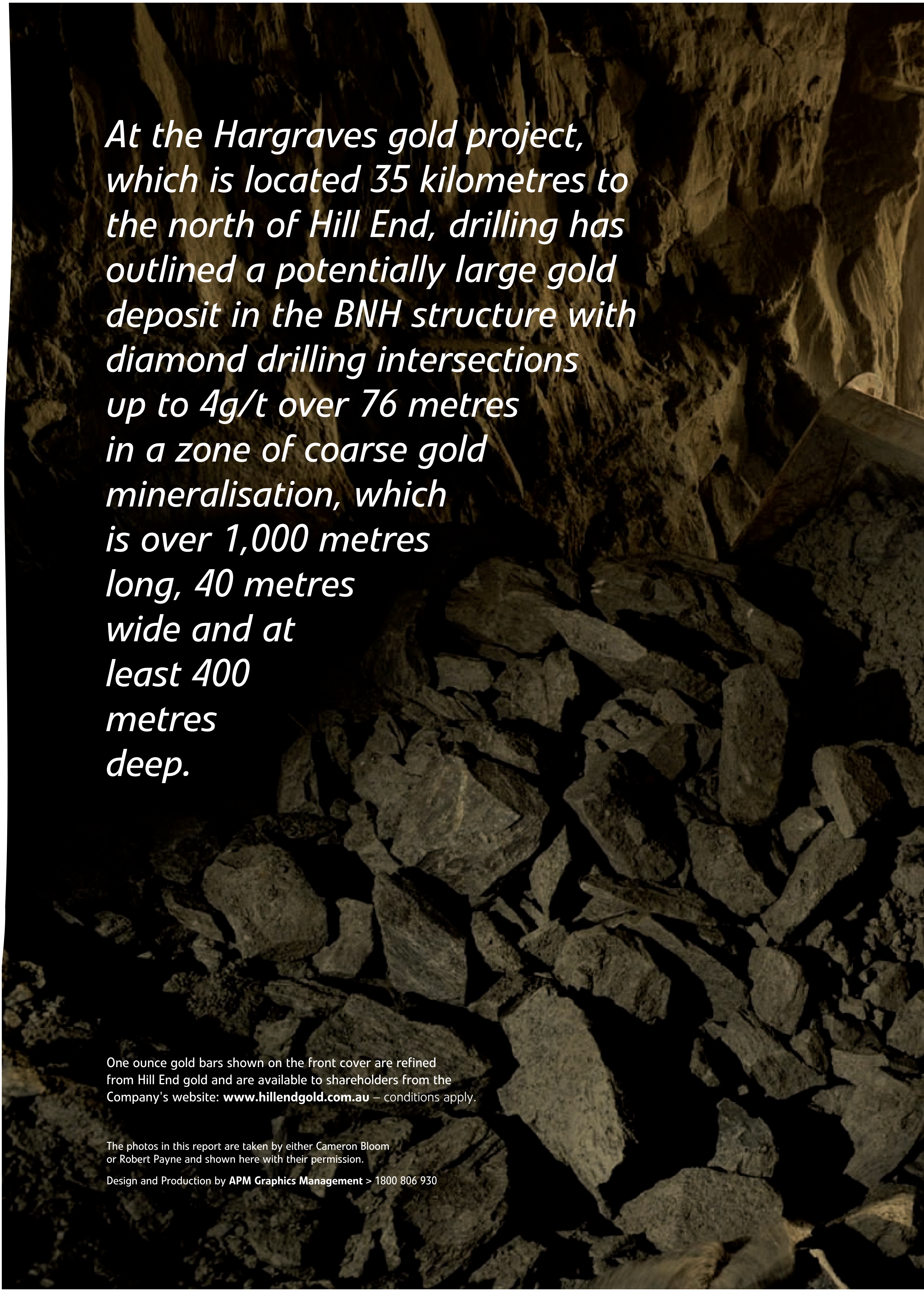
HILL END GOLD LIMITED

Annual Report **2009**



At the Hargraves gold project, which is located 35 kilometres to the north of Hill End, drilling has outlined a potentially large gold deposit in the BNH structure with diamond drilling intersections up to 4g/t over 76 metres in a zone of coarse gold mineralisation, which is over 1,000 metres long, 40 metres wide and at least 400 metres deep.

One ounce gold bars shown on the front cover are refined from Hill End gold and are available to shareholders from the Company's website: **www.hillendgold.com.au** – conditions apply.

The photos in this report are taken by either Cameron Bloom or Robert Payne and shown here with their permission.

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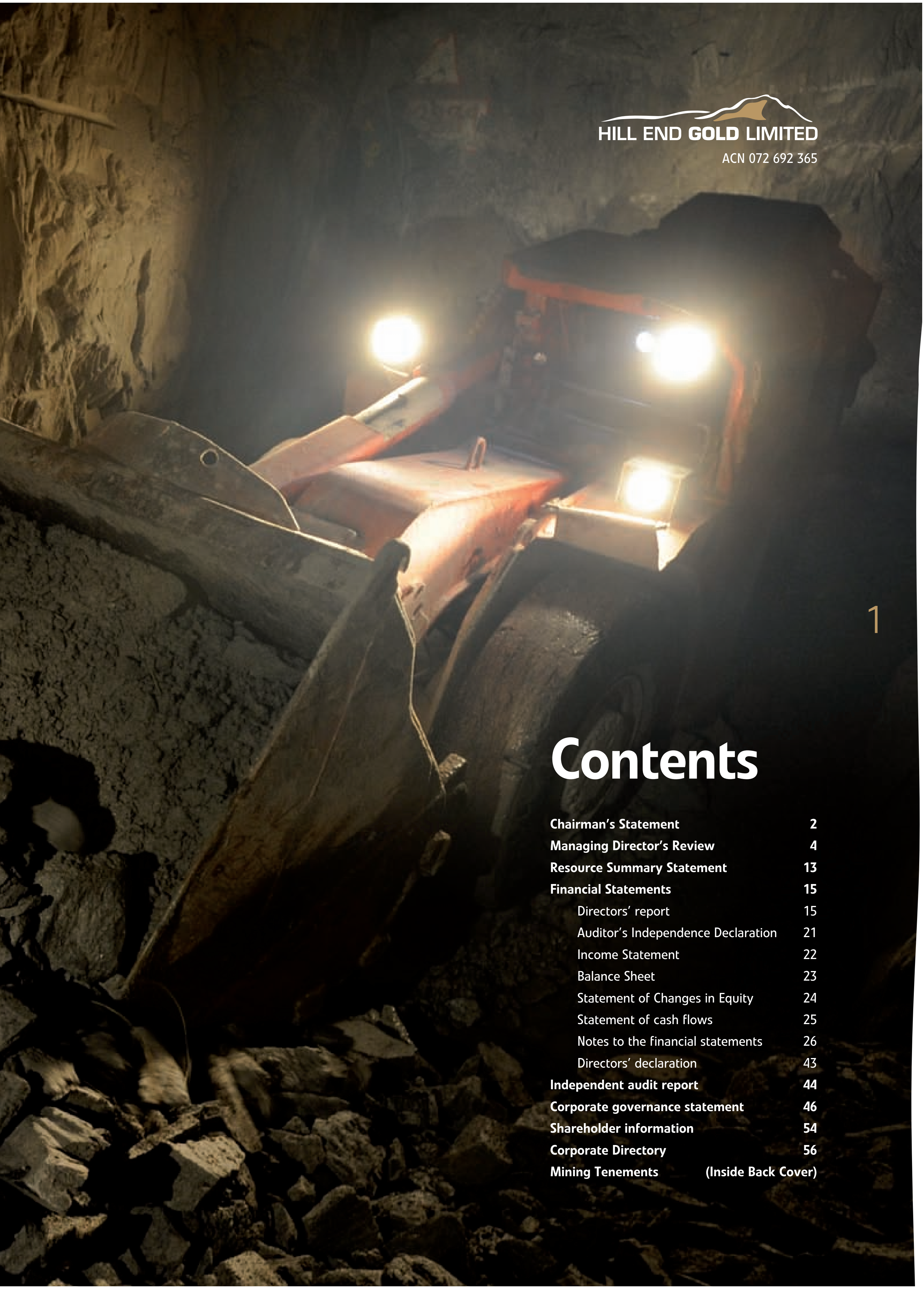


HILL END **GOLD** LIMITED

ACN 072 692 365

Contents

Chairman's Statement

Dear Shareholder,

Through increasing underground development and gold production at its Hill End gold project the Company is increasing the project mineral resources and has demonstrated the potential of the Hawkins Hill – Reward deposit. Further drilling and development is underway to support a planned expanded development of the Hill End Project and increasing gold production over the coming year.

The total mineral resources in the Hill End Project area in New South Wales, Australia have grown to over 300,000 ounces gold including 660,000 tonnes at 10.6g/t in the Hawkins Hill – Reward deposit. During the year the Hill End mine and processing plant have been established as a continuous operation and underground development and drilling continue to expand the extent of the high grade gold mineralisation. To date the Hawkins Hill – Reward deposit has been opened to a depth of over 250 metres below surface and a strike length of 800 metres and decline development has now commenced below the deepest level.

During the year our Hill End project team has identified and extensively mapped the structures associated with the very high grade gold mineralisation at Hill End, which historically have produced extremely high grade gold mineralisation. This mapping now allows specific targeting of drilling, development and mine planning. Previous production during the nineteenth century from the Hawkins Hill – Reward deposit was more than 40,000 tonnes at 10 ounces per tonne from a network of shallow workings, which mined these same high grade structures.

Our focus during the year has been to open up the deposit below these high grade workings and to confirm the grade and continuity of the gold mineralisation by relatively small scale mining and processing. This has been very successful and has demonstrated that the high grade gold mineralisation is in a geologically simple setting that has huge potential at depth and along strike.

At the Hargraves gold project, which is located 35 kilometres to the north of Hill End, drilling has outlined a potentially large gold deposit in the Big Nugget Hill (BNH) structure with diamond drilling intersections up to 4.2g/t gold over 76 metres in a zone of coarse gold mineralisation, which is over 1,000 metres long, 40 metres wide and at least 400 metres deep. The BNH deposit, which is one of a number of areas of extensive old workings within a four kilometre wide zone in the Hargraves area, is now being drilled with a 12,000 metre program to delineate a maiden resource to support initial project development.

The Hill End and Hargraves project areas include potentially mineable gold deposits along 75 kilometres of strike of the Hill End Anticline, within tenement holdings of 1,210 square kilometres, which include three historic goldfields at Hill End, Hargraves and Windeyer. Together these goldfields have produced over two million ounces from shallow historic workings and it is believed that the tenement scope is for a further 4–5 million ounces.

The 2009 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 excellent progress made by the Hill End team, the potential offered by the Company's projects and our activities and plans for the coming year.

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

ALFRED PATON
Chairman

The total mineral resources in the Hill End Project area in New South Wales, have grown to over 300,000 ounces gold including 660,000 tonnes at 10.6g/t in the Hawkins Hill – Reward deposit.

Managing Director's Review

Strategy

- Continue to increase resources at Hill End to support expansion of the project to approximately 40,000 ounces per year.
- Complete the drillout of the Hargraves Big Nugget Hill deposit to delineate a maiden resource.
- Increase gold production from the combined Hill End and Hargraves projects with targeted resource potential of 4–5 million ounces.
- Regional exploration on 1,210 square kilometres tenements over Hill End – Hargraves – Windeyer goldfields.
- Complete approvals for Laos project and commence exploration.
- Project and corporate growth through increasing resources, developing substantial gold deposits and acquiring projects with substantial cash flow potential to increase shareholder value.

Overview

Hill End Gold Limited is a strongly growing junior gold mining company with a clear focus on increasing resources and profitable gold production.

The Hill End – Hargraves Project tenements in New South Wales, Australia cover 1,210 square kilometres including the rich historical Hill End, Hargraves and Windeyer Goldfields, which together were one of the world's richest gold mining areas, with combined production of over two million ounces of gold. Previous underground production from the Hawkins Hill deposit at Hill End averaged up to 10 ounces per tonne and large specimens were mined containing up to 3,000 ounces gold.

The development strategy for the Hill End – Hargraves Projects is to increase gold production from the Hawkins Hill - Reward deposit at Hill End and to develop the larger Hargraves BNH deposit with a targeted resource potential for the projects of 4–5 million ounces.

Underground production started from Hawkins Hill – Reward in 2008 to confirm the continuity and tenor of the high grade quartz vein system and has been successful in outlining resources of 660,000 tonnes at 10.6g/t, which are being assessed to support a mine expansion to approximately 40,000 ounces per year.

Hargraves is located 35 kilometres to the north of Hill End and HEG has partly diamond drilled the BNH deposit to a depth of 400 metres with intersections of up to 4.2g/t over 75 metres from near surface. The BNH deposit was discovered in 1851 with a 50kg piece of gold in quartz at surface and has been partially mined to only 50 metres below surface. Further drilling has commenced to delineate resources beneath the extensive old workings at BNH and adjacent zones.

The Barham Project in southern New South Wales covers the strike extension of the highly prospective Bendigo Group, which has a gold endowment of over 50 million ounces in Victoria. Geophysical studies have identified a coincident gravity/magnetic anomaly at less than 100 metres below surface and further detailed surveys are underway.

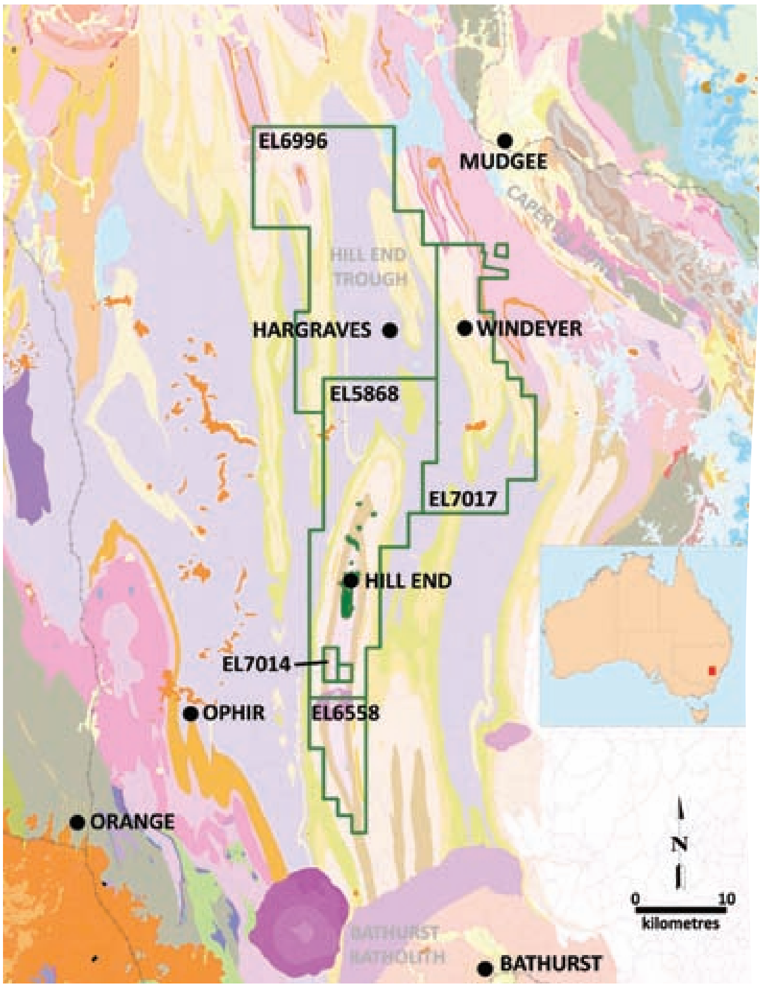
The Company holds a minimum 85% beneficial interest in the Mining Leases in the Hill End area and the area formerly subject to Exploration Licence 2037, which is now part of Exploration Licence 5868, and holds a 100% interest in all other New South Wales tenements.

In Laos the Lak Sao project area is under application and additional project acquisitions are being reviewed.

Hill End

High grade gold mineralisation in the Hill End – Hargraves area occurs in a string of gold deposits along a strong north-south structure of approximately 75 kilometres length from south of Hill End to north of Hargraves.

At Hill End the main mineralised structure is over a kilometre wide with the Hawkins Hill – Reward deposit located on the eastern side in a zone of one hundred metres width and over two kilometres in length. Gold in the Hawkins Hill – Reward deposit occurs in north-south striking quartz veins that are geologically continuous and contain very high grade gold mineralisation.



Mining

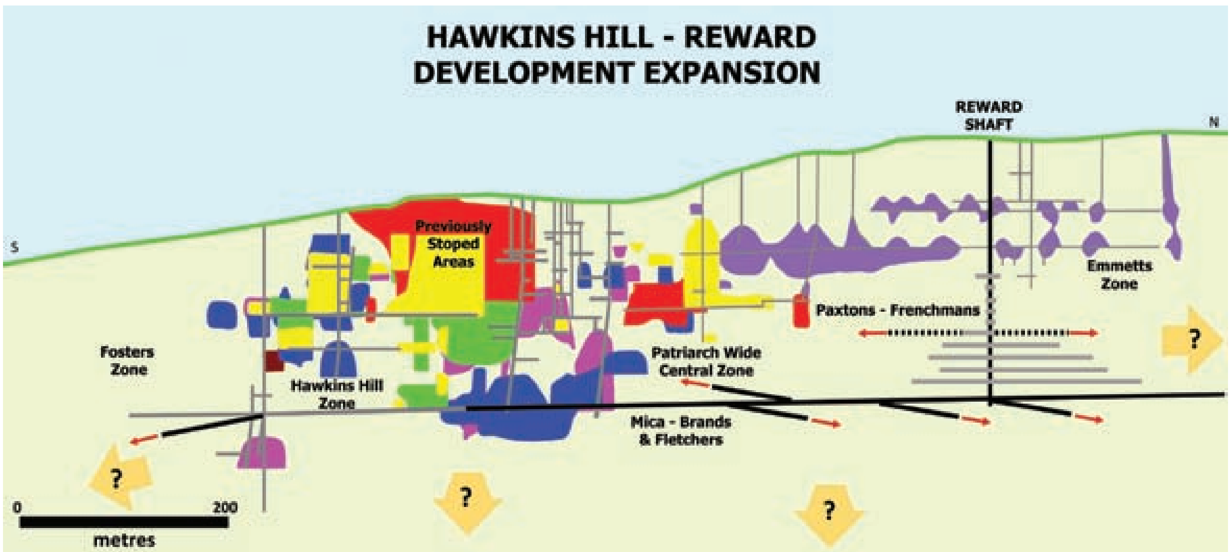
Underground operations in the Hawkins Hill – Reward deposit are based on the Amalgamated level, which is 250 metres below surface, and the Reward shaft, which was commissioned during October 2008 with ten sub-levels spaced from 100 metres below surface down to the Amalgamated level. The drive along the Amalgamated level has opened up the deposit over a strike length of 800 metres and development and drilling continue to extend resources along strike and dip.

Over the past year the underground drilling and mining have confirmed the continuity of the very high grade zones, particularly in close proximity to Indicator Faults, which are interpreted to be the plumbing system for the gold mineralisation from some 1000s of metres below surface. These individual mineralising structures are some hundreds of metres in length within the broad structural zone and previous mining along these Indicator Faults in the Hawkins Hill – Reward deposit has produced over 400,000 ounces at around 10 ounces per tonne.

The current workings have mined individual veins of over 1,000g/t gold and there are wide zones of sheeted quartz veins of approximately 15 metres width and hundreds of metres strike length averaging about 4g/t, which would support low cost bulk mining.

Two underground diamond drilling rigs were purchased during the year to target resource extensions, and to provide geological data to support the Indicator Fault model and for mine planning.

Underground development in the Hawkins Hill – Reward deposit during the year totalled 1,841 metres on the 640 level and in the sub-levels of the Reward shaft to provide access for initial production, geological mapping and drilling. The activities



have shown the previous resource estimate to be quite conservative with the current resource of 660,000 tonnes at 10.6g/t gold being approximately three times higher than the previous estimate.

Many new areas of potential resource extensions were encountered while advancing the Amalgamated level to the north along the Mica veinsets to the Reward Shaft position and beyond. These areas are being drilled and accessed by further development to support the proposed expansion of the project. In addition the Amalgamated level is planned to continue north into the Scandinavian area and to the south towards the Fosters area.

On the Amalgamated level the development results from the Mica veinset north of the Reward shaft position averaged 35.4g/t gold diluted over a 1.1 metre width for a strike length of 110 metres, including 25 metres averaging 54g/t, up to the Robert Emmett's cross course. The crosscourse was previously mined near surface at a grade of 20–40 ounces per tonne and the zone encompassing the intersection of the near-vertical Indicator structural system and the veinsets adjacent to the cross course is interpreted to be well mineralised from surface to a depth below the current workings. Drilling is planned to test this new zone and development will continue along the mineralised veins on the north side of the cross course when the drilling is completed.

A 5,000 metre underground drilling program is underway on the Amalgamated level and the Reward sub-levels to expand the Hawkins Hill – Reward resources. Early success has resulted in new wide zones of mineralisation being identified in the Paxton's and Steven's veinsets at 730–780RL to the south of the Reward shaft and in the Mica to Frenchman's veinsets in the Patriarch area. The Patriarch zone is a wide zone of approximately 15 metres width, at least 250 metres strike length and 30 metre dip extent at an average preliminary grade of approximately 4g/t gold. Based on drilling to date the zone is estimated to contain over 30,000 ounces in 250,000 tonnes and it is expected that the zone will continue further along strike to the north and south.

Plant

The Hill End gold processing plant is located at the portal of the Amalgamated adit and was built in early 2008 as a sample plant to assist with grade estimation for the Hawkins Hill – Reward resources. The first gold was produced from underground mining material in April 2008. Since the ore only needs coarse grinding to release the gold particles the plant recovers gold by gravity processing only without the use of cyanide.

The gold particles in the ore are mostly over 0.5mm in size and with particles this coarse, for geological data to be sufficiently reliable to produce a reliable resource estimate, large bulk samples need to be processed and reconciled against resource blocks. The mining, mapping and processing exercise has confirmed the Hill End gold mineralisation to be more continuous and predictable than expected, with a resource model/mill reconciliation of 104%.

In December 2008, the plant was converted from a sample plant and since then, progressive upgrades, process optimisation, improved maintenance and increased operating time have resulted in increasing capacity from a 10 tonnes per day sampling plant to over 100 tonnes per day, or approximately 35,000 tonnes per year, on a continuous basis.

During the year the gold recovery in the plant has been increased from 80% to over 95%: excellent performance for a gravity gold recovery plant, which has been voted a finalist in the 2009 Australian Mining Prospect Awards – Minerals Processing Plant of the Year. During the year 5,871 ounces of gold were produced from 12,591 tonnes at an average grade of 15.9g/t.

Expansion of the Hill End processing plant to approximately 100,000 tonnes per year is now being considered as either an augmentation of the current plant located at the Amalgamated portal area or building a larger plant at the Patriarch shaft area.

Resource estimation

The resource estimation process is a progressive exercise, which starts with a relatively low estimate of an inferred resource category, based on surface drilling results and moderate confidence in geology and grade continuity, which may then increase with additional data and confidence in the reliability of the estimates, with the inclusion of the measured and indicated categories.

The current resource estimate for the Hawkins Hill – Reward deposit of 658,100 tonnes at 10.6g/t gold is three times the previous one and there are many areas that are yet to be drilled, developed and included in the resource estimate.

The Hawkins Hill – Reward resource estimate is based on two main sources of data. The first is a block model calculated resource which is based on a cutoff grade of 2g/t gold over a minimum vein set width of 1.1 metres and an inverse distance squared gold grade influence.

The block model has a 104% reconciliation against gold production to the end of June 2009 and the measured, indicated and inferred categories are estimated according to proximity to data.

The second model used to estimate inferred resources only is based on our understanding of the controls of the gold mineralisation in the deposit and extrapolation of resources from previous workings in areas of low drilling information.

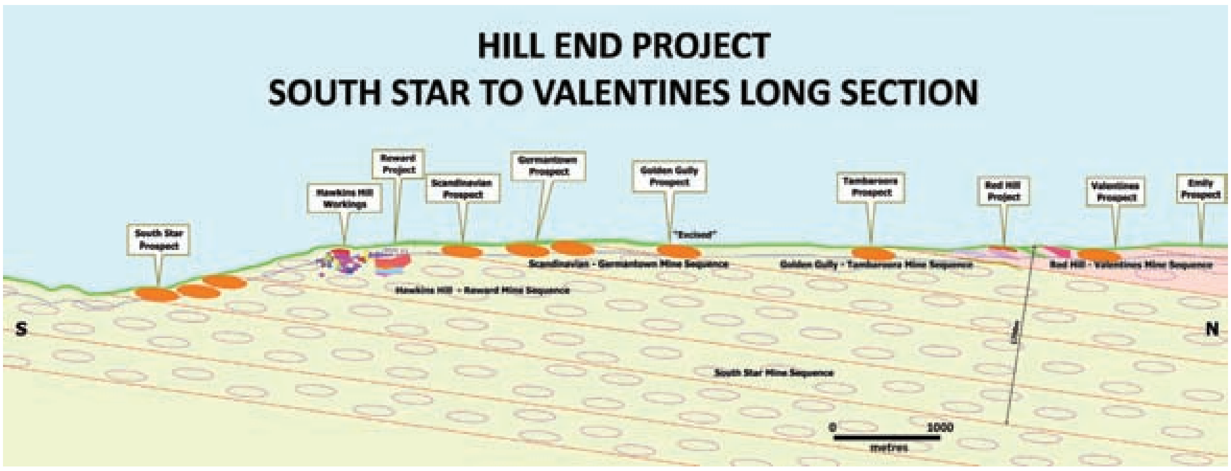
The current resource estimate includes only those areas which have provided drilling or development data and some areas adjacent to old workings within a strike length of 800 metres and depth of 300 metres below surface, however the deposit continues along strike and at depth. The previously announced 5,000 metre underground drilling program is only partially complete and accelerated drilling and development is underway to increase the resources.

Exploration

During the year the Company completed a total of 3,499 metres of diamond drilling on the surface and underground at Hill End and Hargraves. Two underground diamond drilling rigs were purchased during the year and 1,173 metres of drilling were completed from the Amalgamated level and the Reward shaft sub-levels.

All the surface drilling was HQ triple tube core drilling and underground drilling was single tube drilling and of LTK48 core size.

Prospect Areas	Metres drilled	Number of diamond drillholes
Red Hill	668	3
Scandinavian	686	2
Reward – underground	1,173	30
Reward – surface	389	1
Hargraves	583	3
Total	**3,499**	**39**



Red Hill

The Red Hill diamond drilling outlined extensions of the Red Hill resources to the north and at depth including new zones under the Valentine's and the White's areas. The new Fraser's zone under White's was intersected at a depth of 150 metres with 10.7 metres at 13g/t gold.

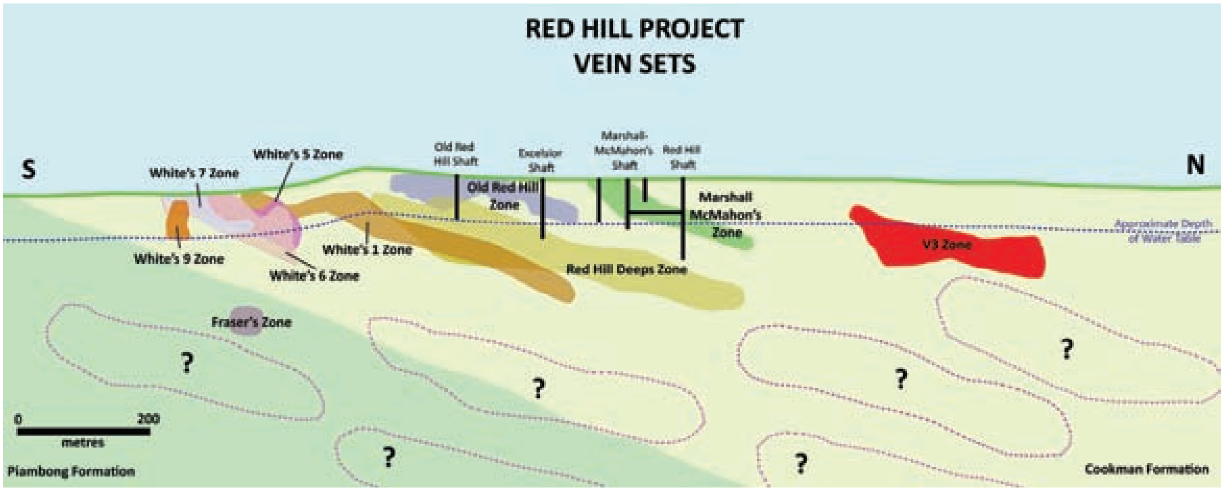
The Red Hill area mineralisation is open at depth and along strike and contains a current resource estimate of 849,300 tonnes at 3.3g/t gold for 89,200 ounces.

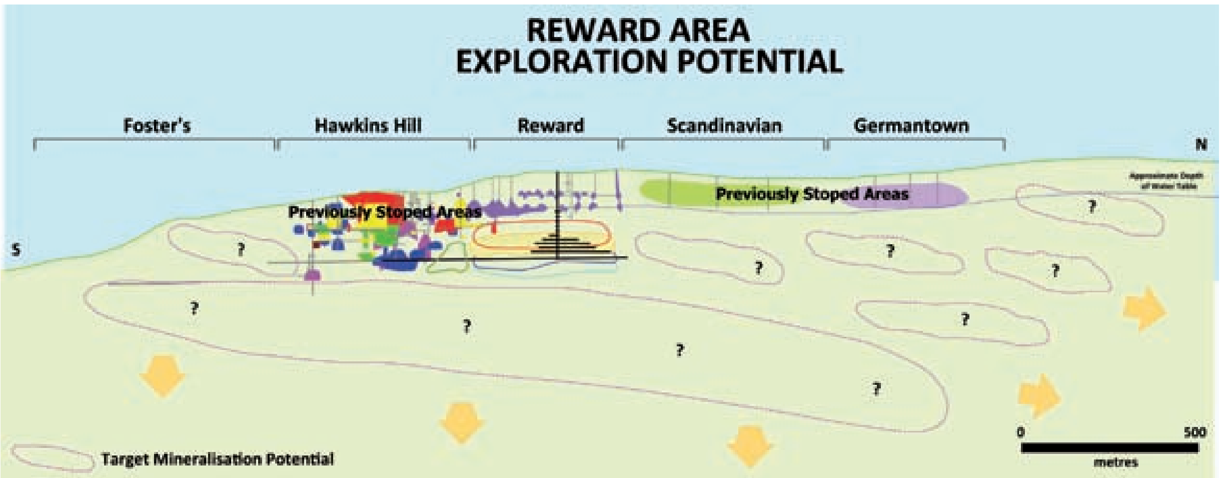
Scandinavian

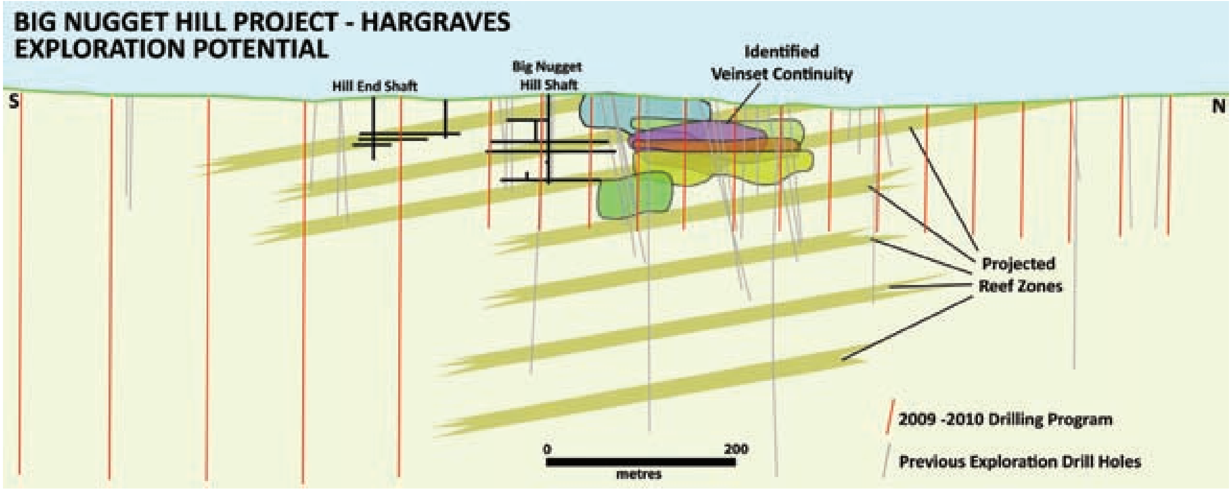
Relogging and reinterpretation of the three holes drilled in the Scandinavian area identified additional prospectivity with significant veinsets containing visible gold that correlated with those at the Hawkins Hill – Reward deposit.

These drill holes from within the town of Hill End tested below the Scandinavian mine workings, which had been stopped at less than 100 metres below surface by water inflows over 100 years ago.

The Scandinavian area is the northern strike extension of the Hawkins Hill – Reward deposit for approximately 500 metres from the current 640 level development position. The 640 level Reward development has advanced through the Robert Emmett's crosscourse and is waiting for additional underground drilling before continuing north into the Scandinavian area.







Hargraves

Hargraves is the site of Australia's earliest gold reef mining in 1851, when large pieces of gold in quartz, containing up to 1,546 ounces, were discovered in quartz vein outcrops at the Big Nugget Hill deposit (BNH). The BNH deposit is located to the west of the town of Hargraves and approximately 35 kilometres to the north of Hill End. Rich alluvial deposits were also mined in the Louisa, Daly and Meroo Creeks and many large nuggets were found of up to 2,680 ounces of gold.

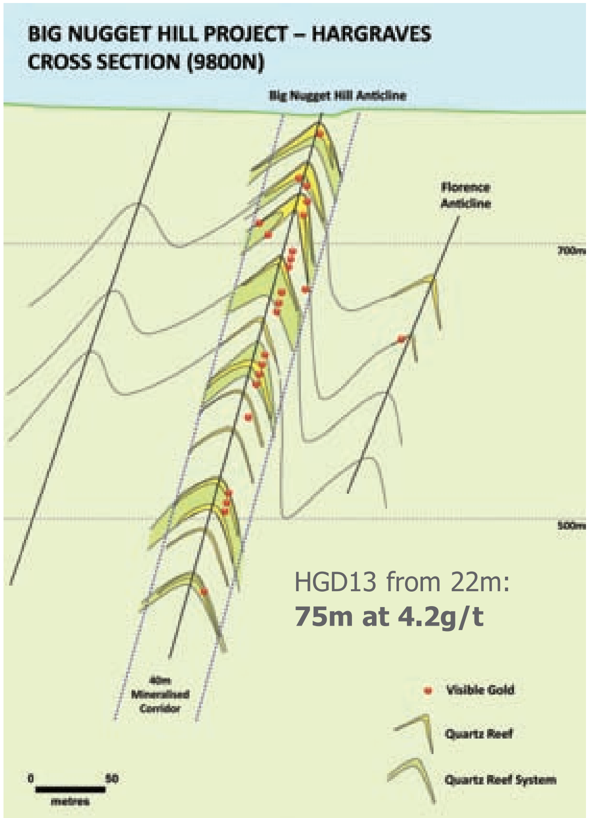
The 100% owned Hargraves tenement (EL6996) has numerous prospective zones across a four kilometres wide mineralised trend, which has had little modern exploration.

The 2008 BNH diamond drilling program outlined a 40 metre wide zone of gold mineralisation to a depth of at least 400 metres with a strike length of about one kilometre. A follow up drilling program of 12,000 metres to outline a maiden resource commenced in September 2009 on the BNH deposit. The BNH deposit is expected to be a large, moderate grade deposit with previous intersections including HGD13 with 4.2 g/t over 75 metres from 22 metres below surface.

Gold occurs in the BNH deposit as coarse free grains in predominantly bedding parallel quartz veins in a shale package on both limbs and in the hinge of a tight anticline. The veins tend to occur as sets of 10–20 veins each in zones about 10–20 metres in thickness, which are about 20–40 metres apart down structure.

Drilling to date has identified at least six such zones to 400 metres depth and indicates a strike extent of over 1,000 metres with no indication of decrease in grade, style or abundance of mineralisation at the strike or depth limits of drilling.

Planning for an initial mining and processing project on the BNH deposit has commenced.



Windeyer

The Company is the 100% holder of the granted Exploration Licence (EL7017) over the Windeyer historic goldfield area, which is adjacent to the Hargraves and Hill End goldfields and is located on a mineralised structure, which is parallel to and to the east of the mineralised Hill End Anticline.

Windeyer has a number of historically rich hardrock deposits and during the 19th century rich alluvial deposits were mined in Clarkes Creek, which rises in the Boiga Mountain area, which is also covered by EL7017.

Field studies have commenced on the Windeyer-Boiga Mountain area.

Murray Basin Area

The Company is the 100% holder of granted Exploration Licences in the Swan Hill – Barham area (EL6905, 6906, 7124, 7125, 7127 and 7298) of New South Wales.

The Barham area tenements cover the interpreted extension of the Bendigo Zone from Victoria into New South Wales. The Bendigo Zone has hosted 50 million ounces in gold deposits where it outcrops in Victoria and recent studies by the Department of Primary Industries, Victoria have identified further potential for 70 million ounces of gold beneath shallow sediments covering the Bendigo Zone rocks.

FrogTech consulting geologists have completed a geophysical report of the Barham tenement area which indicates many targets with shallow depth to basement for field follow up.

Further detailed geophysical surveys have commenced over a coincident gravity/magnetic anomaly.

Lao PDR

The Lak Sao Project area application in Lao PDR for a Mineral Reconnaissance and Exploration Agreement has passed all the government hurdles and is being considered at the highest levels of the Department of Mining, Department of Foreign Investment and the Government of Lao PDR. Hill End Gold has been advised by the Lao Government to resolve issues with the Lao Army, which has mineral interests adjacent to the application area and near to the border with Vietnam.

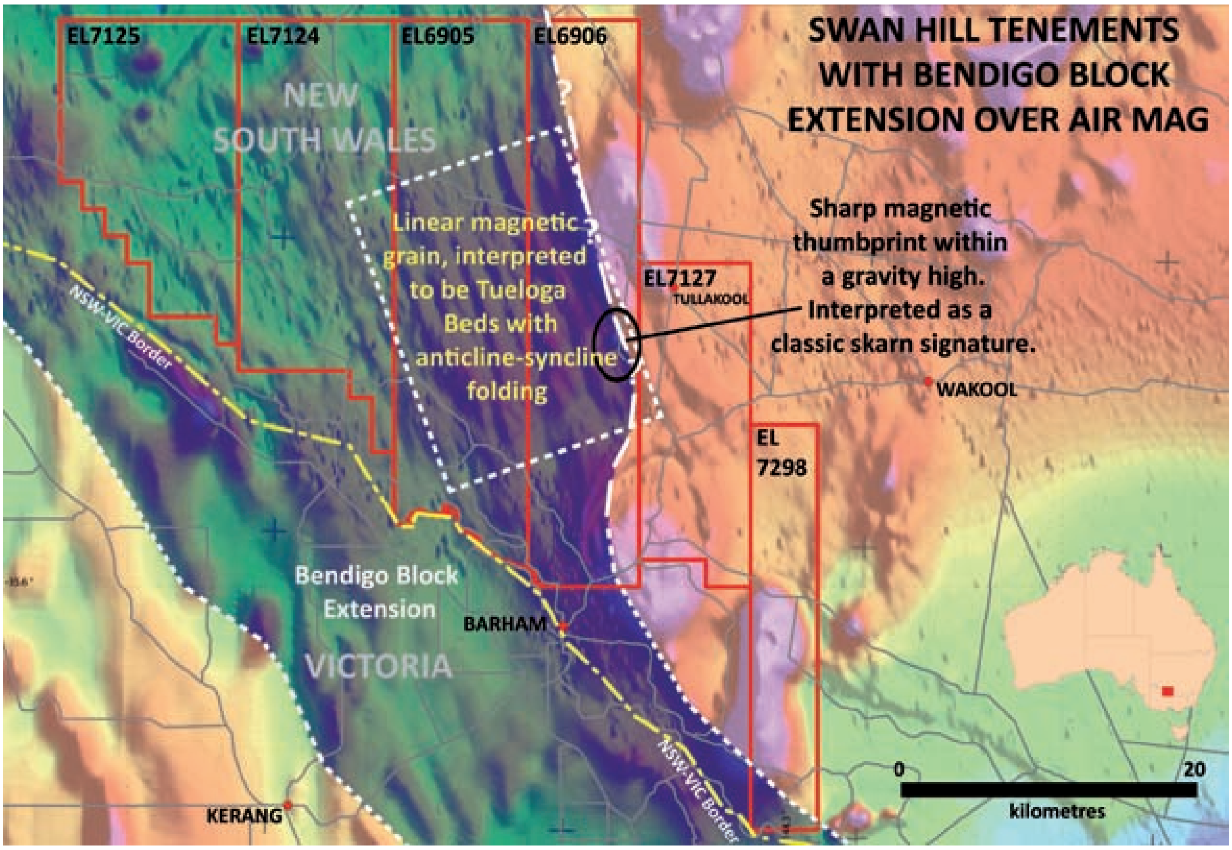
The Lak Sao Project area of approximately 2,000km^2 is located in the Bolikhamxay Province in Central Laos between the Mekong River and the Vietnam border. The area is approximately 100 kilometres north of the Sepon copper-gold project, operated by China Minmetals Corporation, in the Truongson Belt. Previous

prospecting has identified numerous precious and base metal occurrences in outcrop and in stream sediment dispersion haloes. Controlled artisanal gold mining of a moderate scale is underway on a small tenement excised from the tenement application. Hill End Gold have a 51% interest in the Lak Sao Project with Mekong Resources Pty Ltd.

Other project areas in Laos are under review for application or joint venture.

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. The Company holds a 100% interest in all other Australian tenements.



Corporate

During the year the Company raised a total of $9.9 million through:

- the issue of 52,413,466 September 2009 25 cent options (HEGOB) at 3 cents per option via a 1 for 5 rights issue raising $1,572,404 (July 2008);
- the exercise of 36,315,271 September 2008 15 cent options (HEGOA) raising $5,447,291 (September 2008); and
- a placement of 17,080,670 ordinary shares at 17 cents per share raising $2,903,714 (June 2009).

Subsequent to the end of the financial year the Company raised a total of $13.6 million through:

- completion of June 2009 placement of 11,963,330 ordinary shares at 17 cents per share raising $2,033,766 (August 2009);
- the exercise of 11,055,437 September 2009 25 cent options (HEGOB) raising $2,763,859 (September 2009); and
- A shortfall placement of 35,312,614 shares per HEGOB option exercise underwriting agreement to Bell Potter Securities Limited raising $8,828,154 (September 2009).

The capital structure of the Company is currently:

- 399,042,673 fully paid ordinary shares (HEG.ASX)
- 6,705,000 employee options expiring at various dates to 22 November 2012
- 800,000 director options expiring 1 December 2010
- 5,000,000 managing director options expiring 30 November 2009

Community Relationships

Hill End Gold is committed to improving the economic and social outlook of communities in which it is working. There is an emphasis on local recruitment and use of local services and financial assistance is given for community projects.

During the year the Company was awarded the 'Highly Commended – Environment Award in the New South Wales Minerals Council 2008 Environment & Community Excellence Awards in the category of Environmental Management for its rehabilitation activities adjacent to the Reward Shaft. The work involved the extensive restoration of a badly eroded gully located on the southern side of the town of Hill End to a stable condition containing prolific and diverse varieties of flora and fauna.

Attribution

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mike Quayle and Philip Bruce. Mr Quayle is a Member of The Australian Institute of Geoscientists and is a full-time employee of the company and Mr Bruce is a Fellow of the Australasian Institute of Mining and Metallurgy. Both Mr Quayle and Mr Bruce have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Quayle and Mr Bruce consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

Resource Summary Statement

for the year ended 30 June 2008

Hill End – Hargraves Project Summary

Source	Tonnes	Grade g/t gold	In situ ounces
Hawkins Hill – Reward Resource	658,100	10.6	223,700
Red Hill Resource	849,300	3.3	89,200
Total HILL END Resource	**1,507,500**	**6.5**	**312,900**
Hawkins Hill – Reward midpoint Exploration Potential	2,250,000	12.5	1,000,000
less Extrapolated workings resource	369,100	11.4	135,800
Hargraves BNH midpoint Exploration Potential	1,131,700	7.7	281,000
Total midpoint EXPLORATION POTENTIAL	**3,012,600**	**11.8**	**1,145,200**

Resource Summary Statement

Hawkins Hill – Reward June 2009 (4)

Source	Total	Tonnes (1)	Grade (2) g/t gold	Contained (3) gold oz
Reconciled mine/mill block model (5)	Measured	41,900	16.8	22,600
	Indicated	46,100	10.1	15,000
	Inferred	201,000	7.8	50,300
		289,000	**9.5**	**87,900**
Extrapolated workings model (6)	Inferred	369,100	11.4	135,800
Total HAWKINS HILL – REWARD deposit to date (7)		**658,100**	**10.6**	**223,700**

(1) Tonnage figures are rounded to nearest 1000
(2) Grade figures are rounded to the nearest 0.1
(3) Contained gold figures rounded to the nearest 100
(4) Cut off grade of 2g/t gold over 1.1m stoping width
(5) Comparison of production to 30 June 2009 and sampling to 30 September 2009
(6) Resource extrapolated from old workings
(7) Patriarch individual veinsets included in this estimate, not the new wide zone.

Red Hill – June 2007 (4)

Source	Total	Tonnes (1)	Grade (2) g/t gold	Contained (3) gold oz
White's	Inferred	336,500	2.5	27,400
Red Hill Deeps	Inferred	68,900	5.3	11,700
Old Red Hill	Inferred	285,800	2.0	18,200
Marshall McMahon	Inferred	83,800	5.3	14,200
Valentine's 3	Inferred	25,000	4.0	3,200
Fraser's	Inferred	49,300	9.1	14,500
Total RED HILL deposit to date		**849,300**	**3.3**	**89,200**

(1) Tonnage figures are rounded to nearest 1000
(2) Grade figures are rounded to the nearest 0.1
(3) Contained gold figures rounded to the nearest 100
(4) Cut off grade of 1g/t gold over 1m horizontal width, diluted to 0.8m minimum.

Exploration Potential

Exploration Potential, according to the JORC Code 2004 Edition, clause 18, infers that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

The estimates for Exploration Potential for the Hawkins Hill – Reward and the Big Nugget Hill deposits at Hill End and Hargraves respectively are based on extrapolating factored drilling and historical data into some adjacent areas with minimal drilling information. The estimates do not necessarily reflect the potential size of the development of the projects.

Source	Tonnes	Grade g/t gold	In situ ounces
Hawkins Hill – Reward midpoint Exploration Potential	2,250,000	12.5	1,000,000
less Extrapolated workings resource	369,100	11.4	135,800
Hargraves BNH midpoint Exploration Potential	1,131,700	7.7	281,000
Total midpoint EXPLORATION POTENTIAL	**3,012,600**	**11.8**	**1,145,200**

Hawkins Hill - Reward

The individual Reward vein sets are currently interpreted to have a strike length of over two kilometres and the en echelon vein sets to extend to a depth of at least 500 metres. The current estimate of the Exploration Potential of Hawkins Hill – Reward – Germantown in the mineralised structural corridor, additional to the Reward resources, is 2–2.5 million tonnes at 10–20g/t gold containing a midpoint of approximately one million ounces.

The Exploration Potential estimate comprises material adjacent to Hawkins Hill – Reward, including interpolated blocks between resource block boundaries and historical stope outlines plus depth and southern strike extensions (60%), and extrapolation of the known vein sets along strike to the north and at depth to Germantown at veinset resource widths and grade (40%). Note that the extrapolated workings resources have been deducted from the Exploration Potential estimate.

The Exploration Potential quantity and grade is conceptual in nature with insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Hargraves

The results available from the exploration drilling to date on the BNH deposit indicate an Exploration Potential of between 900,000–1,400,000 tonnes at a grade of between 6–9 g/t gold for a total of between 220,000–325,000 ounces.

2008 drilling data for the BNH deposit Exploration Potential estimate at Hargraves is concentrated on the BNH zone which is 200 metres long and 150 metres deep, however existing data indicates that grade and gold abundance does not appear to diminish along strike or with depth. The Exploration Potential estimate for the area of data concentration is projected into the other designated blocks in the 1,000 metres by 400 metres block of known mineralisation according to previously published factors.

Directors' Report

for the year ended 30 June 2009

The Directors present their report on the Company for the year ended 30 June 2009.

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** (Non-Executive Director)
- **Ian Noel Stuart Sloan** (Non-Executive Director)
- **Bruce Geoffrey Thomas** (Non-Executive Director)
- **Ian Cunynghame Daymond** (Non-Executive Director) Appointed 8 September 2008

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the continued exploration and the commencement of gold production in the Hill End Project area, development of high grade resources at Reward and surface exploration on the Company's exploration licence areas in proximity to Hill End.

There were no significant changes in the nature of the principal activities during the year.

RESULTS

The Company incurred a pre-tax operating loss of $7,397,567 (2008: loss $6,287,504).

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year (2008 – nil).

FINANCIAL POSITION

The net assets of the Company have increased by $2,194,509 as a result of:

- The proceeds from share and option issues of $9,592,076, and
- The operating loss for the year, including the write down of exploration properties of $7,397,567.

The Company has developed its Hill End mining operations throughout the year as described below and is now continuously producing gold and is increasing the rate of production.

REVIEW OF OPERATIONS

During the year the Company increased the underground development of its Hawkins Hill – Reward gold deposit with the extension of the 640 level drive and the establishment of a 240 metre shaft at Reward. The capacity of the Hill End gravity gold processing plant was increased from 20 tonnes per day to approximately 100 tonnes per day by many improvements throughout the plant and the change to full time continuous operation.

The initial design of the plant was as a sample plant to provide gold content reconciliation of mined material against underground sample grades and for resource modelling. Both high and low grade material were processed from the development and trial stoping to produce a total of approximately 6,000 ounces of gold for the year, which was refined at the Perth Mint in Western Australia or the ABC Refinery in New South Wales.

Underground drilling and development to the end of the year have increased the resources of the Hawkins Hill – Reward deposit from 124,400 tonnes at 19g/t gold (76,000 ounces) to an estimate of 658,100 tonnes at 10.6g/t gold (223,700 ounces) and additional resources at Red Hill, which is located five kilometres to the north, have been estimated at 849,000 tonnes at 3.3g/t gold (89,200 ounces).

Further exploration was undertaken on its exploration licences areas in proximity to Hill End and Hargraves and at Barham in New South Wales. An application for an exploration licence in Laos remains pending.

During the year net equity of $9,592,076 was raised through:

- Exercise of options $5,452,592
- Issue of options $1,572,404
- Placement $2,903,714
- Issue costs ($336,634)

The capital structure of the Company is currently:

- 324,589,542 fully paid ordinary shares (HEG);
- 54,208,461 Listed options (HEGOB) exercisable at 25c by 30 September 2009; and
- 12,505,000 Unlisted director and employee options with various exercise prices and expiry dates.

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 exercise of options raising net funds of $5,452,592, a placement of 17,080,670 ordinary shares raising $2,903,714 and the issue of options via a 1 for 5 rights issue raising $1,488,178 net of costs.

SUBSEQUENT EVENTS

There were no significant events after balance date other than the completion of a placement of 29,044,000 ordinary shares at 17 cents per share raising $4,937,480 which occurred on 12 August 2009. The placement of 600,000 of these shares is to be made to an associate of director Mr Bruce Thomas and is therefore subject to receipt of shareholder approval at the next general meeting.

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 mineral tenements issued by the Department of Primary Industry – Minerals and the Reward Project operates under an environmental licence issued by the Environmental Protection Authority.

The conditions of these tenements and licences require the preparation of environmental reports, monitoring and ongoing rehabilitation for exploration and mining activities.

The Company has statutory obligations to protect the environment in which it is exploring and operating. 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 public 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 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, he was responsible for the technical aspects of the acquisition and development of 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 public company directorships held during past 3 years:

Latrobe Magnesium Limited

GRAHAM CHARLES REVELEIGH

M.Sc., MAusIMM, CPMan, MCIMM,

Non-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 public company directorships held during past 3 years:

Drillsearch Energy Limited

Circumpacific Energy Limited

Peninsula Resources Inc.

Gulf Mines Limited

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 public company directorships held during past 3 years:

Pegmont Mines Limited

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 public company directorships held during past 3 years:

GRD Limited

Oceana Gold Limited

IAN CUNYNGHAME DAYMOND

B.A. LL.B.

Non-Executive Director
Appointed 8 September 2008

Ian practises as a solicitor and a consultant in mining and resources. He has spent most of his career as a senior in-house lawyer in significant mining and exploration companies in Australia (WMC, Hunter Resources and Delta Gold) or as an external lawyer.

Ian was general counsel and company secretary for over 11 years at Delta Gold until 2001 and was part of the senior management team responsible for the growth of Delta Gold from a small exploration company into one of the largest gold producers in Australia.

He returned to private practice in Sydney specialising in mining and resources with a strong emphasis on gold and base metal exploration and mining.

He was appointed as the Honorary Consul for the Republic of Botswana in New South Wales in May 2007.

He is also non-executive chairman of ASX listed ActivEX Ltd.

Other public company directorships held during past 3 years:

ElDore Mining Corporation Limited

Copper Range Ltd

International Base Metals Ltd

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.

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 considers 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 high calibre 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 law, 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 eligible to participate in employee option plans, subject to prior shareholder approval.

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 with shareholder approval through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company considers this policy will be effective in increasing shareholder wealth.

From 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 18 of the Financial Statements.

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 $325,000 which includes superannuation plus the provision for the recovery of motor vehicle costs. The Salary is reviewed annually and there are 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.

Directors and key management remuneration

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 on the following page:

	Short Term Benefits	Post Employment	Equity Settled Share Based Payments	TOTAL
	Salary, Fees & Commissions	Super-annuation	Options	
	$	$	$	$
YEAR ENDED 30 JUNE 2009				
A.L. Paton	54,583	–	–	54,583
P.F. Bruce	298,164	26,836	–	325,000
I.N.S. Sloan	40,000	3,600	–	43,600
B.G. Thomas	40,000	3,600	–	43,600
G.C. Reveleigh	50,000	4,500	–	54,500
I.C. Daymond	33,333	3,000	–	36,333
YEAR ENDED 30 JUNE 2008				
A.L. Paton	62,500	–	15,500	78,000
P.F. Bruce	298,164	26,836	77,500	402,500
I.N.S. Sloan	52,500	4,425	15,500	72,425
B.G. Thomas	52,500	4,296	15,500	72,296
G.C. Reveleigh	50,000	4,500	15,500	70,000
I.C. Daymond	–	–	–	–

Only the Company Secretary, Kevin Lynn is classified as a named executive for the current reporting period. Mr Philip Bruce is an executive director of the Company and is included in table above.

YEAR ENDED 30 JUNE 2009				
K.M. Lynn	60,000	–	–	60,000
YEAR ENDED 30 JUNE 2008				
K.M. Lynn	36,000	–	7,905	43,905

Options granted as part of remuneration

No options were granted to directors or management during the 2009 financial year. In the 2008 financial year non-executive directors were granted 500,000 options to subscribe for ordinary shares at an exercise price of 20 cents and the Managing Director was granted 2,500,000 options to subscribe for ordinary shares at 20 cents each. For full details of directors and executives interests in options at year end, refer to note 18 of the Financial Statements.

Directors Share and Option Holding

Shares and options held by directors at the date of this report are shown in the table below:

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.

Meetings of Directors

The table on the following page sets out the number of meetings of the Company's Directors during the year ended 30 June 2009 and the number of meetings attended by each Director.

	Fully Paid Ordinary Shares	Options Exercisable by 30 September 2009	Director Options Exercisable by 1 December 2010	Director Options Exercisable by 22 November 2012	Managing Director Options Exercisable by 30 Nov 2009
A.L. Paton	1,435,065	–	200,000	500,000	–
P.F. Bruce	5,724,385	2,862,194	200,000	2,500,000	5,000,000
G.C. Reveleigh	4,432,163	–	200,000	500,000	–
I.N.S. Sloan	1,262,587	131,522	200,000	500,000	–
B.G. Thomas	6,151,566	–	–	500,000	–
I.C. Daymond	–	–	–	150,000	

	Board Meetings		Audit Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
A.L. Paton	12	12	2	2	1	1
P.F. Bruce	12	12			–	–
I.N.S. Sloan	12	12	–	–	1	1
B.G. Thomas	12	11	2	2	1	–
G.C. Reveleigh	12	12	2	2	–	–
I.C. Daymond	8	8				

Share Options

Options issued in the current financial year

During the financial year the Company issued a total of 54,229,668 options expiring 30 September 2009 with an exercise price of 25 cents each. The application price was 3 cents per option.

Total outstanding options at the date of this report

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

Listed Options	
Exercisable at 25 cents on or before 30 September 2009	54,208,461
Employee Options	
Exercisable at 20 cents on or before 22 November 2012	2,055,000
Director Options	
Exercisable at 20 cents on or before 22 November 2012	4,650,000
Managing Director Options	
Exercisable at various prices on or before 30 November 2009	5,000,000
Director Options	
Exercisable at 20 cents on or before 1 December 2010	800,000
Total options on issue	**66,713,461**

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 may choose to engage the services of its auditor, WHK Horwath, 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. No non-audit services were provided.

	2009	2008
	$	$
Audit services:		
Remuneration for audit and review of financial reports under the Corporations Act 2001	**71,800**	75,725
Other assurance services:	**–**	–
Total auditor's remuneration	**71,800**	75,725

DIRECTORS AND OFFICERS INDEMNIFICATION

During the financial year Hill End Gold Limited established a Directors and Officers insurance policy. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers liability as such disclosures are prohibited under the terms of the contract.

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.

PROCEEDINGS ON BEHALF OF COMPANY

Proceedings were commenced by the Company in 2005 in the Supreme Court of NSW, which seek to clarify the relevant leasehold interests and certain terms of a joint venture between the Company and First Tiffany Resource Corporation in relation to the Reward Mining Tenements in which the Company has an interest at Hill End, NSW. First Tiffany Resource Corporation claims to hold a 15% "free carried" interest in the said Mining Tenements. The matter has been heard by the Court. As judgement is pending the effects this may have on the Company cannot be easily quantified.

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 21 and forms part of the Director's Report.

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

ALFRED PATON
Chairman

PHILIP BRUCE
Managing Director

29 September 2009

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

WHK Horwath

TO THE DIRECTORS OF HILL END GOLD LTD

I declare that, to the best of my knowledge and belief, in relation to the audit of Hill End Gold Ltd for the year ended 30 June 2009 there have 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 Sydney on 29 September 2009.

WHK Horwath Sydney

WHK HORWATH

A Pather
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

Total Financial Solutions

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Horwath

Horwath refers to Horwath International Association, a Swiss verein. Each member of the Association is a separate and independent legal entity.

Income Statement

for the year ended 30 June 2009

	Notes	2009 $	2008 $
Sales		**6,686,288**	197,304
Interest		**190,188**	775,171
Total Revenue	2	**6,876,476**	972,475
Cost of Sales		**(9,377,168)**	(114,374)
Gross Profit/(Loss)		**(2,500,692)**	858,101
Other Income	2	**367,410**	–
Administration expenses	3	**(1,670,376)**	(1,657,356)
Depreciation expense	3	**(508,062)**	(107,831)
Other expenses	3	**(3,085,847)**	(5,380,418)
Profit/(loss) before income tax expense	3	**(7,397,567)**	(6,287,504)
Income tax expense	4	**–**	–
Net profit/(loss) for the year		**(7,397,567)**	(6,287,504)
		Cents	**Cents**
Basic loss per share	25	**(2.5)**	(2.6)
Diluted loss per share	25	**(1.9)**	(1.5)

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

Balance Sheet

as at 30 June 2009

	Notes	2009 $	2008 $
Current Assets			
Cash and cash equivalents	5	**3,042,924**	6,450,141
Receivables	6	**803,879**	776,795
Inventories	7	**576,727**	–
Total Current Assets		**4,423,530**	7,226,936
Non-Current Assets			
Other financial assets	8	**340,445**	328,506
Mining property	9	**18,136,984**	–
Deferred exploration & development costs	10	**5,898,048**	21,101,767
Property Plant & Equipment	11	**1,578,746**	1,747,319
Total Non-Current Assets		**25,954,223**	23,177,592
Total Assets		**30,377,753**	30,404,528
Current Liabilities			
Payables	12	**1,137,462**	3,397,345
Provisions	13	**84,695**	75,790
Other	14	**4,877**	–
Total Current Liabilities		**1,227,034**	3,473,135
Non Current Liabilities			
Provisions	13	**27,277**	16,344
Other	14	**108,585**	94,701
Total Non Current Liabilities		**135,862**	111,045
Total Liabilities		**1,362,896**	3,584,180
Net Assets		**29,014,857**	26,820,348
Equity			
Contributed equity	15	**43,497,693**	35,393,795
Reserves	16	**2,292,069**	803,891
Accumulated losses		**(16,774,905)**	(9,377,338)
Total Equity		**29,014,857**	26,820,348

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

Statement of Changes in Equity

for the year ended 30 June 2009

	Ordinary Shares	Share Based Payment Reserve	Share Option Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 30 June 2007	**29,863,872**	**–**	**–**	**(3,089,834)**	**26,774,038**
Loss attributable to members of the company	–	–	–	(6,287,504)	(6,287,504)
Shares Issued during the year	5,529,923			–	5,529,923
Options issued during the year	–	749,405	54,486	–	803,891
Balance at 30 June 2008	**35,393,795**	**749,905**	**54,486**	**(9,377,338)**	**26,820,348**
Loss attributable to members of the company	–	–	–	(7,397,567)	(7,397,567)
Shares Issued during the year	8,103,898	–		–	8,103,898
Options issued during the year	–	–	1,488,178	–	1,488,178
Balance at 30 June 2009	**43,497,693**	**749,405**	**1,542,664**	**(16,774,905)**	**29,014,857**

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

Statement of Cash Flows

for the year ended 30 June 2009

	Notes	2009 $	2008 $
Cash Flows From Operating Activities			
Receipts from sales		**6,691,165**	–
Interest received		**180,779**	681,107
Research & Development claim		**367,410**	385,114
Payments to suppliers and employees		**(12,955,862)**	(2,546,820)
Net cash outflows from operating activities	22(b)	**(5,716,508)**	(1,480,599)
Cash Flows From Investing Activities			
Payments for exploration bonds		**(11,938)**	(110,286)
Purchases of property, plant & equipment		**(339,490)**	(1,399,413)
Mining Property		**(4,299,667)**	–
Payments for exploration expenditure		**(2,631,690)**	(12,799,788)
Net cash outflows from investing activities		**(7,282,785)**	(14,309,487)
Cash Flows From Financing Activities			
Proceeds from issue of options		**1,488,178**	54,486
Proceeds from the issue of shares		**8,103,898**	4,669,922
Net cash inflows from financing activities		**9,592,076**	4,724,408
Net (decrease)/increase in Cash Held		**(3,407,217)**	(11,065,678)
Cash at the Beginning of the Financial Year		**6,450,141**	17,515,819
Cash at the End of the Financial Year	22(a)	**3,042,924**	6,450,141

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

Notes to the Financial Statements

for the year ended 30 June 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Hill End Gold Limited (the "Company") is a public company domiciled in Australia. The financial report covers Hill End Gold Limited as an individual entity.

The Company primarily is involved in the exploration for minerals in Australia.

(b) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(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 and discounted by the company's cost of capital to the present value.

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) Mining Property

Mining property represents mines that are being developed for future production or which are in the production phase. Were several mines are to be produced through common facilities or are within the same area of interest the individual mines are managed and reported as a single asset.

The costs of mines in production include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine, on a unit-of-production basis. Costs are amortised only once production begins.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

(e) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(f) 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.

(g) 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.

(h) Net fair value

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

(i) Revenue

Sales revenue is recognized at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods, and the cessation of all involvement in those goods.

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.

(j) 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.

(k) 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.

(l) 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	25–33 1/3% straight line
Motor vehicles	33 1/3% straight line

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

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date with the 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.

(m) 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 than12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long Service Leave

A provision for long service leave is taken up for all employees.

Equity-settled compensation

The Company operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

Employee option plan

The establishment of the Hill End Gold Limited Employee Share Option Plan (ESOP) was approved by shareholders at the annual general meeting held on 22 November 2007. The ESOP was designed to provide long term incentives for directors to deliver long term shareholder returns.

The fair value of options granted under the ESOP is recognised as an employee benefit expense with corresponding increase in equity. The fair value is measured at grant date. The fair value at grant date is measured using a Black-Scholes option pricing model that takes into consideration the exercise price, the term of the option, the impact of dilution, and the share price at grant date.

Upon the exercise of options, the exercise proceeds received are allocated to share capital and the balance of the share-based payments reserve relating to those options is transferred to share capital.

(n) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Rehabilitation

Provisions are made for mine rehabilitation and restoration. The present value of restoration obligations is recognized at commencement of the mining operations where a legal and constructive obligation exists at that time. The provision is recognized as a non-current liability with a corresponding asset recognized in relation to the mine site. At each reporting date the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amount of the costs to be incurred.

The provision recognized represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as requirements of the relevant legal and regulatory restoration and rehabilitation activity.

These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognized is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognized in the balance sheet by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and financial charges.

(o) 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.

(p) 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.

(q) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments (eg as the result of a share buy-back), those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the Australian Taxation Office, are classified as operating cash flows.

(s) 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.

(t) Comparative Figures

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

(u) Critical Accounting Estimates and Judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that effect the application of policies and the reported amounts of assets, liabilities, revenue and expenses.

The estimates and judgments incorporated into the financial report are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the group. The estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

Key Estimates

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Rehabilitation

The company is required to estimate the rehabilitation costs of its operations in the accounting policy note in paragraph (n). The estimate is based on management best estimate of the cost.

Estimates of reserve quantities

The estimated quantities of proven and probable reserves reported by the company are integral to the calculation of amortisation expenses and to assessments of possible impairment of assets. Estimated reserve quantities are based on interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of the operations.

Exploration and evaluation costs

The company applies judgment in determining which exploration costs should be capitalized or expensed as per the accounting policy in paragraph (c).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(v) Inventory

Raw materials and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion and the estimated costs necessary to make the sale.

(w) Going Concern

Despite the current year loss and negative cash flows, the directors believe that the going concern basis is appropriate for the preparation and presentation of the financial statements as the Company has sufficient cash or access to cash to continue to operate for the foreseeable future and expects to deliver positive cash flow in the future. Further, the Company is confident of being able to raise additional funds through share placement or rights issue for acquisitions which would enhance profitability and cash flow.

The directors have prepared a forecast for the foreseeable future reflecting the abovementioned expectations and their effect on the Company. The achievement of the forecast is largely dependent upon the following matters, the outcomes of which are uncertain:

- The ability of the company to increase the tonnage and grade of ore recovered from mining operations at Hill End.
- The ability of the Company to raise additional equity capital.

In the event that the outcome of most or all of the above mentioned matters are unfavourable and result in a negative outcome, the directors believe that they have sufficient cash for the Company to meet its debts as and when they become due and payable.

(x) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The company will adopt AASB 8 from 30 June 2010. It may result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(ii) Revised AASB 123 *Borrowing Costs* and ASSB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There may be an impact on the financial report of the company if borrowings are required in the future to fund the company.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The company will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The company will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the company's share-based payments.

(v) Revised AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the company's current policy.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the company's current accounting policy if significant influence is not retained. The company will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008 – 6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The company will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AABS 127 *Consolidated and Separate Financial Statements*. The company will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) AASB 2008-8 *Amendment to IAS 39 Financial Instruments: Recognition and Measurement* (effective 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedge-able component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The company will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the company's financial statements.

	2009	2008
	$	$

2. REVENUE

	2009 $	2008 $
Revenue from operating activities		
Gold sales	**6,686,288**	197,304
Interest received	**190,188**	775,171
	6,876,476	972,475

3. OPERATING LOSS

	2009 $	2008 $
The operating loss from operating activities:		
– Advertising	**120,026**	85,845
– Payroll tax	**120,768**	142,524
– Share Registry	**62,571**	48,196
– Stock Exchange Fees	**50,123**	32,989
– Directors Emoluments	**604,165**	776,410
– Office Expenses	**97,520**	53,226
– Accounting & administration Fees	**155,938**	81,442
– Corporate Travel	**79,579**	112,039
– Share-based payments	**–**	209,405
– Other administration expenses	**379,686**	115,280
	1,670,376	1,657,356
– Exploration written off	**2,746,377**	5,263,759
– Other expenses	**339,470**	116,659
	3,085,847	5,380,418
– Depreciation	**508,062**	107,831
– Amortisation (included in cost of sales)	**1,265,600**	–
	1,773,662	107,831

	2009 $	2008 $

4. INCOME TAX

(a) Temporary Differences

	2009 $	2008 $
Current tax	**–**	–
Deferred tax	**–**	–
Underprovision for previous years	**–**	–
Total	**–**	–

(b) Reconciliation of income tax expense to prima facie tax payable

	2009 $	2008 $
Operating loss before income tax	**(7,397,567)**	(6,287,504)
Prima facie income tax benefit at 30% on operating loss	**2,219,270**	1,886,251
Add tax effect of:		
Tax losses and temporary differences not recognised	**(2,263,562)**	(1,922,756)
Non temporary differences	**–**	–
Under overprovision for prior years	**–**	–
Equity raising costs debited to equity	**44,292**	36,505
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

	2009 $	2008 $
Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non temporary differences	**21,170,178**	24,895,600
Potential tax benefit at 30%	**6,351,053**	7,468,680

(e) Unrecognised temporary differences

	2009 $	2008 $
Non deductible amounts as temporary differences	**(304,639)**	(193,191)
Accelerated deductions for book compared to tax	**9,109,707**	21,090,046
Total	**8,805,068**	20,896,855
Potential effect on future tax expense	**2,641,520**	6,269,057

5. CASH AND CASH EQUIVALENTS

	2009 $	2008 $
Cash at bank and on hand	**3,042,924**	6,450,141

The effective interest rates on term deposits were 5.08% (2008: 7.2%).

The Group's exposure to interest rate risk is discussed in note 24.

	2009 $	2008 $

6. RECEIVABLES

	2009 $	2008 $
Trade Debtors	**537,886**	290,975
Other Debtors	**285,993**	485,820
	803,879	776,795

(a) Impaired Trade Receivable

As at 30 June 2009 current trade receivable of the company were not impaired. Payment terms are 2 days. A provision for impairment is recognised when there is evidence that an individual receivable is impaired.

(b) Fair value and Credit Risk

Due to the short term nature of these receivables, their carrying amount is assumed to equal their fair value.

7. INVENTORIES

	2009 $	2008 $
Raw materials	**13,159**	–
Work in progress	**563,568**	–
	576,727	–

8. OTHER FINANCIAL ASSETS

	2009 $	2008 $
Non-Current		
Performance guarantee bonds	**340,445**	328,506

9. MINING PROPERTY

	2009 $	2008 $
Non-Current		
Mining Property – at cost	**19,402,584**	–
Amortisation	**(1,265,600)**	–
	18,136,984	–

Reconciliation of the carrying amounts of mining property costs at the beginning and end of the current and previous financial years.

	2009 $	2008 $
Opening balance	**–**	–
Transfer from exploration and evaluation phase (Note 10)	**14,715,859**	–
Expenditure in the period	**4,686,725**	–
Amortisation	**(1,265,600)**	–
	18,136,984	–

The recoverable amount of mining property has been assessed using value-in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Key assumptions used in these calculations include growth in debt free cash flow relating to mining activities approximating 325% to 30 June 2010, with a discount rate of 13.3%. No growth in cash flow or change in the discount rate has been applied between years 2011 to 2014. Management have determined the growth in debt free cash flow to arise mainly from increased production as well as recovered gold.

10. DEFERRED EXPLORATION & DEVELOPMENT

	2009 $	2008 $
Costs carried forward in respect of areas of interest in		
Exploration and evaluation phase – at cost	**8,644,425**	26,322,045
Expenditure written off	**(2,746,377)**	(5,220,278)
	5,898,048	21,101,767

Reconciliation of the carrying amounts of deferred exploration, evaluation and development costs at the beginning and end of the current and previous financial years.

	2009 $	2008 $
Opening balance	**21,101,767**	9,203,431
Transfer to Mining Property (Note 9)	**(14,715,859)**	
Additions	**2,258,517**	17,118,614
Amortisation	**–**	
Write-off relinquish or expired tenements	**(2,746,377)**	(5,220,278)
Net book value	**5,898,048**	21,101,767

11. PROPERTY, PLANT AND EQUIPMENT

	2009 $	2008 $
Property – at cost	**114,608**	114,608
Plant and equipment – at cost	**1,983,098**	1,643,609
Less: Accumulated depreciation	**(676,875)**	(202,565)
	1,306,223	1,441,044
Motor vehicles – at cost	**355,188**	355,188
Less: Accumulated depreciation	**(197,273)**	(163,521)
	157,915	191,667
	1,578,746	1,747,319

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:

	Real Property $	Plant & Equipment $	Motor Vehicles $	Total $
Carrying value at start of year	114,608	1,441,044	191,667	1,747,319
Additions	–	339,489	–	339,489
Disposals	–	–	–	–
Depreciation	–	(474,310)	(33,752)	(508,062)
Carrying value at end of year	**114,608**	**1,306,223**	**157,915**	**1,578,746**

12. PAYABLES

	2009 $	2008 $
Current		
Trade creditors and accruals	**1,137,462**	3,397,345

	2009 $	2008 $

13. PROVISIONS

	2009 $	2008 $
Current		
Employee Entitlements	**84,695**	75,790
Non Current		
Employee Entitlements	**27,277**	16,344
	111,972	92,134
Number of Employees at year end	**36**	26

14. OTHER LIABILITIES

	2009 $	2008 $
Current		
Funds held pending sale of gold bars	**4,877**	–
Non Current		
Provision for minesite rehabilitation	**108,585**	94,701

Rehabilitation costs are expected to be incurred in between 2008 and 2018. The provision has been estimated for the mining operations where a legal or constructive obligation exists, and discounted using a discounted rate of 13.0%.

15. CONTRIBUTED EQUITY

(a) Issued and paid up capital

324,589,542 fully paid ordinary shares (2007:271,172,394)

	2009 $	2008 $
Balance at the beginning of the financial year	**35,393,795**	29,863,873
Issue of shares to raise capital	**8,103,898**	5,529,922
	43,497,693	35,393,795

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 July 2007	Opening balance	238,058,242		29,863,872
30 July 2007	Exercise of options	21,500	$0.15	3,225
31 October 2007	Exercise of options	434,001	$0.15	65,100
20 December 2007	Exercise of options	1,054,850	$0.15	158,228
1 February 2008	Exercise of options	212,387	$0.15	31,858
4 February 2008	Placement Austexploration	2,000,000	$0.43	860,000
11 February 2008	Exercise of options	43,550	$0.15	6,532
11 February 2008	Exercise of ESOP	50,000	$0.20	10,000
26 June 2008	Exercise of options	29,297,864	$0.15	4,394,980
30 June 2008	**Balance**	**271,172,394**		**35,393,795**
12 September 2008	Exercise of 2008 options	36,315,271	$0.15	5,447,291
30 June 2009	Exercise of 2009 options	21,207	$0.25	5,302
29 June 2009	Placement	17,080,670	$0.17	2,903,714
	Transaction costs arising from share & option issues			(252,409)
30 June 2009	**Balance**	**324,589,542**		**43,497,693**

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.

15. CONTRIBUTED EQUITY continued

(c) Capital Management

The Company's objectives when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

16. RESERVES

	2009 $	2008 $
Share based payments (a)	**749,405**	749,405
Share options (b)	**1,542,664**	54,486
	2,292,069	803,891

(a) Share-based payments

The share based payment reserve is used to recognise the fair value of options issued to employees, directors and other entities that have not been exercised.

Set out below are summaries of options granted under the plan:

Date	Details	Number of options	Valuation	$
1 July 2007	Opening balance	–		–
22 November 2007	Employee share options (i)	6,705,000	3.1 cents	209,405
31 January 2008	Options (ii)	2,000,000	27 cents	540,000
30 June 2008	Balance	8,705,000		749,405
30 June 2009	**Balance**			**749,405**

(i) The employee share options plan was approved by shareholders at the 2007 annual general meeting. The Employee Option Plan is designed to provide long-term incentives to executive directors and employees to deliver long-term shareholder return. The options vested immediately and expire on 22 November 2012.

(ii) 2,000,000 options issued to AEPL with an expiry date of 12 September 2008 being part of the consideration for the Hargraves Project exploration licence.

(b) Share Option Reserve

The share option reserve is used to record subscriptions to options. Shareholders were offered the opportunity to subscribe for options on a 1 for 5 basis on payment of an application fee of 3 cents per option. The options expire on 30 September 2009 and have an exercise price of 25 cents. The non renounceable rights issue closed on 9 July 2008.

Date	Details	Number of shares	Application price – cents	$
1 July 2007	Opening balance	–		–
30 June 2008	Options application fees	1,816,194	3.0	54,486
30 June 2008	Balance	–		54,486
17 July 2008	Options application fees	52,413,474	3.0	1,572,404
	Underwriting fee			(84,226)
30 June 2009	**Balance**	**54,229,668**		**1,542,664**

17. AUDITOR'S REMUNERATION

	2009 $	2008 $
Remuneration for audit or review of the financial reports of the Company:		
Current auditors of the Company:		
– Audit and review of the financial statements	**71,800**	72,470
– Other services	**–**	–
	71,800	72,469

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names of directors and key management personnel and positions held at any time during the year:

Directors:	A Paton	*Chairman – Non-Executive*
	P Bruce	*Managing Director*
	G Reveleigh	*Director – Non-Executive*
	I Sloan	*Director – Non-Executive*
	B Thomas	*Director – Non-Executive*
	I Daymond	*Director – Non-Executive*
Specified Executives:	K Lynn	*Company Secretary*

(b) Relevant Interests in Options and Ordinary Shares at 30 June 2009

		Balance 1 July 2008	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2009
Employee Options						
Directors	A Paton	700,000	–	–	–	700,000
	G Reveleigh	700,000	–	–	–	700,000
	P Bruce	7,700,000	–	–	–	7,700,000
	B Thomas	500,000	–	–	–	500,000
	I Sloan	700,000	–	–	–	700,000
	I Daymond	150,000	–	–	–	150,000
Executives	K M Lynn	255,000	–	–	–	255,000
Total		**10,705,000**	**–**	**–**	**–**	**10,705,000**
Listed Options						
Directors	A Paton	449,091	–	(449,091)	–	–
	G Reveleigh	–	–	–	–	–
	P Bruce	2,862,194	–	–	–	2,862,194
	B Thomas	2,457,633	–	(500,000)	(1,957,633)	–
	I Sloan	485,837	–	–	(354,315)	131,522
	I Daymond	–	–	–	–	–
Executives	K M Lynn	527,500	–	–	–	527,500
Total		**6,782,255**	**–**	**(949,091)**	**(2,311,948)**	**3,521,216**
Ordinary Shares						
Directors	A Paton	985,974	–		449,091	1,435,065
	G Reveleigh	4,432,163	–			4,432,163
	P Bruce	5,724,385	–			5,724,385
	B Thomas	4,915,265			1,236,301	6,151,566
	I Sloan	971,673	–		290,914	1,262,587
	I Daymond	–	–	–	–	–
Executives	K M Lynn	1,055,000	–			1,055,000
Total		**18,084,460**	**–**	**–**	**1,976,306**	**20,060,766**

18. KEY MANAGEMENT PERSONNEL COMPENSATION continued

(c) Relevant Interests in Options and Ordinary Shares 30 June 2008

		Balance 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
Employee Options						
Directors	A Paton	200,000	500,000	–	–	700,000
	G Reveleigh	200,000	500,000	–	–	700,000
	P Bruce	5,200,000	2,500,000	–	–	7,700,000
	B Thomas	–	500,000	–	–	500,000
	I Sloan	200,000	500,000	–	–	700,000
	I Daymond	–	–	–	150,000	150,000
Executives	K M Lynn	–	255,000	–	–	255,000
Total		**5,800,000**	**4,755,000**	**–**	**150,000**	**10,705,000**
Listed Options						
Directors	A Paton	449,091	–	–	–	449,091
	G Reveleigh	2,216,082	–	–	(2,216,082)	–
	P Bruce	2,862,194	–	–	–	2,862,194
	B Thomas	2,457,633	–	–	–	2,457,633
	I Sloan	485,837	–	–	–	485,837
	I Daymond	–	–	–	–	–
Executives	K M Lynn	–	–	–	527,500	527,500
Total		**8,998,337**	**–**	**–**	**(2,216,082)**	**6,782,255**
Ordinary Shares						
Directors	A Paton	898,182	–		87,792	985,974
	G Reveleigh	4,432,163	–			4,432,163
	P Bruce	5,724,385	–			5,724,385
	B Thomas	5,015,265			(100,000)	4,915,265
	I Sloan	971,673	–			971,673
	I Daymond	–	–	–	–	–
Executives	K M Lynn	–	–	–	1,055,000	1,055,000
Total		**18,096,668**	**–**	**–**	**(12,208)**	**18,084,460**

(d) Individual directors' and executives compensation disclosures

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 and executive of the Company and some equity instrument disclosures as permitted by Corporations Regulations are provided in the Remuneration Report section of the Directors' Report.

The fair value of options is provided in the Remuneration Report section of the Directors' Report.

19. RELATED PARTY TRANSACTIONS

(a) Directors and Key Management personnel

Disclosures relating to directors and key management personnel are set out in note 18.

(b) Other Transactions with Director Related Entities

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

	2009 $	2008 $
19. RELATED PARTY TRANSACTIONS continued		
G C Reveleigh	**20,300**	18,004

All transactions were on normal commercial terms.

20. CONTINGENT LIABILITY

During the 2007-08 year the Company acquired an interest in the Hargraves tenement. The acquisition cost included $300,000 plus the issue of 2,000,000 ordinary fully paid shares and 2,000,000 listed options which expired on 12 September 2008. These amounts were recorded during the year ending 30 June 2008. The Company will issue the vendors an additional 2,000,000 ordinary shares in the event that HEGL estimates 70,000 ozs of recoverable gold on the tenement and a further 2,000,000 ordinary shares in the event that 70,000 ozs are produced from the tenement.

Proceedings were commenced by the Company in 2005 in the Supreme Court of NSW, which seek to clarify the relevant leasehold interests and certain terms of a joint venture between the Company and First Tiffany Resource Corporation in relation to the Reward Mining Tenements in which the Company has an interest at Hill End, NSW. First Tiffany Resource Corporation claims to hold a 15% "free carried" interest in the said Mining Tenements. The matter has been heard by the Court. As judgement is pending the effects this may have on the Company cannot be easily quantified.

21. SEGMENT INFORMATION

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

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

	2009 $	2008 $
(a) Reconciliation of Cash		
Cash balance comprises		
Cash at bank	**2,292,924**	2,075,141
Term deposits	**750,000**	4,375,000
	3,042,924	6,450,141
(b) Operating loss after income tax	**(7,397,567)**	(6,287,504)
Adjustment for non cash items		
Depreciation	**508,062**	107,831
Amortisation	**1,265,600**	
Employee options	**–**	209,405
Exploration Expenditure written off	**2,746,377**	5,220,278
	(2,877,528)	(749,990)
Increase in Receivables	**(27,084)**	(702,241)
Increase in Inventory	**(576,727)**	-
(Decrease) /increase in Payables	**(2,259,884)**	(53,947)
(Decrease) /increase in Other Current Liabilities	**4,877**	
Increase in Provisions	**19,838**	25,579
Net cash outflows from operating activities	**(5,716,508)**	(1,480,599)

23. COMMITMENTS FOR EXPENDITURE

	2009 $	2008 $
Operating Leases		
Total operating lease expenditure contracted for at balance date but not provided for in the financial statements:		
Due within one year	**33,600**	41,013
Due beyond one year and within five years	**33,600**	–
	67,200	41,013

Commitments Relating to Tenements

As a condition of its tenements the company has minimum expenditure commitments. These minimum commitments totalled $1,110,000 as at 30 June 2009. This balance fluctuates based on the expiration and renewal of tenements.

24. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse affects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and aging analysis for credit risk.

Risk management is carried out by the chief financial officer under policies approved by the Board of Directors. The chief financial officer identifies, evaluates the risks in close cooperation with the Company's management and Board.

(a) Market Risk

(i) Foreign exchange risk

The Company does not have any significant exposure to foreign exchange risk.

(ii) Price Risk

The Company in the current year was exposed to investment or commodity price risk. The Company will have material exposure to gold price risk when mining operations expand. Directors have not made any determination at this stage as to whether they will enter into gold price hedge arrangements.

At 30 June 2009, if the gold price had changed by A$100/oz from the actual prices with all other variables held constant, post-tax profit for the year for the Company would have been $573,525 lower/higher mainly as a result of lower/higher sales revenue.

(iii) Cash flow and fair value interest rate risk

The Company has 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 the financial liabilities.

The Company policy is to ensure that the best interest rate is received for the short-term deposits. The Company uses a number of banking institutions, with a mixture of fixed and variable interest rates. Interest rates are reviewed prior to deposits maturing and re-invested at the best rate.

The interest rate risk sensitivity analysis has been determined based on the exposure of the Company to interest rates for non-derivative financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 1% increase or decrease is used when reporting interest rates internally to key management personnel and represents management's assessment of the possible change in interest rates.

At 30 June 2009, if the interest rates had changed by 1% from the period-end rates with all other variables held constant, post-tax profit for the year for the Company would have been $32,612 lower/higher mainly as a result of lower/higher interest income on cash and cash equivalents.

There has been no change to the Company's exposure to interest rate risk or the manner in which it manages and measures the risk from the previous year.

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:

24. FINANCIAL RISK MANAGEMENT continued

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest bearing	Total
			Within 1 year	Over 1 year		
	%	$	$	$	$	$
2009						
FINANCIAL ASSETS						
Cash assets	5.1	–	3,042,924	–	–	3,042,924
Performance guarantee bonds		–	–	–	340,445	340,445
Other financial assets	–	–	–	–	803,879	803,879
		–	3,042,924	–	1,144,324	4,187,248
FINANCIAL LIABILITIES						
Payables	–	–	–	–	(1,254,311)	(1,249,434)
Other					(4,877)	(4,877)
NET FINANCIAL ASSETS (LIABILITIES)		**–**	**3,042,924**	**–**	**(114,864)**	**2,932,937**
2008						
FINANCIAL ASSETS						
Cash assets	7.2	–	6,450,141	–	–	6,450,141
Performance guarantee bonds		–	–	–	328,506	328,506
Other financial assets	–	–	–	–	776,795	776,795
		–	6,450,141	–	1,105,301	7,555,442
FINANCIAL LIABILITIES						
Payables	–	–	–	–	(3,489,479)	(3,489,479)
NET FINANCIAL ASSETS (LIABILITIES)		**–**	**6,450,141**	**–**	**(2,384,178)**	**4,065,963**

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

	2009	2008
	$	$
Net financial assets per above	**2,932,937**	4,065,963
Property Plant & Equipment	**1,578,746**	1,747,319
Inventories	**576,727**	
Provision for Rehabilitation	**(108,585)**	(94,701)
Mining property	**18,136,984**	–
Deferred Exploration & Development	**5,898,048**	21,101,767
Net assets per statement of financial position	**29,014,857**	26,820,348

(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) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

The Company at trading date had deposits which mature within three months and cash at bank. Due to the cash available to the Company there is no use of any credit facilities at balance date.

24. FINANCIAL RISK MANAGEMENT continued

(e) Net Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. 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.

(f) Sensitivity Analysis

The Company has performed a sensitivity analysis on price risk and interest rate risk and noted its impact on current year results and equity as discussed in note 24(a).

25. EARNINGS PER SHARE

	2009	2008
	Cents	Cents
Basic earnings per share	**(2.5)**	(2.6)
Diluted earnings per share	**(1.9)**	(1.5)
	$	$
(a) Earnings used in calculating basic earnings per share	**(7,397,567)**	(6,287,504)
(b) Earnings used in calculating diluted earnings per share	**(7,010,355)**	(5,281,967)
	Number	Number
(c) Weighted average number of ordinary shares used in calculating basis earnings per share	**300,881,282**	241,968,461
(d) Weighted average number of options outstanding	**66,719,512**	115,890,882
(e) Weighted average number of ordinary shares used in calculating diluted earnings per share	**367,600,794**	357,859,343

Granted options 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.

26. SUBSIDIARIES

On 31 January 2007 the Company acquired 100% of the issued share capital of Hill End Asia Pty Ltd, a company incorporated in Australia on the same day. The purchase consideration was $1. The Company was dormant so no assets or liabilities were in existence. The Company has not been consolidated as the effect would be immaterial.

27. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after balance date other than the completion of a placement of 29,044,000 ordinary shares at 17 cents per share raising $4,937,480 which occurred on 12 August 2009. The placement of 600,000 of these shares is to be made to an associate of director Mr Bruce Thomas and is therefore subject to receipt of shareholder approval at the next general meeting.

28. COMPANY DETAILS

The registered office of the Company is:

Hill End Gold Limited

4 Bowen Street

Hill End NSW 2850

Directors' Declaration

The directors declare that:

1. the financial statements and notes, as set out on pages 22 to 42 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 2009 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.

A Paton
Chairman

Philip Bruce
Managing Director

Independent Audit Report

WHK Horwath

TO THE MEMBERS OF HILL END GOLD LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Hill End Gold Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

Liability limited by a scheme approved under Professional Standards Legislation.

Total Financial Solutions

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on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Hill End Gold Limited on 12 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Hill End Gold Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included on pages 17 to 19 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Hill End Gold Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

WHK Horwath Sydney

WHK HORWATH

A PATHER
Partner

Sydney, 29 September 2009

Corporate Governance Statement

BOARD OF DIRECTORS

The Company presently has five non-executive directors including the Chairman and 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 responsibilities 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 executive and non-executive directors to own shares in the Company.

COMMITTEES OF THE BOARD

It is the Board's policy that committees of the Board 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 auditor;
- reviewing the performance of the external auditor;
- providing a line of communication between the Board and the external auditor; 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 B.G. Thomas)

- 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 dines 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 a 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.

ROLE OF THE BOARD

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

To fulfil 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 as amended 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 establishment of a corporate governance committee will be considered.

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

Statement

Hill End Gold Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3[3]	n/a	n/a
Recommendation 2.1	✓	
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4	✓	
Recommendation 2.5	✓	
Recommendation 2.6[3]	n/a	n/a
Recommendation 3.1	✓	
Recommendation 3.2	✓	
Recommendation 3.3[3]	n/a	n/a
Recommendation 4.1	✓	
Recommendation 4.2	✓	

	ASX P & R[1]	If not, why not[2]
Recommendation 4.3	✓	
Recommendation 4.4[3]	n/a	n/a
Recommendation 5.1	✓	
Recommendation 5.2[3]	n/a	n/a
Recommendation 6.1	✓	
Recommendation 6.2[3]	n/a	n/a
Recommendation 7.1	✓	
Recommendation 7.2	✓	
Recommendation 7.3	✓	
Recommendation 7.4[3]	n/a	n/a
Recommendation 8.1	✓	
Recommendation 8.2	✓	
Recommendation 8.3[3]	n/a	n/a

1 *Indicates where the Company has followed the Principles & Recommendations.*

2 *Indicates where the Company has provided "if not, why not" disclosure.*

3 *Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.*

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.hillendgold.com.au under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	**Recommendation(s)**
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3

Policies and Procedures	**Recommendation(s)**
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2008/2009 financial year ("Reporting Period").

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company by:

(a) overseeing the Company, including its control and accountability systems;

(b) appointing the chief executive officer, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the chief executive officer, or equivalent;

(c) ratifying the appointment and, where appropriate, the removal of senior executives, including the chief financial officer and the company secretary;

(d) evaluating the performance of senior executives;

(e) ensuring the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;

(f) approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;

(g) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;

(h) assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;

(i) monitoring, reviewing and challenging senior management's performance and implementation of strategy;

(j) ensuring appropriate resources are available to senior management;

(k) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;

(l) approving the annual budget of the Company;

(m) monitoring the financial performance of the Company;

(n) ensuring the integrity of the Company's financial (with the assistance of the Audit Committee, if applicable) and other reporting through approval and monitoring;

(o) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;

(p) appointing the external auditor (where applicable, based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;

(q) engaging with the Company's external auditors and Audit Committee;

(r) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and

(s) make regular assessment of whether each non-executive director is independent in accordance with the Company's Policy on Assessing the Independence of Directors.

The Board may not delegate its overall responsibility for the matters listed above. However, it may delegate to senior management the responsibility of the day-to-day activities in fulfilling the Board's responsibility provided those matters do not exceed the Materiality Threshold as defined below.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Board is responsible for evaluating the senior executives. The Board reviews the senior executives on an ongoing informal basis.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

Disclosure:

During the Reporting Period the performance evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The independent directors of the Board are Alfred Paton, Bruce Thomas, Graham Reveleigh, Ian Daymond, and Ian Sloan. The non-independent director of the Board is Philip Bruce.

Disclosure:

During the Reporting Period the majority of directors were independent in accordance with the Recommendation 1.2.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The independent Chair of the Board is Alfred Paton.

Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director is Philip Bruce who is not Chair of the Board.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Notification of Departure:

The Company has established a separate Nomination Committee.

Explanation for Departure:

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by conducting a separate Nomination Committee Meetings. Accordingly, the Board performed the role of Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chair is responsible for evaluation of the Board and when deemed appropriate, Board Committees and individual directors. The Board, in its capacity as the Nomination Committee, is responsible for evaluating the Managing Director.

These evaluations are performed on an ongoing informal basis.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and Term of Office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent directors of the Company are Alfred Paton, Bruce Thomas, Graham Reveleigh, Ian Daymond, and Ian Sloan. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

Materiality – Quantitative

Balance sheet items

Balance sheet items are material if they have a value of more than 10% of pro-forma net asset value.

Profit and loss items

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

Materiality – Qualitative

Items are also material if:

(a) they impact on the reputation of the Company;

(b) they involve a breach of legislation or may potentially breach legislation;

(c) they are outside the ordinary course of business;

(d) they could affect the Company's rights to its assets;

(e) if accumulated they would trigger the quantitative tests;

(f) they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or

(g) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Material Contracts

Contracts will be considered material if:

(a) they are outside the ordinary course of business;

(b) they contain exceptionally onerous provisions in the opinion of the Board;

(c) they impact on income or distribution in excess of the quantitative tests;

(d) any default, should it occur may trigger any of the quantitative or qualitative tests;

(e) they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;

(f) they contain or trigger change of control provisions;

(g) they are between or for the benefit of related parties; or

(h) they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("Materiality Threshold").

Statement concerning availability of Independent Professional Advice

The Board acknowledges the need for independent judgement on all Board decisions, irrespective of each individual director's independence.

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

During the Reporting Period an evaluation of the Board, Board committees and individual directors did occur in accordance with the disclosed process at Recommendation 2.5.

Selection and (Re) Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

Disclosure:

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. One third of the Board of Directors retire in each year in accordance with the Company's Constitution. Re-appointment of directors is not automatic.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1 and 4.2:

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

Disclosure:

The Audit Committee, held two meetings during the Reporting Period.

Details of each of the director's qualifications are set out in the Directors' Report. All members of the Board consider themselves to be financially literate and have industry knowledge.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent).

Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the Policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. As part of the Company's risk management system, the Managing Director is required to report on the progress of, and on all matters associated with, risk management on a regular basis. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

On 11 September 2009 the Board resolved to review, formalise and document the management of its material business risks and expects to implement this system in the second quarter of the 2009/2010 financial year. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be reviewed quarterly and updated, as required.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's materials business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Board has established a Remuneration Committee, the of whom are independent directors.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board, in its capacity as the Remuneration Committee, met during the Reporting Period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

Shareholder Information

ASX Additional Information

The shareholder information set out below was applicable as at 23 October 2009.

1. DISTRIBUTION OF SHAREHOLDERS

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

		Holders	Shares	Percentage
Holdings Ranges:	1-1,000	69	22,228	0.006
	1,001–5,000	606	2,099,777	0.526
	5,001–10,000	654	5,605,413	1.403
	10,001–100,000	1,607	56,805,036	14.223
	100,001 or more shares	379	334,869,139	83.843
	Totals	**3,315**	**399,401,593**	**100.000**

2. TWENTY LARGEST SHAREHOLDERS

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

Rank	Shareholder	No.	%
1	WANABEE HOLDINGS PTY LIMITED	49,167,400	12.31
2	HSBC Custody Nominees (Australia) Limited	40,433,195	10.12
3	Citicorp Nominees Pty Limited	26,477,504	6.63
4	National Nominees Limited	20,054,572	5.02
5	Link Traders (Aust) Pty Ltd	12,400,000	3.10
6	Mr Bryan Ralph Elboz & Mrs Patricia Mary Elboz	11,832,600	2.96
7	ANZ Nominees Limited	8,723,062	2.18
8	Catholic Church Insurances Limited	7,363,189	1.84
9	Mr Malcolm Thomas Price & Mrs Mayumi Price	7,050,000	1.77
10	Oscfresh Pty Limited	4,800,756	1.20
11	Diazill Pty Limited	4,783,934	1.20
12	Forty Traders Limited	4,782,467	1.20
13	G E Reveleigh & Co Pty Ltd	4,432,163	1.11
14	Forty Traders Limited	4,050,000	1.01
15	Leet Investments Pty Ltd	3,372,995	0.84
16	Prof Alan Jonathan Berrick	3,260,000	0.82
17	Leet Investments Pty Ltd	2,778,571	0.70
18	Aust Executor Trustees Ltd	2,679,200	0.67
19	UBS Nominees Pty Ltd	2,576,082	0.64
20	Merrill Lynch (Australia) Nominees Pty Limited	2,352,478	0.59
	Total shares of Top 20 Shareholders	**223,370,168**	**55.93**
	Total Shares on issue	**399,401,593**	**100.00**

3. SUBSTANTIAL SHAREHOLDERS

The details of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

		No. of Shares	%
Name:	Bryan & Patricia Elboz and their associates	62,500,000	15.65
	HSBC Custody Nominees (Australia) Limited	40,433,195	10.12
	Citicorp Nominees Pty Limited	26,477,504	6.63
	National Nominees Limited	20,054,572	5.02

4. UNMARKETABLE PARCELS

There are 184 holders of shares holding less than a marketable parcel.

5. HOLDERS OF UNQUOTED EQUITY SECURITIES:

		No.
Name:		
Employee Options	Exercise Price 20 cents expiring 22 November 2012	6,705,000
Directors Options	Exercise Price 20 cents expiring 1 December 2010	800,000

6. VOTING RIGHTS

Ordinary shares carry one vote per share. There are no voting rights attached to the options in the Company.

7. STOCK EXCHANGE

The Company is listed on the Australian Stock Exchange. The “Home Exchange” is Sydney.

8. OTHER INFORMATION

Hill End Gold Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

Corporate Directory

Hill End Gold Limited ACN 072 692 365

DIRECTORS	Alfred Lampard Paton *Non-Executive Chairman* Philip Francis Bruce *Managing Director* Graham Charles Reveleigh *Non-Executive Director* Ian Noel Stuart Sloan *Non-Executive Director* Bruce Geoffrey Thomas *Non-Executive Director* Ian Cunynghame Daymond *Non-Executive Director*
COMPANY SECRETARY	Kevin Martin Lynn
AUSTRALIAN COMPANY NUMBER	072 692 365
SYDNEY OFFICE	Hill End Gold Limited 3 Spring Street Sydney NSW 2000 Telephone: +61 2 8249 4416 Facsimile: + 61 2 8249 4919
REGISTERED OFFICE/FIELD OFFICE	4 Bowen Street Hill End NSW 2850 Telephone: +61 2 6337 8343 Facsimile: + 61 2 6337 8345 www.hillendgold.com.au
SHARE REGISTRY	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000 Telephone: +61 2 9290 9600 Facsimile: +61 2 9279 0664 www.registriesltd.com.au
AUDITOR	WHK Horwath Sydney Level 15, 309 Kent Street Sydney NSW 2000 Telephone: +61 2 9262 2155 Facsimile: +61 2 9262 2190

Mining Tenements

Project	Tenement	Grant / Application Date	Expiry Date	Status	Area	Surface Exception	Depth Restriction	Notes
Hill End	Exploration Licence No 5868 (1992)	18/06/2001	17/06/2010	Current	113 units	Nil	Nil	1, 2, 3, 4, 5
Hill End	Exploration Licence No 6558 (1992)	13/04/2006	12/04/2010	Current	24 units	Nil	Nil	
Hill End	Exploration Licence No 7014 (1992)	20/01/2008	20/01/2010	Current	2 units	Nil	Nil	
Hill End	Exploration Licence No 7017 (1992)	20/01/2008	20/01/2010	Current	87 units	Nil	Nil	
Hill End	Gold Lease No 5846 (1906)	15/02/1968	7/12/2019	Current	2.044 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 1116 (1973)	28/03/1984	16/10/2024	Current	15.71 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 1541 (1992)	17/10/2003	16/10/2024	Current	279.20 hectares	Part (Various)	Nil	1, 5
Hill End	Mining Lease No 315 (1973)	8/12/1976	7/12/2019	Current	6.671 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 316 (1973)	8/12/1976	7/12/2019	Current	8.846 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 317 (1973)	8/12/1976	7/12/2019	Current	7.00 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 49 (1973)	30/07/1975	7/12/2019	Current	1.618 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 50 (1973)	30/07/1975	7/12/2019	Current	3.02 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 913 (1973)	20/01/1981	19/01/2023	Current	22.00 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 914 (1973)	20/01/1981	19/01/2023	Current	21.69 hectares	Nil	Nil	2, 3, 4, 5
Hill End	Mining Lease No 915 (1973)	4/02/1981	3/02/2023	Current	13.27 hectares	Nil	Nil	2, 3, 4, 5
Hargraves	Exploration Licence No 6996 (1992)	21/12/2007	21/12/2009	Current	150 units	Nil	Nil	
Swan Hill	Exploration Licence No 6905 (1992)	11/10/2007	11/10/2009	Renewal Pending	59 units	Nil	Nil	
Swan Hill	Exploration Licence No 6906 (1992)	11/10/2007	11/10/2009	Renewal Pending	52 units	Nil	Nil	
Swan Hill	Exploration Licence No 7124 (1992)	11/04/2008	11/04/2010	Current	95 units	Nil	Nil	
Swan Hill	Exploration Licence No 7125 (1992)	11/04/2008	11/04/2010	Current	75 units	Nil	Nil	
Swan Hill	Exploration Licence No 7127 (1992)	15/04/2008	15/04/2010	Current	57 units	Nil	Nil	
Swan Hill	Exploration Licence No 7298 (1992)	16/02/2009	16/02/2011	Current	45 units	Nil	Nil	

Hill End Gold Limited is the Registered Holder of all tenements listed above.

Notes:

1. Hill End Historic Site excluded. Mining Lease No 1541 (1992) applies below historic site.
2. Agreement between Big Nugget Partnership and Silver Orchid Pty Ltd dated 25 June 1993.
3. Transfer of beneficial interest from Nugget Resources Inc to Nugget Resources Australia Pty Ltd (now Hill End Gold Limited) dated 16 March 1999.
4. Deed of Transfer from Nugget Resources Inc to Nugget Resources Australia Pty Ltd (now Hill End Gold Limited) dated 26 June 2001 to assign legal interest (see Footnote 2).
5. Subject to proceedings in the New South Wales Supreme Court to clarify relevant leasehold interests and certain terms of a joint venture between the Company and First Tiffany Resource Corporation.

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