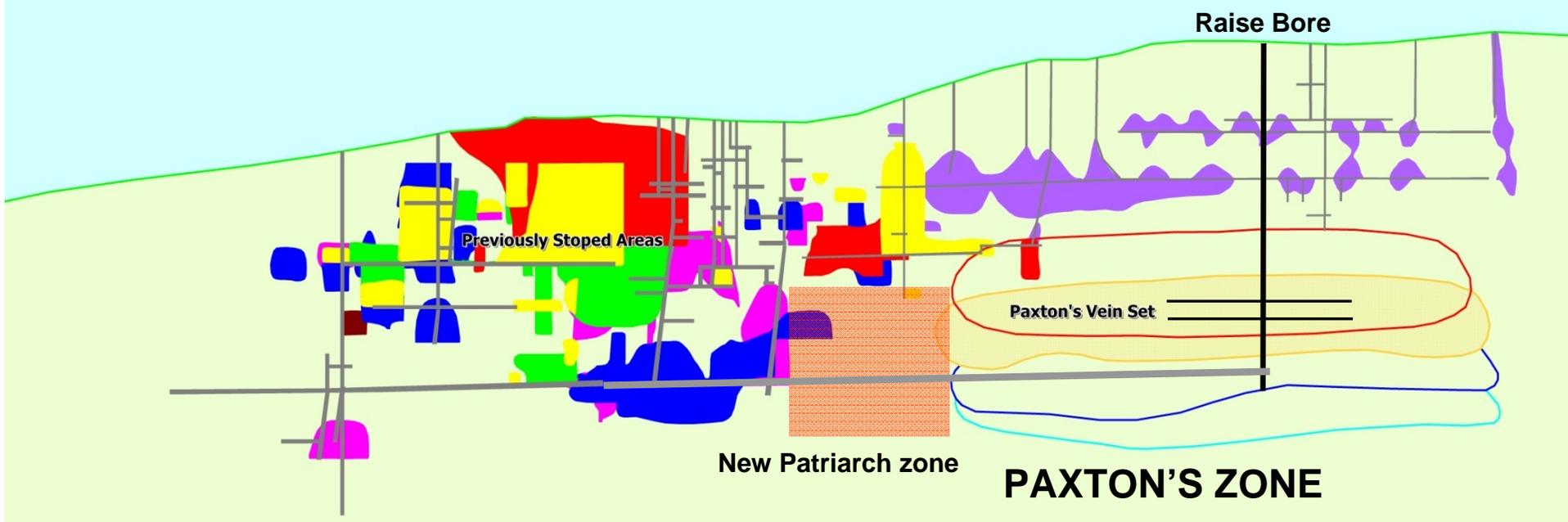
**MICA HANGINGWALL  
TEST DRIVE**

**OLD WORKINGS**

**REWARD DRIVE  
DEVELOPMENT PLAN  
31 January 2008**

# HAWKINS HILL - REWARD

## PAXTON'S BULK SAMPLING PROGRAM



### HAWKINS HILL

Very high grade historical workings  
 Reported 425,000 ounces at 10oz/t

### PAXTON'S ZONE

23,000 tonnes at 47.8g/t

### REWARD

Direct continuation of Hawkins Hill vein sets  
 Open along strike and at depth





AMALGAMATED GRAVITY GOLD PLANT



EXHIBITION RAISE BORE SITE