

Annual Report
2006

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

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William Buck

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Telephone: +61 2 8263 4000

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Legal Adviser

Daymond Lawyers Pty Ltd

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RED HILL PROJECT - X SECTION 195501

LIMITED

Hill End Mining Project
 Section 195501 (Local Grid)
 Section 195501 (Local Grid x 10)
 500 Section
 All 1:1000 SFA & FA (BDLs not plotted)

Chairman's Statement

Dear Shareholder,

During the past year Hill End Gold has made significant exploration progress with drilling and resource estimation on its tenements at Hill End, New South Wales, Australia. Tenements of 460 square kilometres cover the major part of the Hill End goldfield and include the extension of the Hill End Anticline to the south.

Exploration at Hill End focussed on extending the zone of mineralisation by drilling at the Reward and Red Hill areas and on completing an initial resource estimation for part of the Reward area in preparation for a preliminary scoping study. Site geologists completed the data compilation for the Hill End area and derived a robust geological interpretation for the controls of the gold mineralisation in the Hawkins Hill – Reward area. The wide en echelon vein sets are interpreted to continue for over a kilometre from Hawkins Hill to Reward and to Scandinavian and Germantown to the north. The initial resource estimation for Reward, which was made with the assistance of Snowdens Mining Services, is 680,000 tonnes at 6 g/tAu.

At Red Hill, successful drilling has extended the south Red Hill resource area with broad intersections of continuous near-surface mineralisation over a strike length of 800 metres. Four continuous vein sets, similar to the Hawkins Hill – Reward style of mineralisation have been identified at Red Hill with the vein sets interpreted to continue at a shallow plunge at depth to the north. The Red Hill area has a total strike length of about three kilometres with no drilling yet in the northern part.

The development of a reliable local and regional model for the Hill End deposits has confirmed the potential for multiple million ounce deposits along the now recognised mineralised corridor.

An agreement was signed for Senator Minerals Inc of Canada to provide \$16m in exploration and development expenses for the Hill End Project to earn 50% in the project. No equity will be obtained until the \$16m is provided.

Recent funding will support an acquisition program to increase the Company's asset base and expand growth opportunities.

The 2006 Annual Report outlines the activities pursued by the Board over this past year. The Company continues to be managed on a low cost basis and with effective use of capital. In his Managing Director's review of operations, Philip Bruce will cover the outstanding progress made by site geologists in recognising the continuity of the high grade 'vein set' model, the potential offered by the Hill End prospects and our activities and plans for the coming year.

I wish to thank our Directors, staff and consultants for their efforts and dedication and our shareholders for their support and encouragement during this exciting year of evolution for your Company.



Alf Paton
Chairman

Managing Director's Review

Overview

- Hill End Gold has the majority of the rich Hill End Goldfield under tenement.
- The Company has targeted a resource potential of 4 – 5 million ounces in new deposits below shallow high grade workings along the almost unexplored Hill End Anticline.
- Our growth objectives are to discover and develop substantial gold deposits and to acquire projects to increase the share price and asset value.

Key Points

- The Hill End Goldfield was discovered in 1851 and became one of the richest gold mining areas in the world.
- The tenements of 460 square kilometres include several unexplored zones of workings along the central part of the Hill End Anticline, including very high grade operations of the 1870's such as the Hawkins Hill and Red Hill – Tambaroora deposits.
- The Reward area to north of Hawkins Hill has a target scope of 500,000 – 1,000,000 tonnes at an average grade between 10 and 20 g/tAu.
- The initial resource estimate for a part of the Reward area was completed during the year with 680,000 tonnes at 6 g/tAu.
- Drilling at the Red Hill area has outlined near surface resources in broad mineralised zones up to 30 metres wide.
- Extensive high grade surface workings along the Hill End Anticline indicate the potential for multiple million ounce deposits at shallow depth similar to Hawkins Hill.
- \$16m Farm-In agreement with Senator Minerals Inc. of Canada for 50% of Hill End Project.

Background

Hill End Gold Limited is a gold exploration and development company which listed on the ASX in July 2003.

The Company tenements are located approximately sixty kilometres north-west of Bathurst, New South Wales, Australia in the north-eastern Lachlan Fold Belt, which is the fastest growing gold producing area in Australia with over 40 million ounces of gold in new projects developed since the 1980s. Reported gold production from the Company tenements is approximately 1.6 million ounces from high grade hard rock workings and alluvial sources.

Over the past 150 years since Hill End became famous for the very rich workings of Hawkins Hill, Tambaroora and Red Hill, the area has been held by numerous owners and partially mined from shallow workings. The tenements were amalgamated during the 1980's and since 1993, Hill End Gold Limited and its predecessor company, Nugget Resources Inc., have explored the Hill End area.



Managing Director's Review – continued



The Hill End Project

During the year Hill End Gold expanded its holdings along the Hill End Anticline, which hosts the Hill End gold deposits, with the granting of EL6558. The company now has approximately 60 kilometres strike length of the Hill End Anticline.

The Hill End Goldfield is known for its coarse, high grade gold deposits containing shoots of very high grade gold mineralisation. In 1872 the world's largest mass of gold ever hoisted to the surface, the Holtermann Nugget, was discovered at Hawkins Hill containing 3,100 ounces and weighing some 285 kilograms.

Gold mineralisation along the eastern flank of the Hill End Anticline occurs as broad zones of over a kilometre length within a 50–100 metre wide mineralised corridor. Broad high grade zones such as Hawkins Hill are interpreted to repeat downplunge in dilation zones within the host rocks. Hawkins Hill, which was approximately 400 metres long, 40 metres wide and 50 metres downdip, is estimated to have been one million ounces prior to mining in the 1870's with reported production of 45–50,000 tonnes at approximately 300g/tAu.

A targeted resource potential of 4–5 million ounces is interpreted below shallow workings within the recognised mineralised corridor in the central part of the under-explored Hill End Anticline.

Drilling has outlined an extension to the high grade Hawkins Hill deposit in the Reward area and a potential repeat of a Hawkins Hill style deposit at Red Hill. The first mineral resource estimate for the Reward area was completed over part of the Hangingwall and Central group vein sets for 680,000 tonnes at 6g/tAu.

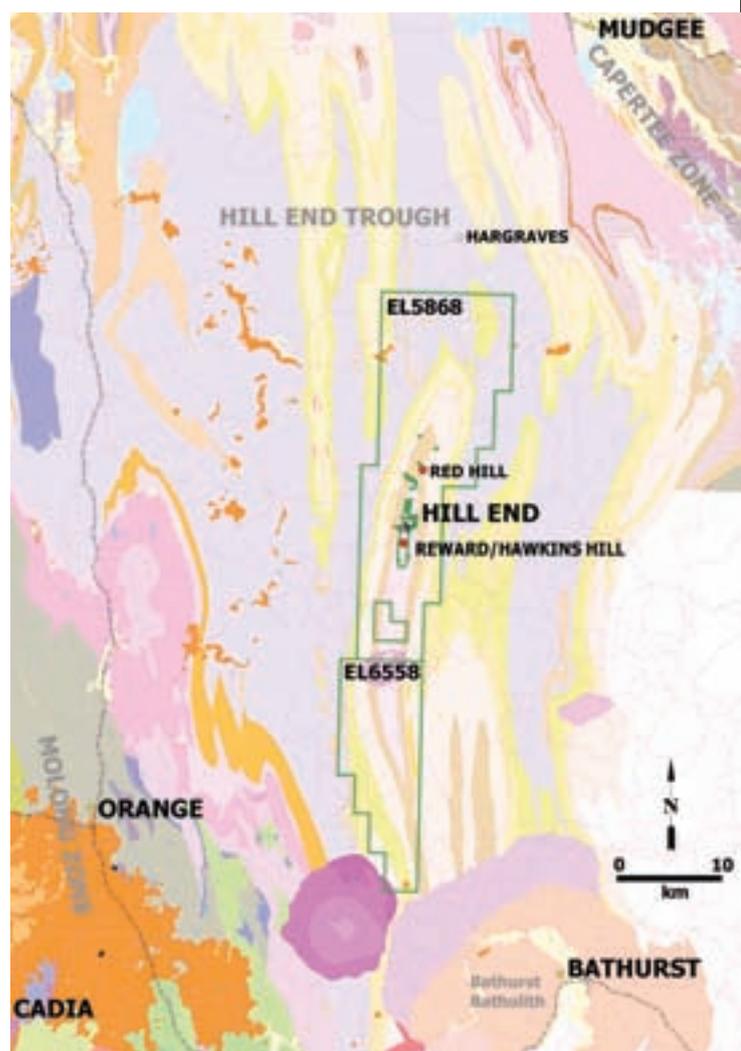
A scoping study for a Reward area project development has commenced with Snowden Mining Industry Consultants, who have extensive experience in coarse gold projects similar to the Hill End mineralisation. The study will review the bulk sampling phase and potential operating project issues for the extended Reward area, including development plans, costs and schedule for a nominal bulk sampling exercise on the Reward/Scandinavian area and for future development scenarios for the area.

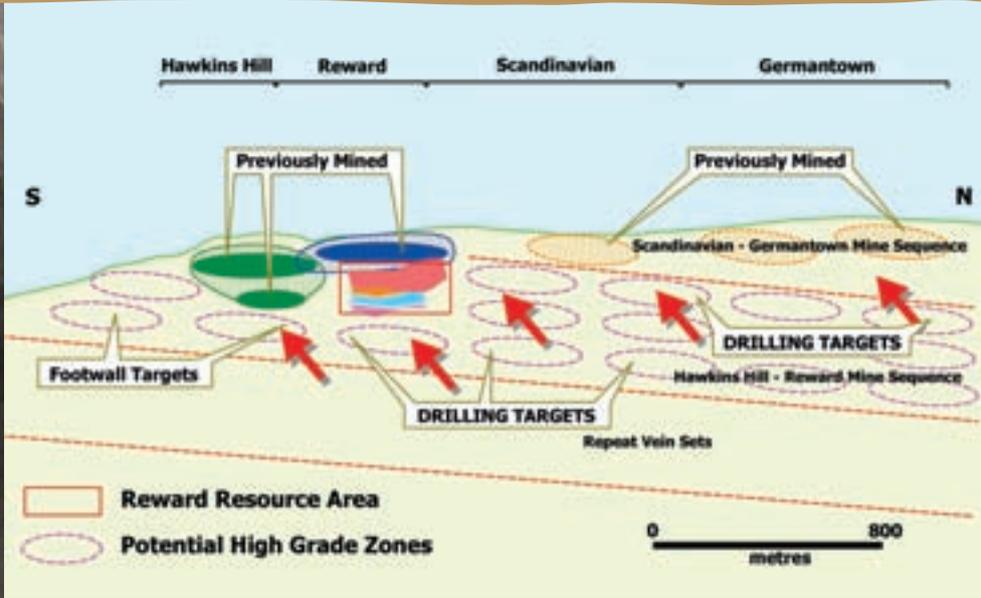
Drilling on the Red Hill project area has identified a number of potential Hawkins Hill – Reward style targets and a broad zone of near surface open pittable mineralisation was intersected, which has extended the Old Red Hill resource area. Total drilling completed at Red Hill was thirty one holes for 1,879 metres of reverse circulation drilling and 655 metres of diamond.

Further drilling is planned to outline the Reward deposit and to explore for repetitions of the previously mined ~1m ounce sized deposits in the large Hill End system, particularly the ten kilometres of strike along the eastern structural corridor between Hawkins Hill and Red Hill.

A gravity bulk sampling plant and infrastructure have been established at the Amalgamated site. Redevelopment of approximately 750 metres of tunnels on the Amalgamated and Consolidated levels has been completed.

Confirmation of the controls of the high grade gold mineralisation at Hill End has led to an initial resource estimate at Reward and targeted areas for immediate drilling along strike.





Outlook for 2006/2007

- Extend Reward resource by drilling 500 metres along strike to Germantown and at depth;
- Complete preliminary scoping study for the development of the Reward area;
- Complete resource update for the wide Red Hill near surface zone and continue drilling along strike to extend resources;
- Drilling beneath the surface workings along the Hill End Anticline, particularly at Red Hill, to identify new high grade deposits at shallow depth;
- Preparation for further project development and drilling during 2007;
- Acquisition of mineral projects with potential for significant cashflow.



Hill End Gold Limited is tightly capitalised and highly leveraged to a significant discovery.

Potential for discovery of significant gold deposits

The Hill End deposits are similar to the large, high grade deposits of Bendigo and Ballarat in Victoria, being structurally controlled mineralisation in slate belt host rocks. Bendigo has produced 22 million ounces of gold and has been mined to a depth of 1,400 metres, while Ballarat produced 12 million ounces and has been mined to a depth of 950 metres. Hill End has produced 1.6 million ounces in workings from 10's of metres depth to a maximum depth of only 250 metres and is almost completely unexplored.

Geological logging and interpretation of the digital model of previous mining and exploration records has identified the controlling structural features for high grade gold deposits. This has provided a sound basis for the initial Reward resource estimate and has indicated the huge potential at depth below the old workings.

The very large Hill End mineralised system extends over 25 kilometres along the Hill End Anticline and is interpreted to contain significant gold deposits to a depth of 1000 metres.

Managing Director's Review – continued

Reward Area

Thirteen holes were completed on the Reward area during the year, totalling 2,700 metres HQ3 diamond drilling with 416 metres of reverse circulation pre-collar drilling.

The drilling has extended the Reward area mineralisation and an initial resource estimate for the Reward area was completed. The Reward mineralisation is within the Hawkins Hill Mine Sequence, which hosts the Hangingwall, Central and Footwall high grade vein sets. To date, the high grade vein sets in the Hangingwall Zone have a strike extent of over 200 metres and the Central Zone is expected to exceed 300 metres. Repetitions of the high grade zones are interpreted to continue along strike and at depth.

The individual mineralised vein sets at Reward can be correlated with the same vein sets at Hawkins Hill and although the veins themselves are relatively narrow, they form local high grade continuous shoots similar to the rich portion of the Hawkins Hill deposit. The vein sets in the Hawkins Hill Mine Sequence are:

Hangingwall Zone

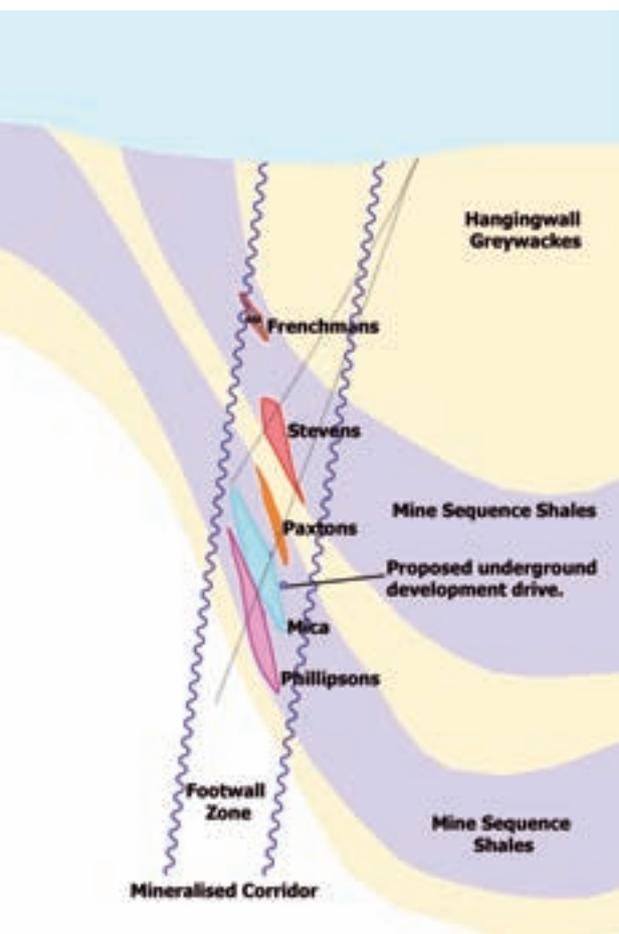
Stephen's, Frenchman's and Rowley's vein sets. Frenchman's has been stoped from near surface in the Reward area, the Stephen's vein set is the main target in the Hangingwall Zone.

Central Zone

Phillipson's, Mica, Star of Peace, Middle Workings, Paxton's and East vein sets which are in a shale dominated sequence approximately 45 metres thick.

Footwall Zone

Amalgamated and Brand and Fletcher's vein sets which have been intersected in deeper drilling in a number of recent holes with the Amalgamated vein at 220g/tAu over 0.08g/tAu.



The Hangingwall, Central and Footwall Zones are each separated by coarse grained turbidites about 15 metres thick. Hawkins Hill – Reward mineralisation has a strike length of over a kilometre and is interpreted to extend to the north into the Scandinavian and Germantown areas for perhaps another kilometre. Below the Hawkins Hill Mine Sequence there are other mineralised vein sets, which have been mined in outcrop to the south to the Turon River and beyond, though not yet tested by drilling.

The initial mineral resource estimate for a part of the Reward area follows four years of historical research, geological data collection and modelling, underground exploration and surface diamond and reverse circulation drilling. The Inferred Global Mineral Resource estimate for the Reward area, for part of the Steven's, Paxton's, Mica and Phillipson's vein sets is currently 680,000 tonnes at 6 g/t Au (at 0 g/t Au cut-off grade).

The Reward area resource estimate is reported in accordance with the 2004 JORC Code and is classified as an Inferred Mineral Resource. The estimate is based on diamond drilling in an area of approximately 300 metres along strike by 100 metres width to a maximum depth of 300 metres below surface. The average width of the vein sets is 3.3 metres and the dip length is approximately 50 metres. All of the vein sets are open along strike and some appear to be open both up and/or down dip.





Our understanding of grade and geological continuity, and the nuggetty nature of the deposit, indicates that the amount of contained gold is likely to be under called. It is generally understood that diamond drilling assay results for coarse gold-bearing veins can understate the true grade by potentially 50% or more.

Deposits similar to Hawkins Hill and Reward, such as the Central Victorian Bendigo and Ballarat reefs, have seen significant upgrade factors determined for diamond drill core assays by correlating drillhole results with proximal bulk samples taken from ore development. Previous mining activity at Reward revealed very high-grade gold pods that had a limited strike and dip extent with a local increase in the mining grade to 10's oz/t Au or more. Such restricted, but highly economic pods, are unlikely to be resolved other than by underground development and sampling.

There has been almost no mining to the north on the Reward mineralisation beyond the Robert Emmett Crosscourse although the Reward mineralisation is interpreted to continue to the north into Scandinavian and below the Germantown workings.

The Scandinavian area is the northern strike continuation of the Reward mineralisation. Both the Scandinavian and the Robert Emmett Crosscourse, which separates Reward and Scandinavian, were mined with small scale mining during the 19th century. Historically, the crosscourse has been interpreted to be the northern limit of the Reward veins, however recent surface mapping has confirmed that the vein sets continue from Reward to Scandinavian without significant displacement.

Mining on the Robert Emmett Crosscourse produced ore up to 40 ounces per tonne (24 tonnes for 1,016 ounces – 1890), although it was only mined to the water table and is known to continue at depth. The final Scandinavian production during 1883-84 was 676 tonnes averaging 3.4oz/tAu.

Although both Scandinavian and Robert Emmett Crosscourse have had historically rich gold production there has been no mining below 60 metres and no modern exploration for a strike length of some two kilometres on the Scandinavian and Germantown workings.

The Germantown line of lode is along strike to the north of the Hawkins Hill-Reward-Scandinavian line of lode and is interpreted to be in the anticlinal saddle zone to the west of the main easterly dipping bedding vein sets.

Several small folds with a number of mineralised quartz veins have been observed in the anticlinal saddle zone. The mineralised quartz veins are near vertical, coincident with the axial plane of the anticline, and east and west dipping. The Germantown workings are approximately 200 metres wide and about one kilometre strike length. No modern exploration has been undertaken on the Germantown area and there is a high potential for continuity of the mineralisation at depth and to the east.

The Germantown workings may be veins which are the equivalent of the Reward Central Zone and Hangingwall Zone, or they may be higher in the stratigraphy depending on the plunge of the anticline.

Many previous drill holes at Hill End were too shallow to test the now recognised structural corridor which hosts the majority of the high grade gold mineralisation.



Managing Director's Review – continued



Red Hill Area

The Red Hill project area is approximately five kilometres to the north along strike from the Hawkins Hill and Reward deposits. Surface mapping and drilling have identified extensive zones of shallow oxide gold mineralisation along the structural corridor at the Red Hill area from White's to the Emily workings, where deep weathering to a depth of 70 metres and gently undulating topography is ideal for open pit development. Reverse circulation drilling has outlined shallow weathered gold resources in the Red Hill project area on a broad zone of gold mineralisation and high grade workings of three kilometres in strike length and 50 to 100 metres in width, along the eastern flank of the Hill End Anticline.

Drilling completed during the year totalled 1,879 metres of reverse circulation drilling and 655 metres of diamond drilling in 31 holes.

The drilling program successfully extended the Red Hill mineral resource area with a number of broad intersections on the Old Red Hill vein set near surface and confirmed a deeper stratigraphic target of high grade mineralisation in a carbonaceous slate unit.

A new resource estimate for Old Red Hill near surface mineralisation will include the planned infill and extension drilling. The previous Inferred and Indicated Mineral Resources estimate for the Red Hill area was done in 2004 and totalled 27,000 ounces of oxide and transition material in White's and Old Red Hill (Inferred Mineral Resource of 8,600 ounces in oxide material).

Gold mineralisation at Red Hill occurs in a similar geological setting to Hawkins Hill and Reward with gold in bedding and spur quartz veins in en echelon vein sets, which are interpreted to continue down plunge for a kilometre or more. Four shallow-plunging vein sets have been identified to date in the southern Red Hill area over a near surface strike length of 800 metres: White's, Red Hill Deeps, Old Red Hill and Marshall-McMahon. Additional areas along strike in the northern Red Hill area, which are yet to be drilled, are the Valentine's, Emily and Old Company workings.

Gold mineralisation was recorded in all three deeper diamond drill holes at Red Hill over a strike length of approximately 250 metres. The continuity of gold mineralisation in these intersections demonstrates the prospectivity of the Red Hill area for high grade deposits similar to the Hawkins Hill – Reward deposits. Further drilling is planned at Red Hill to extend resources and to test along strike for another two kilometres to the north along the Valentine, Emily and Old Company workings.

Previous metallurgical testing of oxide, transitional and primary samples from Red Hill indicated excellent gold recovery using simple gravity and leach processing at a relatively coarse grind.



Regional Exploration

The Gowan exploration licence EL6558, which is located to the south of EL5868 was granted during the year. The EL6558 area covers the Hill End Anticline from south of the Bruinbin Granite to the Bathurst Batholith. The Hill End Fault, which is parallel to the axis of the anticline and is located on its eastern flank, is interpreted to be a deep structure originating in the basement of the Hill End Trough. Preliminary interpretation of available airborne geophysical data was completed by a consultant geophysicist and a number of anomalies have been identified for field follow up.

Tenements

In the Hill End area the Company holds a minimum 85% beneficial interest in the Mining Leases and the area formerly subject to Exploration Licence 2037, which is now part of Exploration Licence 5868, and the Company holds a 100% interest in Exploration Licence 6558.

Corporate

Two placements and a bonus issue of options were completed during the year raising gross proceeds of \$3,477,654 before costs of the raisings from the issue of 43,434,774 ordinary fully paid shares and 82,825,185 options exercisable at 15 cents and expiring 31 May 2007.

During the year the Company and Vancouver-based Senator Minerals Inc. ("Senator") entered into a Farm-in Agreement, whereby Senator has the right to earn a 50% interest in the Hill End Gold Project by providing funding of \$16 million to Hill End Gold over three years for exploration and development on the project.

Key points of the agreement are:

- Senator paid \$100,000 cash on signing the Agreement;
- Senator is obliged to provide \$2,100,000 to complete the first tranche of exploration funding within 90 days of approval of the Agreement;
- Senator will earn its equity position in the Hill End Gold Project when the full farm-in amount is paid;
- The indicative drawdown schedule for exploration expenditure is \$4.2 million in the first year, \$5.5 million in the second year and \$6.3 million in the third year.

All exploration expenditure on the Hill End Gold Project from 1 January 2006 will be reimbursed to the Company under this farm-in agreement. Senator have been granted an extension to the end of September 2006 for the payment of the first tranche of funding.

Attribution

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mike Quayle, John Gallo of JNK Exploration Services 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 Gallo and Mr Bruce are Fellows of the Australasian Institute of Mining and Metallurgy and Mr Gallo is a part-time geological contractor for the Company. Mr Quayle, Mr Gallo 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 (Reward Area estimation), Mr Gallo (Red Hill Area estimation) 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.



Managing Director's Review – continued

Table 1 – Reward Area Gold Resource

INFERRED MINERAL RESOURCES – JUNE 2006			
Vein Set	⁽¹⁾ Tonnage (tonnes)	⁽²⁾ Gold Grade (g/t Au)	Contained Gold (ounces)
Steven's	230,000	3	23,000
Paxton's	65,000	7	13,500
Mica	215,000	7	48,500
Phillipson's	170,000	8	45,000
TOTAL	680,000	6	130,000

⁽¹⁾ Tonnage figures are rounded to the nearest 5,000 tonnes. ⁽²⁾ Global grade figure is rounded to the nearest whole g/t Au.

Table 2 – Parameters for Reward Resource Estimation

Parameter	Criteria
Nil Cut Off Grade	Global Inferred Mineral Resource
Upper Cut Off Grade	Nil
Assay Interval	Geological, generally between 8 cms and 30 cms
Method of calculation	Inverse Distance Weighting - block model
Inverse Distance Weighting Power	2
Block size	10m along strike, 2.5m vertically, 1m across strike
Search ellipse	120m along strike, 36m down dip, 12m across strike
Search ellipse orientation	Plunging 10 degrees north and dipping 70 degrees east (Paxton's 74 degrees)
Internal Dilution	Global Inferred Mineral Resource
Dip angle	70 degrees to the east, Paxton's 74 degrees east
Bulk Density	2.7t/m ³ for Steven's, Paxton's & Mica; 2.8t/m ³ for Phillipson's - from measurements

Table 3 – Red Hill Area Gold Resource

INDICATED MINERAL RESOURCES – AUGUST 2004			
Vein Set	Tonnage (tonnes)	Gold Grade (g/t Au)	Contained Gold (ounces)
White's - oxide	209,400	1.05	7,000
White's - transitional	275,700	1.27	11,300
TOTAL	484,100	1.18	18,300

INFERRED MINERAL RESOURCES – AUGUST 2004			
Old Red Hill - oxide	177,600	1.5	8,600
TOTAL	177,600	1.5	8,600

Table 4 – Parameters for Red Hill Resource Estimation

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 degrees east slope, 45 degrees west slope
Bulk Density	2.5t/m ³

Directors' Report

The Directors present their report on the Company for the year ended 30 June 2006.

Directors

The Directors of Hill End Gold Limited during the financial year and until 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 year were the continued exploration in the Hawkins Hill Project Area and Reward Project Area and surface exploration on the Company's exploration licences surrounding Hill End.

Results

The Company incurred a pre-tax operating loss of \$700,167 (2005: loss \$619,482).

Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year, (2005 – nil).

Review of Operations

During the year the Company raised funds from sophisticated investors in July 2005 raising a net \$400,000 and in December 2005 raising a further \$3,071,500 before costs of the raisings.

Activities during the year included:

- Concluded a Farm In Agreement with Canadian miner Senator Minerals Inc under which Senator has agreed to fund expenditure of \$16 million over three years to earn a 50% interest in the Hill End tenements;
- Initial resource estimate for the Reward area of 130,000 ounces;
- Compilation of all available drilling data, surface mapping and underground development information into a digital database;
- Highly successful surface drilling in the Reward area below previous workings to investigate the potential for near-surface mineralisation and for strike extensions of very high grade drill intersections such as 208g/t over 0.9m;
- Determination of the regional and local controls of the high grade mineralisation being the 100 – 200 metre wide steeply dipping structural corridor running parallel to the Hill End Anticline and local host features such as slaty rocks and dilation zones;
- Identification of the potential for very significant deposits below outcropping mineralisation along the structural corridor.

The Company is in the process of raising funds to pursue the very significant targets and acquisition opportunities identified during the past year.

Directors' Report – continued

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs in the Company during the year other than the placements in July 2005 and December 2005 to sophisticated investors raising for \$3,471,500.

Subsequent Events

There were no significant events after balance date.

Likely Developments and Results

Information on likely developments is included in the Chairman's Report accompanying this Financial Report.

Environmental Issues

The Hill End Project Area is located on mining leases issued by the Department of Mineral Resources and operates under an environmental licence issued by the Environmental Protection Authority.

These licences require the preparation of an annual Environmental Management Report and a Mining Operations Plan.

The Company had statutory obligations to protect the environment in which it was exploring. During the reporting period the Company did not fail to meet its obligations pursuant to any environmental legislation.

Information on Directors

Alfred Lampard Paton, B.Eng, FAIM, MIE, MAusIMM, FAICD
Chairman (non executive), Appointed 10 October 2001

Mr Paton has an engineering background and has over 50 years' experience in business including the mining industry. From 1987 to 1990 he was Managing Director of Placer Pacific Limited and Kidston Gold Mines Limited, and was Chairman of these Companies from 1990 to 1994, when he also retired as a Director of Placer Dome Inc. Canada.

Other listed company directorships held during past 3 years:

- Care Australia
- Oldfields Holdings Limited
- Auiron Energy Limited
- Austpac Resources Limited
- Transfield Services Limited (Corporation)

Philip Francis Bruce, B.E. (Mining) (Hons), FAusIMM
Managing Director, Appointed 10 October 2001

Mr Bruce has over thirty years mining industry experience in Australia, South Africa and Indonesia in gold, platinum and base metals operations and senior corporate management. He has developed and managed profitable underground and open pit operations from small to large scale. He was the CEO of PT BHP Indonesia and has been a director of Buka Minerals Limited, Ausmelt Limited and Managing Director of Triako Resources Limited. As the General Manager – Development for Plutonic Resources Limited (PRL), he was responsible for the technical aspects of the acquisition and development of the PRL gold mining projects during the growth of the company from \$35 million to over \$1 billion market capitalisation. Mr Bruce was appointed Managing Director of the Company on 1 July 2004.

Other listed company directorships held during past 3 years:

- Latrobe Magnesium Limited

Graham Charles Reveleigh, M.Sc., MAusIMM, CPMAN, MCIMM
Executive Director, Appointed 1 February 1996

Mr Reveleigh has wide experience in the mining industry, covering exploration, development, construction and mine operations including Mine Manager at Noble's Nob, where he ran the operations for seven years. He has worked as a consultant on numerous projects both in Australia and overseas such as at Hill End in New South Wales, Red Dome in Queensland and as Project Manager at the Moline Gold Mine in the Northern Territory, at Gold Ridge in the Solomon Islands and as part of the Kennecott team at Lihir and in other assignments in the Philippines, New Caledonia, Siberia and most States in Australia. He was the Site Manager for Nugget Resources Inc at Hill End NSW since the commencement of the project, and for four years was Managing Director of the Company.

Other listed company directorships held during past 3 years:

- Drillsearch Energy Limited
- Circumpacific Energy Limited
- Nugget Resources Inc.
- Bounty Oil & Gas NL

Ian Noel Stuart Sloan, B. Tech (Mech.), J.P. MAICD
Non Executive Director, Appointed 12 July 2001

Mr Sloan is a Mechanical Engineer with experience in engineering, mining and business management. He was Production Engineer for Nauru Phosphate Corporation on Nauru Island, Central Pacific and National Manufacturing Manager for Harbison ACI Pty Limited where he managed manufacturing plants in Unanderra, New South Wales and Dandenong, Victoria and a magnesite mine in Fifield, NSW. In 1981, Mr Sloan acquired a steel fabrication business, which he operated for 3 years after which he established the computer company, Magnasoft Pty Ltd.

Other listed company directorships held during past 3 years:

- Nil

Bruce Geoffrey Thomas, CA
Non Executive Director, Appointed 22 February 2005

Mr Thomas is a Chartered Accountant, a Chartered Secretary and an Associate of the Securities Institute of Australia. Mr Thomas has substantial experience in capital markets and funds management.

Other listed company directorships held during past 3 years:

- GRD Limited
- Oceana Gold Limited

Company Secretary

Kevin Lynn, B.Bus, CA, FAIDC, MAppFin (Securities Institute)

Mr Lynn is a Chartered Accountant. He was appointed as Company Secretary of the Company in October 2001.

Directors' Report – continued

Remuneration Report

Remuneration policy

The remuneration policy of Hill End Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance indicators affecting the company's financial results. The Board of Hill End Gold Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black & Scholes methodology.

The Board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$250,000). Fees for non executive directors are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Performance based remuneration

The company currently has performance based remuneration component built into the Managing Director's executive remuneration package.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors' and executives' interests in options at year end, refer note 15 of the financial statements.

The directors have set the base fees payable as follows:

Non-executive Chairman	\$25,000 per annum
Non-executive Directors	\$15,000 per annum
Audit Committee members	\$Nil per annum

In addition to the fees above, the company makes compulsory superannuation contributions on behalf of each director in accordance with the Superannuation Guarantee Act. The company does not have any schemes for retirement benefits for non-executive directors.

Service Agreements

Mr Philip Bruce was appointed the Managing Director under a Service Agreement on 1 July 2004. The agreement stipulates a base salary of \$200,000 which includes superannuation plus the provision for the recovery of motor vehicle costs. The Salary will be reviewed annually and the contain the following termination provisions:

- (a) the company may terminate the agreement by giving nine months notice;
- (b) Mr Bruce may terminate the agreement by giving three months notice;
- (c) the company may terminate the agreement without notice under certain specified circumstances as is usual in such service agreements.

There are no other service agreements.

	Salary & Fees	Non Monetary	Super-annuation	Retirement benefits	Equity Options	Other Bonuses	Total
Alfred Lampard Paton							
2006	25,000						25,000
2005	25,000						25,000
Philip Francis Bruce							
2006	183,486		16,514				200,000
2005	183,486	16,514			4,000		204,000
Graham Charles Reveleigh							
2006	70,000		6,300				76,300
2005	70,000		6,300				76,300
Ian Noel Stuart Sloan							
2006	15,000		1,350				16,350
2005	15,000		1,350				16,350
Bruce Geoffrey Thomas							
2006	15,000		1,350				16,350
2005	5,000		450				5,450

Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2006

Only the Company Secretary, Kevin Lynn who received \$36,000 is classified as a named executive for the current reporting period. Mr Philip Bruce and Mr Graham Reveleigh are executive directors of the Company and are therefore included in Table 1.

Options granted as part of remuneration

No options were issued to directors or executives as part of their remuneration for the year. In the 2005 year the Company issued the Managing Director Philip Bruce 5,000,000 options as part of his remuneration. For details of directors' and executives' interests in options at year end, refer note 15 of the financial statements.

Performance Income as a proportion of total remuneration

No performance based bonuses have been paid to executive directors and executives during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

Directors' Report – continued

Meetings of Directors

The following table sets out the number of meetings of the company's Directors during the year ended 30 June 2006 and the number of meetings attended by each Director.

	Board Meetings		Committee Meetings	
	Directors' Meetings		Audit Meetings	
	Eligible	Attended	Eligible	Attended
A. L. Paton	6	6	2	2
G. C. Reveleigh	6	5	2	2
I. N. S. Sloan	6	5	–	–
B. G. Thomas	6	6	–	–
P. F. Bruce	6	6	–	–

No Nomination or Remuneration Committee Meetings were held during the year, with all relevant matters being considered by the full Board of Directors.

Share Options**Options issued in the current financial year**

During the financial year the company issued a total of 82,825,185 options which included a placement of 38,393,750 in December 2005, a bonus issue of 40,972,459 options in December 2005 and a placement of 1,000,000 options in April 2006.

Total outstanding options at the date of this report

The following options are outstanding at the date of this report.

Listed options	Exercisable at 15 cents on or before 31 May 2007	87,825,185
Managing Director Options	Exercisable at various prices on or before 30 November 2009	5,000,000
Employee	Exercisable at 20 cents on or before 30 August 2006	950,000
	Total options on issue	93,775,185

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to the principles of corporate governance. The company's corporate governance statement follows the financial report.

Non-Audit Services

The company engages the services of its auditor, William Buck, on other assignments in addition to their statutory audit duties where the firm's expertise and experience with the company are beneficial. Non-audit services to be undertaken by the auditor are referred to the Chairman of the Audit Committee for approval where the fees are expected to exceed \$50,000.

The Board of Directors has considered the level and nature of non-audit services provided by the auditor during the year and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the nature and scope of each type of non-audit service provided by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

	2006	2005
	\$	\$
<i>Audit services:</i>		
Remuneration for audit and review of financial reports under the Corporations Act 2001	18,300	13,520
<i>Other assurance services:</i>		
Review of prospectuses issued during year	–	5,000
Total auditor's remuneration	18,300	18,520

Directors' and Officers' Indemnification

During the financial year Hill End Gold Limited did not pay any premiums to insure the directors and officers of the Company.

The Company has agreed to indemnify and keep indemnified the Directors and Officers of the Company against all liabilities incurred by the directors or officers as a director or officer of the Company and all legal expenses incurred by the directors or officers as a director or officer of the Company.

The indemnity only applies to the extent and in the amount that the directors or officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company, under the general law or otherwise.

The indemnity does not extend to any liability:

- to the Company or a related body corporate of the Company; or
- arising out of conduct of the directors or officers involving a lack of good faith; or
- which was incurred prior to 1 February 1996 and which is in respect of any negligence, default, breach of duty or breach of trust of which the directors or officers may be guilty in relation to the Company or related body corporate.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 16 and forms part of the Director's Report.

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



Alfred Paton
Chairman

18 September 2006



Philip Bruce
Managing Director

18 September 2006

Auditor's Independence Declaration



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 the audit of Hill End Gold Limited for the year ended 30 June 2006 there has been:

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

Signed at Brisbane on 18 September 2005.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck
Chartered Accountants

A handwritten signature in blue ink that reads 'D W Langdon'.

D W Langdon
Partner

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Statement of Financial Performance

For the year ended 30 June 2006

		2006	2005
	Notes	\$	\$
Revenues from ordinary activities	2	85,356	36,182
Expenses from ordinary activities			
– Advertising		(34,338)	(16,093)
– Printing		(12,824)	(11,394)
– Share Registry		(18,760)	(10,557)
– Stock Exchange Fees		(50,349)	(16,808)
– Bank Fees		(10,771)	(8,179)
– Auditors		(18,300)	(18,520)
– Directors Emoluments		(325,179)	(318,124)
– Office Expenses		(65,508)	(70,107)
– Accounting Fees		(47,345)	(36,000)
– Corporate Travel		(45,697)	(18,257)
– Depreciation		(60,514)	(58,210)
– Exploration Expenditure written off		–	(26,267)
– Other expenses from ordinary activities		(95,938)	(47,148)
Loss from ordinary activities before income tax expense	3	(700,167)	(619,482)
Income tax expense	4	–	–
Loss from ordinary activities after income tax expense		(700,167)	(619,482)

	Notes	Cents	Cents
Basic earnings per share	21	(0.01)	(0.01)
Diluted earnings per share	21	(0.01)	(0.01)

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2006

		2006	2005
	Notes	\$	\$
Current Assets			
Cash and cash equivalents	5	1,632,874	323,680
Receivables	6	41,073	17,185
Total Current Assets		1,673,947	340,865
Non-Current Assets			
Other financial assets	7	202,932	213,036
Intangible Assets Deferred Exploration & Development	8	5,943,994	4,652,120
Property Plant & Equipment	9	420,778	477,028
Total Non-Current Assets		6,567,704	5,342,184
Total Assets		8,241,651	5,683,049
Current Liabilities			
Payables	10	447,355	121,431
Provision	11	19,230	11,538
Total Current Liabilities		466,585	132,969
Non Current Liabilities			
Payables	10	100,000	421,200
Total Non Current Liabilities		100,000	421,200
Total Liabilities		566,585	554,169
Net Assets		7,675,066	5,128,880
Equity			
Contributed equity	12	10,295,673	7,049,320
Accumulated losses	13	(2,620,607)	(1,920,440)
Total Equity		7,675,066	5,128,880

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2006

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2005	6,099,320	(1,300,958)	4,798,362
Loss attributable to members of the company	–	(619,482)	(619,482)
Shares Issued during the year	950,000	–	950,000
Balance at 30 June 2005	7,049,320	(1,920,440)	5,128,880
Loss attributable to members of the company	–	(700,167)	(700,167)
Shares Issued during the year	3,246,353	–	3,246,353
Balance at 30 June 2006	10,295,673	(2,620,607)	7,675,066

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2006

		2006	2005
	Notes	\$	\$
Cash Flows From Operating Activities			
Interest received		85,356	36,182
Payments to suppliers and employees		(459,281)	(672,129)
Net cash outflows from operating activities	18	(373,925)	(635,947)
Cash Flows From Investing Activities			
Exploration Bonds		10,103	(13,036)
Property Plant & Equipment		(4,264)	(47,351)
Exploration Expenditure		(1,291,873)	(1,222,073)
Net cash outflows from investing activities		(1,286,034)	(1,282,460)
Cash Flows From Financing Activities			
Proceeds from share issue in progress		–	277,200
Proceeds from the issue of shares		2,969,153	950,000
Net cash inflows from financing activities		2,969,153	1,227,200
Net Increase in Cash Held			
Cash at the Beginning of the Financial Year		323,680	1,014,887
Cash at the End of the Financial Year	5	1,632,874	323,680

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. The financial report has been prepared on historical cost basis.

Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS). This is the first financial report prepared based on AIFRS. The comparatives for the year ended 30 June 2005 have not required to be restated as no adjustments have been necessary to the company's financial statements resulting from the introduction of AIFRS.

(c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profits in the year which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from where exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Exploration and evaluation assets are tested for impairment each year. When the facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the carrying amount is written down to its likely recoverable amount.

(d) Trade creditors

A liability is recorded for goods and services prior to balance date, whether invoiced to the Company or not. Trade creditors are normally settled within 30 days.

(e) Cash

For the purposes of the statement of cash flows, cash and cash equivalents included cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

Notes to the Financial Statements – continued

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Net fair value

The net fair value of cash, investments and trade creditors approximates their carrying value.

(g) Revenue

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Other revenue is recognised when the right to receive the revenue has been established.

(h) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(i) Acquisitions of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

(j) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

The depreciation rates used are as follows:

Plant and equipment	20–25% straight line
Office furniture and equipment	25–33½% straight line
Motor vehicles	33½% straight line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment of property, plant and equipment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

(k) Employee Entitlements

Wages, salaries and annual leave

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Impairment

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(m) Intangible Assets

Intangible assets acquired in a business are initially measured at cost. Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(n) Earnings Per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the Financial Statements – continued

	2006	2005
	\$	\$
2. REVENUE		
Revenue from operating activities		
Interest received	85,356	36,182
3. OPERATING LOSS		
The operating loss from operating activities:		
– Advertising	34,338	16,093
– Printing	12,824	11,394
– Share Registry	18,760	10,557
– Stock Exchange Fees	50,349	16,808
– Bank Fees	10,771	8,179
– Auditors	18,300	18,520
– Directors Emoluments	325,179	318,124
– Office Expenses	65,508	70,107
– Accounting Fees	47,345	36,000
– Corporate Travel	45,697	18,257
– Depreciation	60,514	58,210
– Exploration Expenditure written off	–	26,267
– Other expenses from ordinary activities	95,938	47,148
4. INCOME TAX		
(a) Temporary Differences		
Current tax	–	–
Deferred tax	–	–
Underprovision for previous years	–	–
Total	–	–

	2006	2005
	\$	\$
4. INCOME TAX continued		
(b) Reconciliation of income tax expense to prima facie tax payable		
Operating loss before income tax	(700,167)	(619,482)
Prima facie income tax benefit at 30% on operating loss	210,050	185,844
Add tax effect of:		
– Tax losses and temporary differences not recognised	(248,324)	(224,118)
– Non temporary differences	–	–
– Under overprovision for prior years	–	–
– Equity raising costs debited to equity	38,274	38,274
Income tax attributable to operating loss	–	–

Directors are of the view that there is insufficient probability that the company and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities

(c) There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked

(d) Tax Losses

Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non temporary differences	3,872,380	1,758,646
Potential tax benefit at 30%	1,161,714	527,594

(e) Unrecognised temporary differences

Non deductible amounts as temporary differences	(19,230)	(13,342)
Accelerated deductions for book compared to tax	5,943,994	4,652,120
Total	5,924,764	4,638,778
Potential effect on future tax expense	1,777,429	1,391,633

5. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,632,874	323,680
Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows:		
Cash assets	1,632,874	323,680

Notes to the Financial Statements – continued

	2006	2005
	\$	\$
6. RECEIVABLES		
Other Debtors	41,073	17,185
7. OTHER FINANCIAL ASSETS		
Non-Current		
Performance guarantee bonds	202,932	213,036
8. INTANGIBLE ASSETS		
Non-Current		
Exploration expenditure		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	4,652,120	3,456,315
Expenditure in the period	1,291,874	1,222,072
Expenditure written off	–	(26,267)
	5,943,994	4,652,120
9. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment – at cost	480,444	473,680
Less: Accumulated depreciation	(128,394)	(96,630)
	352,050	377,050
Motor vehicles – at cost	136,952	139,452
Less: Accumulated depreciation	(68,224)	(39,474)
	68,728	99,978
	420,778	477,028

Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are as follows:

	Plant & Equipment	Motor Vehicles	Total
	\$	\$	\$
Carrying value at start of year	377,050	99,978	477,028
Additions	6,765	–	6,765
Disposals	–	(2,500)	(2,500)
Depreciation	(31,765)	(28,750)	(60,515,)
Carrying value at end of year	352,050	68,728	420,778

	2006	2005
	\$	\$
10. PAYABLES		
Current		
Trade creditors and accruals	447,355	121,431
Non Current		
Senator Minerals Contribution to Exploration	100,000	–
Accruals	–	144,000
Unissued Capital	–	277,200
	100,000	421,200
11. PROVISIONS		
Employee Entitlements	19,230	11,538
Number of Employees at year end	5	5
12. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
Balance at the beginning of the financial year	7,049,320	6,099,320
Issue of shares to raise capital	3,246,353	950,000
Balance at the end of the financial year	10,295,673	7,049,320

Consisting of 95,644,399 ordinary shares (2005: 52,209,625 ordinary shares)

(a) Issued and paid up capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

During the financial year the company issued a total of:

- 5,000,000 ordinary shares at 8 cents per share by placement in July 2005.
- 37,500,000 ordinary shares at 8 cents each by placement in December 2005
- 893,750 ordinary shares by placement to brokers in payment of advisory services
- 41,024 ordinary shares on exercise of options for 15 cents per share.

(b) Share Options

During the financial year the company issued a total of:

- 38,393,750 options as part of a placement in December 2005.
- 40,972,459 options as part of a bonus issue of options to all security holders in December 2005.
- 2,500,000 options as part of a placement in July 2005.
- 1,000,000 options in April 2006 for advisory services.
- less 41,024 options converted to ordinary shares at 15c per share.

All options are exercisable at 15 cents per share on or before 31 May 2007.

Notes to the Financial Statements – continued

	2006	2005
	Number	Number
Movements in options		
Balance at the beginning of the financial year	20,465,728	10,465,728
Options Lapsed	(9,515,728)	–
Options Exercised	(41,024)	–
Options Issued	82,866,209	10,000,000
Balance at the end of the financial year	93,775,185	20,465,728

	2006	2005
	\$	\$
13. ACCUMULATED LOSSES		
Opening balance	1,920,440	1,300,958
Net loss for year	700,167	619,481
Closing balance	2,620,607	1,920,440

14. AUDITOR'S REMUNERATION

Remuneration for audit or review of the financial reports of the company:

Current auditors of the company:

Audit and review of the financial statements	18,300	13,520
Other services	–	5,000
	18,300	18,520

15. REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Names of directors and specified executives and positions held at any time during the year:

Directors

A Paton	Chairman – Non-Executive
P Bruce	Managing Director
G Reveleigh	Director – Executive
I Sloan	Director – Non-Executive
B Thomas	Director – Non-Executive

Specified Executives

K Lynn	Company Secretary
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(b) Relevant Interests in Options and Ordinary Shares at the Date of this Report

	Balance 1 July 05	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 06
Employee Options					
Specified Directors					
A Paton	250,000	–	–	–	250,000
G Reveleigh	200,000	–	–	–	200,000
P Bruce	5,200,000	–	–	–	5,200,000
B Thomas	–	–	–	–	–
I Sloan	200,000	–	–	–	200,000
Specified Executives					
K M Lynn	100,000	–	–	–	100,000
Total	5,950,000	–	–	–	5,950,000
Listed Options					
Specified Directors					
A Paton	–	–	–	400,000	400,000
G Reveleigh	–	–	–	1,790,713	1,790,713
P Bruce	–	–	–	1,498,314	1,498,314
B Thomas	500,000	–	–	1,505,265	2,005,265
I Sloan	–	–	–	395,001	395,001
Specified Executives					
K M Lynn	–	–	–	–	–
Total	500,000	–	–	5,589,293	6,089,293
Ordinary Shares					
Specified Directors					
A Paton	392,728	–	–	25,000	417,728
G Reveleigh	3,961,450	–	–	330,000	4,291,450
P Bruce	3,271,071	–	–	225,000	3,496,071
B Thomas	1,497,990	–	–	1,112,010	2,610,000
I Sloan	921,673	–	–	–	921,673
Specified Executives					
K M Lynn	–	–	–	–	–
Total	10,044,912	–	–	1,692,010	11,736,922

Notes to the Financial Statements – continued

NOTE 15. REMUNERATION OF DIRECTORS AND EXECUTIVES continued

(c) Relevant Interests in Options and Ordinary Shares prior year

	Balance 1 July 04	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 05
Employee Options					
Specified Directors					
A Paton	250,000	–	–	–	250,000
G Reveleigh	200,000	–	–	–	200,000
P Bruce	200,000	5,000,000	–	–	5,200,000
B Thomas	–	–	–	–	–
I Sloan	200,000	–	–	–	200,000
Specified Executives					
K M Lynn	100,000	–	–	–	100,000
Total	950,000	5,000,000	–	–	5,950,000
Listed Options					
Specified Directors					
A Paton	100,000	–	–	300,000	400,000
G Reveleigh	1,127,500	–	–	40,000	1,167,500
P Bruce	1,138,702	–	–	–	1,138,702
B Thomas	–	–	–	500,000	500,000
I Sloan	230,000	–	–	–	230,000
Specified Executives					
K M Lynn	–	–	–	–	–
Total	2,596,202	–	–	955,000	3,551,202
Ordinary Shares					
Specified Directors					
A Paton	200,000	–	–	192,728	392,728
G Reveleigh	3,858,722	–	–	102,728	3,961,450
P Bruce	2,755,192	–	–	515,879	3,271,071
B Thomas	–	–	–	1,497,990	1,497,990
I Sloan	800,955	–	–	120,718	921,673
Specified Executives					
K M Lynn	–	–	–	–	–
Total	7,614,869	–	–	2,430,043	10,044,912

(d) Directors' and Senior Officers' Emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior officers of the Company. The Board's remuneration policy is to ensure the remuneration level properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company has not employed any executive officers, other than Directors, who were involved in, concerned in, or who took part in the management of the Company's affairs. Details of the nature and amount of the remuneration of each Director of the company are set out below:

(e) Emoluments Of Directors

	Salary, Fees & Commissions	Super-annuation	Options	Total
	\$	\$	\$	\$
Year ended 30 June 2006				
A Paton	25,000	–	–	25,000
P Bruce	183,486	16,514	–	200,000
I Sloan	15,000	1,350	–	16,350
B Thomas	15,000	1,350	–	16,350
G Reveleigh	70,000	6,300	–	76,300
Year ended 30 June 2005				
A Paton	25,000	–	–	25,000
P Bruce	183,486	15,514	4,000	204,000
I Sloan	15,000	1,350	–	16,350
B Thomas	5,000	450	–	5,450
G Reveleigh	70,000	6,300	–	76,300

(f) Emoluments of the Executives

	Salary, Fees & Commissions	Super-annuation	Total
	\$	\$	\$
Year ended 30 June 2006			
K M Lynn	36,000	–	36,000
Year ended 30 June 2005			
K M Lynn	36,000	–	36,000

The Board sets all remuneration packages. The broad remuneration policy is to ensure that each senior staff member's remuneration package properly reflects the person's duties and responsibilities. Current market conditions are also taken into account in determining the appropriate remuneration package.

There were no shares or options issued as remuneration to executives during the financial year ended June 2006 (2005, nil).

Notes to the Financial Statements – continued

16. RELATED PARTY TRANSACTIONS

Related parties of Hill End Gold Limited fall into the following categories:

*Directors***Other Transactions with Director Related Entities**

Payment/provision of the following payments were made for consulting and other services to related entities of the following directors:

	2006	2005
	\$	\$
G Reveleigh	22,521	56,494
I Sloan	–	13,592

All transactions were on normal commercial terms.

17. SEGMENT INFORMATION**Business Segments**

The Company operates in the mining industry in Australia only. Operations comprise mineral exploration.

18. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss after income tax	(700,167)	(619,481)
Depreciation	60,514	58,210
Exploration Expenditure written off	–	26,267
(Increase) in Receivables	(23,888)	38,080
Increase in Payables	281,924	(150,561)
Increase in Provisions	7,692	11,538
Net cash outflows from operating activities	(373,925)	(635,947)

19. COMMITMENTS FOR EXPENDITURE**Operating Leases**

Total operating lease expenditure contracted for at balance date but not provided for in the financial statements:

Due within one year	–	300,000
Due beyond one year and within five years	–	–
	–	300,000

20. FINANCIAL INSTRUMENT DISCLOSURES

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate		Non-interest Bearing	Total
			Within 1 year	Over 1 year		
	%	\$	\$	\$	\$	\$
2006						
FINANCIAL ASSETS						
Cash assets	4.5	–	1,632,874	–	–	1,632,874
Performance guarantee bonds	–	–	–	202,932	–	202,932
Other financial assets	–	–	–	–	41,073	41,073
		–	1,632,874	202,932	41,073	1,876,879
FINANCIAL LIABILITIES						
Payables	–	–	–	–	(566,585)	(566,585)
NET FINANCIAL ASSETS (LIABILITIES)		–	1,632,874	202,932	(525,512)	1,310,294
2005						
FINANCIAL ASSETS						
Cash assets	4.5	–	323,680	–	–	323,680
Performance guarantee bonds	–	–	–	213,036	–	213,036
Other financial assets	–	–	–	–	17,185	17,185
		–	323,680	213,036	17,185	553,901
FINANCIAL LIABILITIES						
Payables	–	–	–	–	(554,169)	(554,169)
NET FINANCIAL ASSETS (LIABILITIES)		–	323,680	213,036	(536,984)	(268)

Notes to the Financial Statements – continued

NOTE 20. FINANCIAL INSTRUMENT DISCLOSURES continued

(b) Reconciliation of net financial assets per statement of financial position:

	2006	2005
	\$	\$
Net financial assets per above	1,320,294	(268)
Property Plant & Equipment	420,778	477,028
Deferred Exploration & Development	5,943,994	4,652,120
Net assets per statement of financial position	7,685,066	5,128,880

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial assets, is the carrying amount as disclosed in the statements of financial position and notes to the financial statements.

(d) Net Fair Values

The net fair values of the financial assets and financial liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statements of financial position and in the notes to the financial statements.

21. EARNINGS PER SHARE

	2006	2005
	Cents	Cents
Basic earnings per share	(0.01)	(0.01)
Diluted earnings per share	(0.01)	(0.01)
Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basis earnings per share and alternative basis earnings per share	77,918,033	47,798,666
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	132,737,899	64,045,216
Reconciliation of earnings used in calculating earnings per share	\$	\$
Earnings used in calculating basic and diluted earnings per share	(700,167)	(619,482)

Options granted to employees and directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

22. COMPANY DETAILS

The registered office of the company is:

Hill End Gold Limited
41 Cavendish Street
Earlville Qld 4870

The principal places of business are:

Hill End Gold Limited
Suite 1310
3 Spring Street
Sydney NSW 2000

Hill End Gold Limited
Bowen Street
Hill End NSW 2850

Directors' Declaration

The directors declare that:

- 1 the financial statements and notes, as set out on pages 11 to 37 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity;
- 2 the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
- 3 in the director's 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Alfred Paton
Chairman

Sydney, 18 September 2006



Philip Bruce
Managing Director

Sydney, 18 September 2006

Independent Audit Report



To the Members of Hill End Gold Limited

Scope

The financial report and Directors' responsibility

The financial report comprises the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, accompanying notes to the financial statements and the Directors' Declaration for Hill End Gold Limited for the year ended 30 June 2006.

The Directors are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Hill End Gold Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

William Buck
Chartered Accountants

Brisbane, 18 September 2006

D W Langdon
Partner

Brisbane, 18 September 2006

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Corporate Governance Statement

BOARD OF DIRECTORS

The Company presently has three non executive directors including the Chairman and two executive directors, including a Managing Director; which is in conformity with the Board's policy that the Board have a majority of non-executive directors. Profiles of the members of the Board are set out in the Directors' Report.

The Board has the responsibility for ensuring the Company is properly managed so as to protect and enhance shareholders' interests in a manner which is consistent with the Company's responsibility to meet its obligations to all parties with which the Company interacts.

For the purposes of the proper performance of their duties, directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise.

The Board encourages non-executive directors to own shares in the Company.

COMMITTEES OF THE BOARD

It is the Board's policy that committees of the Board dealing with corporate governance matters should:

- be chaired by a non-executive director;
- have sufficient non-executive directors so that the Committees are sufficiently independent of management;
- be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise;
- be entitled to obtain such resources and information from the Company, including direct access to employees of and advisers to the Company, as they may require; and
- operate in accordance with terms of reference established by the Board.

All committees operate principally in a review or advisory capacity.

PRINCIPAL FUNCTIONS OF BOARD COMMITTEES

Audit Committee (Mr B.G. Thomas (Chairman), Mr A. L. Paton, Mr G. C. Reveleigh)

- assisting the Board in the discharge of its responsibilities in respect of the preparation of the Company's financial statements and the Company's internal controls;
- recommending to the Board, nominees for appointment as external auditors;
- reviewing the performance of the external auditors;
- providing a line of communication between the Board and the external auditors; and
- examining the external auditor's evaluation of internal controls and Management's response.

Remuneration Committee (Mr I. N. S. Sloan (Chairman), Mr A. L. Paton, Mr G. C. Reveleigh)

- terms and conditions relating to the appointment and retirement of the Managing Director, and the non-executive directors;
- the remuneration policies and practices for the Company including participation in the incentive plan, share scheme and other benefits; and
- superannuation arrangements.

Nomination Committee (Mr A. L. Paton, (Chairman), Mr P. F. Bruce, Mr G. C. Reveleigh)

- assessing the performance of the Board and each director;
- assessing the appropriateness of the current structure of the Board;
- if appropriate, recruiting directors for the Board; and
- ensuring that directors are aware of their responsibilities.

BUSINESS RISKS

The exploration for and the development of mineral deposits, and the processing of the material from such deposits to extract saleable minerals are speculative activities that involve a high degree of financial risk.

The Board has identified the significant areas of potential business and legal risk for the Company.

The identification, monitoring and, where appropriate, the reduction of significant risk to the Company are highlighted in the:

- annual budget presented to the Board by the Managing Director;
- operating and financial performance reports to the Board;
- annual insurance arrangements with major Australian insurers.

The Board reviews and approves the parameters under which such risks will be managed.

ANNUAL REVIEW

It is the Board's policy that the Board should meet at least annually to:

- review the performance of the Board, the Company and Management; and
- review the allocation of the work of the Company between the Board and Management.

ETHICAL STANDARDS

The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

The Company intends to maintain a reputation for integrity. The Board has adopted a Code of Ethics which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

A key element of that Code is the requirement that officers and employees act in accordance with the law and with the highest standards of propriety. The Code and its implementation are to be reviewed each year.

THE BOARD OF DIRECTORS

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically and the optimum number of directors required to adequately supervise the Company's constitution determined within the limitations imposed by the constitution and as circumstances demand.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credentials within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment.

Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

Corporate Governance Statement – continued

ROLE OF THE BOARD

The board's primary role is the protection and enhancement of long term shareholder value.

To fulfill this role, the board is responsible for oversight of the management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

APPOINTMENTS TO OTHER BOARDS

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

INDEPENDENT PROFESSIONAL ADVICE

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2004 with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position with regard to adoption of these Principles.

ASX Principle	Status Reference/Comment
Principle 1: Lay solid foundations for management and oversight	
1.1 Formalise and disclose the functions reserved to the board and those delegated to management	<p>A The Company has adopted this recommendation and formalised and disclose the functions reserved to the board and those delegated to management. The Company has a small board, comprising five directors, three of whom are non executive (including the Chairman).</p> <p>The Company considers the expense of sourcing additional directors at this stage of its development is unwarranted.</p> <p>The full board currently meets every month. In addition, strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise.</p> <p>The board believes the alignment of the interests of directors with those of shareholders as being the most efficient way to ensure shareholders' interests are protected.</p>
Principle 2: Structure the board to add value	
2.1 A majority of board members should be independent directors	<p>A Given the Company's background, the nature and size of its business and the current stage of its development, the Board comprises five directors, three of whom are non executive (including the independent Chairman). The Board believes that this is both appropriate and acceptable at this stage of the Company's development.</p>
2.2 The chairperson should be an independent director	<p>A The positions of Chairman and Managing Director are held by separate persons.</p>
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual	<p>A The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.</p>
2.4 The board should establish a nomination committee	<p>A The skills and experience of directors are set out in the Company's (in part) Annual Report and on its website.</p>
2.5 Provide the information indicated in Guide to reporting on Principle 2	<p>A The Company has formulated a Code of Conduct which can be viewed on the Company's website.</p>
Principle 3: Promote ethical and responsible decision making	
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	
3.1.1 the practices necessary to maintain confidence in the Company's integrity	<p>A Complies</p>
3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	<p>A Complies</p>
3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees	<p>A The Company has formulated a securities trading policy which can be viewed on its website.</p>
3.3 Provide the information indicated in Guide to Reporting on Principle 3	<p>A The Company has established an audit committee which comprises two non executive directors. The charter for this committee is disclosed on the Company's website. Sourcing alternative or additional directors to strictly comply with this Principle is considered expensive with costs outweighing potential benefits in addition, the board as a whole addresses the governance aspects of the full scope of the Company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full Board Meetings.</p>

Corporate Governance Statement – continued

ASX Principle	Status Reference/Comment
Principle 4: Safeguard integrity in financial reporting	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) (to state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards
	The board should establish an audit committee
	Structure the audit committee so that it consists of:
	<ul style="list-style-type: none"> • Only non executive directors • A majority of independent directors • An independent chairperson who is not the chairperson of the board • At least three members
	The audit committee should have a formal charter
	Provide the information indicated in Guide to reporting on Principle 4
	A Complies
	A One executive director on Audit Committee
	A Complies
Principle 5: Make timely and balanced disclosure	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance
	A The Company has also instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The Board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Provide the information indicated in Guide to Reporting on Principle 5
	A The Board receives monthly reports on the financial position of the Company with performance being measured against approved budgets.
Principle 6: Respect the rights of shareholders	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings
	A In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distribution of specific releases covering major transactions or events.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report
	A Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The Company's auditors attend all shareholders' meetings.

ASX Principle	Status Reference/Comment	
Principle 7 Recognise and manage risk		
7.1	The board or appropriate board committee should establish policies on risk oversight and management	N/A While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	A Determined areas of risk which are regularly considered include
7.2.1	the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board	<ul style="list-style-type: none"> • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2.2	the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	
7.3	Provide information indicated in Guide to N/A Reporting on Principle 7	N/A
Principle 8: Encourage enhanced Performance		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	A The Company has a sub committee of the Board to consider remuneration matters. The remuneration of executive and non executive directors is reviewed by the Committee with the exclusion of the director concerned. The remuneration of management and employees is reviewed by the Board and approved by the Board. Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the Company's securities. Whenever relevant, any such matters are reported to ASX.
Principle 9 Remunerate fairly and responsibly		
9.1	Provide disclosure in relation to the Company's remuneration policies and benefits to these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	N/A The Company discloses remuneration related information in its Annual Report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the board on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2	The board should establish a remuneration committee.	A Complies
9.3	Clearly distinguish the structure of non executive directors' remuneration from that of executives.	A Complies
9.4	Ensure that payment of equity based executive remuneration's made in accordance with thresholds set in plans approved by shareholders.	A Complies
9.5	Provide information indicated in ASX Guide to Reporting on Principle 9.	A Complies
Principle 10: Recognise legitimate interests of Stakeholders		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	A The company's Code of Conduct is set out in the Company's website. The Board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the Company

Shareholder Information

The shareholder information set out below was applicable as at 11 September 2006.

1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding:

Category of holding	Number	No. of Shares	Percentage
1 – 1,000	28	9,849	0.010
1,001 – 5,000	194	747,654	0.782
5,001 – 10,000	326	2,977,191	3.113
10,001 – 100,000	714	27,714,100	28.976
100,001 shares and over	130	64,195,605	67.119
	1,392	95,644,399	100.000

(b) There are 136 shareholders with less than a marketable parcel of ordinary shares.

(c) There are two substantial shareholders in the Company's Register of Substantial Shareholders as at 11 September 2006, being HSBC Custody Nominees (Australia) Limited, who holds 9.188% and National Nominees Limited, who holds 6.105% of the ordinary shares on issue.

2. Twenty Largest Shareholders

The names of the twenty largest holders of ordinary shares are listed below:

Name	Number of Shares held	Percentage of Shares held
1. HSBC Custody Nominees (Australia) Limited	8,787,500	9.188
2. National Nominees Limited	5,838,788	6.105
3. Diazill Pty Limited <P B Superannuation Fund a/c>	2,837,754	2.967
4. Mr Tan Sri Azmi Wan Hamzah	2,500,000	2.614
5. G E Reveleigh & Co Pty Ltd <The Reveleigh S/F a/c>	2,446,450	2.558
6. Forty Traders Limited	1,772,727	1.853
7. Leet Investments Pty Limited	1,660,000	1.736
8. G E Reveleigh & Co Pty Ltd <The Arfamo a/c>	1,540,000	1.610
9. Mr Clarence William Bacon	1,400,000	1.464
10. Alcardo Investments Limited <Styled 102501 a/c>	1,307,000	1.367
11. Japag Pty Limited	1,300,000	1.359
12. Leet investments Pty Ltd <Superannuation Fund a/c>	1,050,000	1.098
13. Mega-Min Resources NL <Mega-Min a/c>	1,000,000	1.046
14. Geraldton Agricultural Services Pty Ltd	1,000,000	1.046
15. ANZ Nominees Limited <Cash Income a/c>	909,456	0.951
16. KRS Nominees Pty Ltd <KR & PF Sheather S/Fund a/c>	800,000	0.836
17. Alan Thomas McDonald & Wendy Margaret McDonald	660,667	0.691
18. Benbat Pty Ltd	625,000	0.653
19. Daletech Pty Ltd <The Pitt Street a/c>	622,531	0.651
20. Philip Francis Bruce	527,403	0.551
Total	38,585,276	40.342

3. Voting Rights

At a general meeting of shareholders:

- On a show of hands, each person who is a member or sole proxy has one vote.
- On a poll, each shareholder is entitled to one vote for each fully paid share.

Optionholder Information

The optionholder information set out below was applicable as at 11 September 2006.

1. Distribution of Optionholders

Category of holding	Number	No. of Options	Percentage
1 – 1,000	37	20,584	0.023
1,001 – 5,000	235	815,537	0.929
5,001 – 10,000	100	775,538	0.883
10,001 – 100,000	272	8,889,918	10.122
100,001 shares and over	117	77,323,608	88.043
	761	87,825,185	100.000

2. Twenty Largest Optionholders

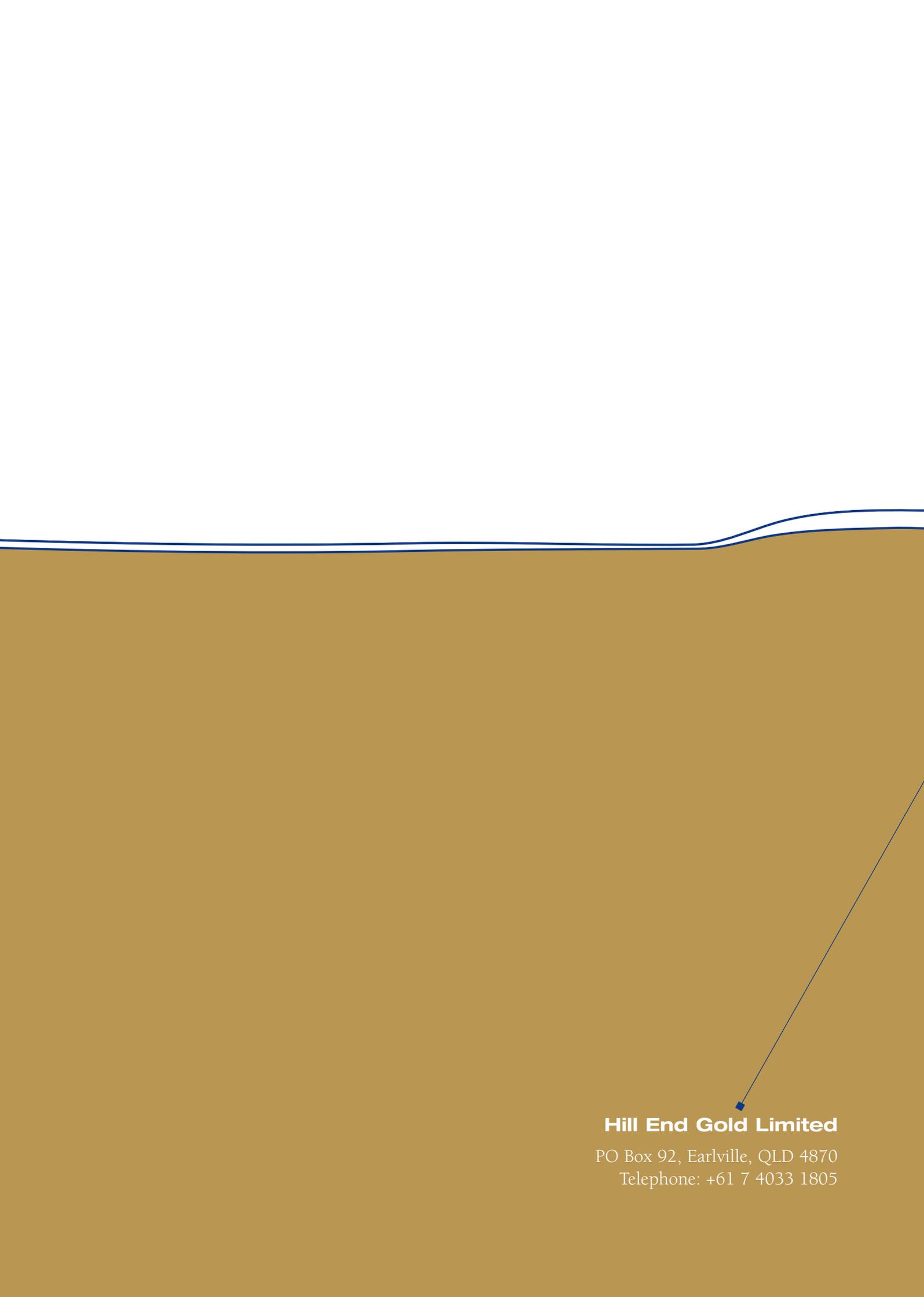
The names of the twenty largest holders of 31 May 2007 options are listed below:

Name	Number of Options held	Percentage of Options held
1. Wanabee Holdings Pty Limited	14,660,841	16.693
2. HSBC Custody Nominees (Australia) Limited	9,418,928	10.725
3. National Nominees Limited	5,573,726	6.346
4. Mr Tan Sri Azmi Wan Hamzah	2,500,000	2.847
5. Mr Bryan Ralph Elboz & Mrs Patricia Mary Elboz <Toono Super Fund Account>	2,401,587	2.735
6. Geraldton Agricultural Services Pty Ltd	1,513,941	1.724
7. Forty Traders Limited	1,509,740	1.719
8. Mega-Min Resources NL <Mega-Min a/c>	1,500,000	1.708
9. Diazill Pty Limited <P B Superannuation Fund a/c>	1,441,180	1.641
10. Tradez Pty Ltd	1,363,816	1.553
11. WHI Securities Pty Ltd <Crown Credit Corporation a/c>	1,198,952	1.365
12. Mr John Richard Habib & Dr Jane Francis Habib <Mungo Super Fund a/c>	1,107,144	1.261
13. Mr Tan Sri Azmi Wan Hamzah	1,071,428	1.220
14. Leet Investments Pty Ltd <Superannuation Fund a/c>	1,028,571	1.171
15. KRS Nominees Pty Ltd <KR & PF Sheather S/Fund a/c>	1,021,428	1.163
16. Yelrif Investments Pty Limited	1,000,000	1.139
17. Cornerstone Advisors Pty Ltd <Cornerstone a/c>	1,000,000	1.139
18. Leet Investments Pty Limited	976,694	1.112
19. Benbat Pty Ltd	892,857	1.017
20. Mr Robert Allan Gould	880,000	1.002
Total	52,060,833	59.278

Hill End Mining Tenements

Tenement	Registered Holder	Grant/ Application Date	Expiry Date	Status	Area	Notes
Exploration Licence No 6558 (1992)	Hill End Gold Limited	13/4/2006	12/4/2008	Current	48 units	
Mining Lease No 1541 (1992)	Hill End Gold Limited	17/10/2003	16/10/2024	Current	279.20 hectares	1
Exploration Licence No 5868 (1992)	Hill End Gold Limited	18/6/2001	17/6/2005	Renewal Pending	113 units	1,3
Gold Lease No 5846 (1906)	Hill End Gold Limited	15/2/1968	7/12/2019	Current	2.044 hectares	2,3
Mining Lease No 1116 (1973)	Hill End Gold Limited	28/3/1984	27/3/2005	Renewal Pending	15.71 hectares	2,3
Mining Lease No 315 (1973)	Hill End Gold Limited	8/12/1976	7/12/2019	Current	6.671 hectares	2,3
Mining Lease No 316 (1973)	Hill End Gold Limited	8/12/1976	7/12/2019	Current	8.846 hectares	2,3
Mining Lease No 317 (1973)	Hill End Gold Limited	8/12/1976	7/12/2019	Current	7.00 hectares	2,3
Mining Lease No 49 (1973)	Hill End Gold Limited	30/7/1975	7/12/2019	Current	1.618 hectares	2,3
Mining Lease No 50 (1973)	Hill End Gold Limited	30/7/1975	7/12/2019	Current	3.02 hectares	2,3
Mining Lease No 913 (1973)	Hill End Gold Limited	20/1/1981	19/1/2023	Current	22.00 hectares	2,3
Mining Lease No 914 (1973)	Hill End Gold Limited	20/1/1981	19/1/2023	Current	21.69 hectares	2,3
Mining Lease No 915 (1973)	Hill End Gold Limited	4/2/1981	3/2/2023	Current	13.27 hectares	2,3

- 1 Hill End Historic Site Excluded. Mining Lease applies below Historic Site.
- 2 Agreement between Big Nugget Partnership and Silver Orchid Pty Ltd dated 25 June 1993.
- 3 Deed of Transfer from Nugget Resources Inc to Nugget Resources Australia Pty Ltd (now Hill End Gold Limited) 26 June 2001.



Hill End Gold Limited

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