

Report for December 2005 Quarter

31 January 2006

ASX Code : HEG, HEGOA

HIGHLIGHTS

- *Review of Reward drilling identifies broad new zones of coarse gold mineralisation along strike from Hawkins Hill deposit.*
- *Coarse gold identification provides reliable definition to broad and continuous envelopes of mineralisation which contain the high grade gold mineralisation targets.*
- *Drilling re-commences at Reward to infill and outline the Reward deposit and scout drilling of a new high grade target of Hawkins Hill – Reward style at Red Hill*
- *Placement completed and approved raised \$3m for aggressive drilling program at Reward, Red Hill and other highly prospective areas at Hill End over 2006/2007.*

CORPORATE

During the quarter a placement was completed and approved by shareholders raising gross proceeds of \$3,071,000 from the issue of 38,393,750 ordinary fully paid shares at 8 cents per share and 38,393,750 options exercisable at 15 cents and expiring 31 May 2007. In addition all shareholders registered on 16 December 2005 received a three for seven bonus issue of options exercisable at 15 cents and expiring 31 May 2007.

The capital structure of Hill End Gold Limited as at 31 December 2005 is:-

| | |
|----------------------------|--|
| Ordinary securities | : 95,603,375 ordinary fully paid shares |
| Options (listed) | : 79,366,209 exercisable at 15 cents and expiring 31 May 2007; |
| (unlisted) | : 7,500,000 exercisable at 15 cents and expiring on 31 May 2007; |
| (employee) | : 950,000 exercisable at 20 cents and expiring on 31 August 2006; |
| (Managing Director) | : 5,000,000 exercisable at 30-40 cents and expiring on 30 June 2009. |

HEG growth objectives are to discover and develop substantial gold deposits and to acquire projects to increase its share price and asset value. A number of opportunities for further growth have been evaluated during the quarter.

HILL END GOLD

Hill End Gold is funding an aggressive resource definition drilling program at a number of priority targets along the Hill End Structural Corridor. Approximately \$1m will be spent during the next twelve months with 4,000 metres of reverse circulation drilling and 4,000 metres of diamond drilling planned.

Additional geologists have commenced on site to assist with supervision, mapping, logging, interpretation and resource estimation. Results from ongoing metallurgical test work, scoping and pre-feasibility studies which form part of this program will be reported to the market on a regular basis.

Gold mineralisation in the Hill End Structural Corridor occurs as high grade zones or shoots of various sizes in the host rocks and associated structures within broader areas of coarse gold mineralisation. The historic Hawkins Hill 'shoot' was approximately 400 metres long, 40 metres wide and 50 metres downdip. These broad zones and the wide high grade shoots occurring within them are the targets of the current exploration activities.

Hill End Gold is exploring for repetitions of the previously mined ~1m ounce sized deposits in the large Hill End system, particularly along the ten kilometres of strike of the Structural Corridor between Hawkins Hill and Red Hill.

Hill End Gold has the majority of the Hill End goldfield under tenement with high potential targets ready for drilling. We have a targeted resource potential of 4 – 5 million ounces below high grade workings along the almost unexplored Hill End Anticline.

HAWKINS HILL – REWARD GOLD PROJECT

The company's first priority target is at Reward, a down plunge extension of the historic workings at Hawkins Hill that produced over 425,000 ounces. Initial drilling has identified

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zones of mineralised quartz veins in the steeply dipping slates and greywacke along strike from the Hawkins Hill deposit, located approximately 400 metres to the south, and below the old Reward workings. The zones of gold mineralisation have widths of up to approximately 80 metres true width and occur in the Structural Corridor, which has been identified as containing the key mineralised ground along the 25 kilometres strike length of the historical workings in the Hill End Anticline.

- Drilling re-commenced at the Reward area in early December. This third stage of the current program comprising 1,000 metres at Reward is planned to be completed during February with assay results coming out during February and March.
- The digital database for the Hill End area is nearing completion and detailed geological interpretation of the Reward area is now underway. A 3-D digital model of the Reward priority target areas is being prepared.
- Infill and definition drilling is planned at Reward at the start of the June 2006 quarter with further resource estimation work and scoping studies through to July.
- Work will continue at Reward during the second half of 2006 and subject to the earlier results, should progress to pre-feasibility work in the December quarter.
- The Reward deposit has good potential to extend down plunge to the north below the Scandinavian and Germantown historic workings approximately 500 metres north of Reward, and exploratory drilling is planned in these areas later in 2006, testing for high grade extensions in ground that has not been previously drill tested.

Examination of the results of the July 2005 drilling program at Reward has confirmed the presence of broad and continuous highly mineralised envelopes containing coarse gold in which the high grade zones occur. Geological interpretation has identified these to be intersection of the Hawkins Hill Mine Sequence, which hosts the gold mineralisation in the Reward – Hawkins Hill area, and the main feature controlling the high grade gold mineralisation at Hill End - the Hill End Structural Corridor. This supports the high potential exploration model for repeating high grade deposits at depth similar to the Hawkins Hill deposit.

Two holes in the recent diamond drilling program, HHD013 and 014, were drilled to test the Central zone target within the structural corridor and below the Frenchmans zone at a depth of approximately 220 metres below surface. Both holes intersected abundant mineralised quartz veins containing coarse gold over down hole widths of 108 metres and 102 metres respectively.

The new zone is in the same stratigraphic unit along strike from the historically rich Hawkins Hill deposit. The intersections are approximately 300 metres north and at the same elevation as the Amalgamated underground development at Hawkins Hill.

While some visible gold was observed during logging of the HQ3 core, the pervasive coarse gold mineralisation has been identified from the coarse component of the screen fire assaying process. Almost every quartz vein (~30) within the Central zone in HHD013 and 014 contains coarse gold. The zone is approximately 80 metres true width and has been drilled over a strike length of 75 metres with holes HHD013 and 014. The third stage drilling program is planned to test extensions to, and to further outline, this new zone.

In a broader sense, it is noted that the presence of coarse gold identified during the screen fire assaying process can be used as a more reliable diagnostic tool to define the zones of gold mineralisation than visual geological logging of visible gold, or the final gold assay

results. Other features associated with the gold mineralisation at Hill End have been identified which are providing an ever-clearer understanding of the gold mineralisation and its controls as work progresses.

The third stage reverse circulation / diamond drilling program commenced in the Reward area to follow up from the successful stage two program completed earlier in the year. Six holes are planned to test for high grade gold mineralisation intersected in previous programs. Hole HHD018 was planned to confirm a shallow target and hit old workings at 63.7 metres near the target depth and Hole HHD019 reached 126 metres by the end of the quarter. The latter hole is planned to test the broad and well-mineralised Frenchmans and Central zone intersections in HHD013 at a target depth of 150 to 250 metres down hole.

HAWKINS HILL – REWARD GOLD PROJECT

Red Hill

The second priority target area is at **Red Hill** which has the potential for an oxide resource, underlain by a higher grade zone at depth similar to Hawkins Hill and Reward. A 27,000 ounce resource has already been established at Red Hill.

- A 1,000 metre infill and resource definition drilling program is planned for February at Red Hill, starting at the southern end of the known 800 metre strike length of mineralisation and historic workings that extend to the Valentine workings.
- The current oxide resource is low grade (<1.5g/t), but the follow-up program is expected to see the grade improve as indicated higher grade areas are drilled.
- A better appreciation of whether Red Hill has the potential to support a low cost, open pit operation using gravity and conventional gold processing to recover the gold is expected by the September quarter of 2006.
- Of more significance at Red Hill, will be the results of the planned deeper diamond drill holes testing the high grade potential at depth. Success will require additional drilling to outline the target followed by scoping studies expected towards the end of the year.

HILL END EXPLORATION

Red Hill is on an Exploration Licence 5868 and any decision to progress towards mining would require satisfying all the approval processes prior to obtaining a Mining Lease. Hawkins Hill, Reward, Germantown and Scandinavian areas are located on Mining Leases so successful definition of an adequate resource to support development could see initial mining commence in these areas by around mid to late 2007.

Attribution

Exploration comment and data herein are based on information provided by either Mr John Gallo of JNK Exploration Services or Mr Philip Bruce. Both Mr Gallo and Mr Bruce are Fellows of the Australasian Institute of Mining and Metallurgy and both Mr Gallo and Mr

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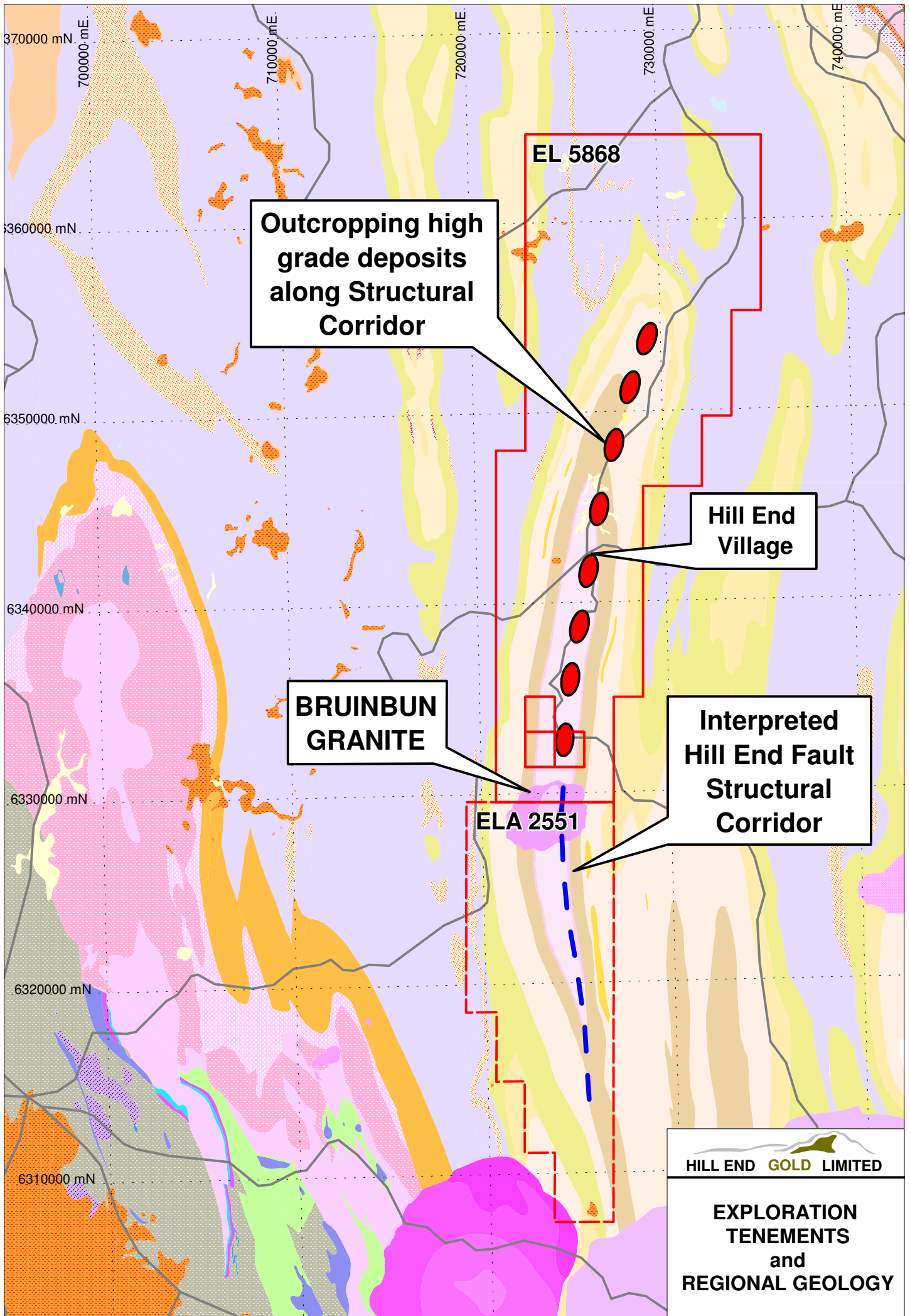
Bruce have sufficient relevant experience in the styles of mineralisation being reported on to qualify as Competent Persons as defined in the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves".

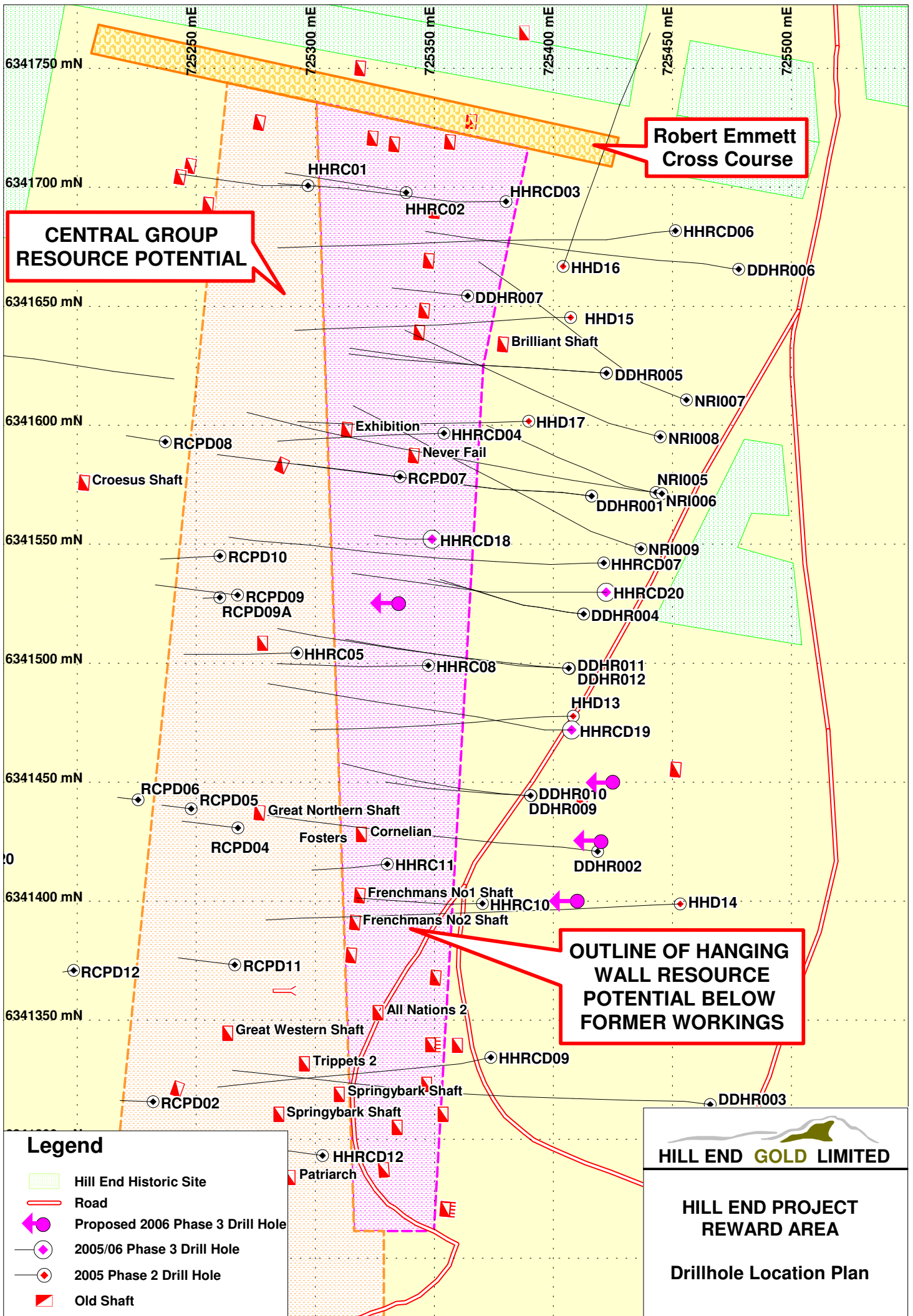
Yours faithfully



Philip Bruce
Managing Director

Attached: - Exploration Tenements and Regional Geology
- Reward Area Drilling Program and Targets
- Red Hill area Drilling Program and Targets





**Robert Emmett
Cross Course**

**CENTRAL GROUP
RESOURCE POTENTIAL**

**OUTLINE OF HANGING
WALL RESOURCE
POTENTIAL BELOW
FORMER WORKINGS**

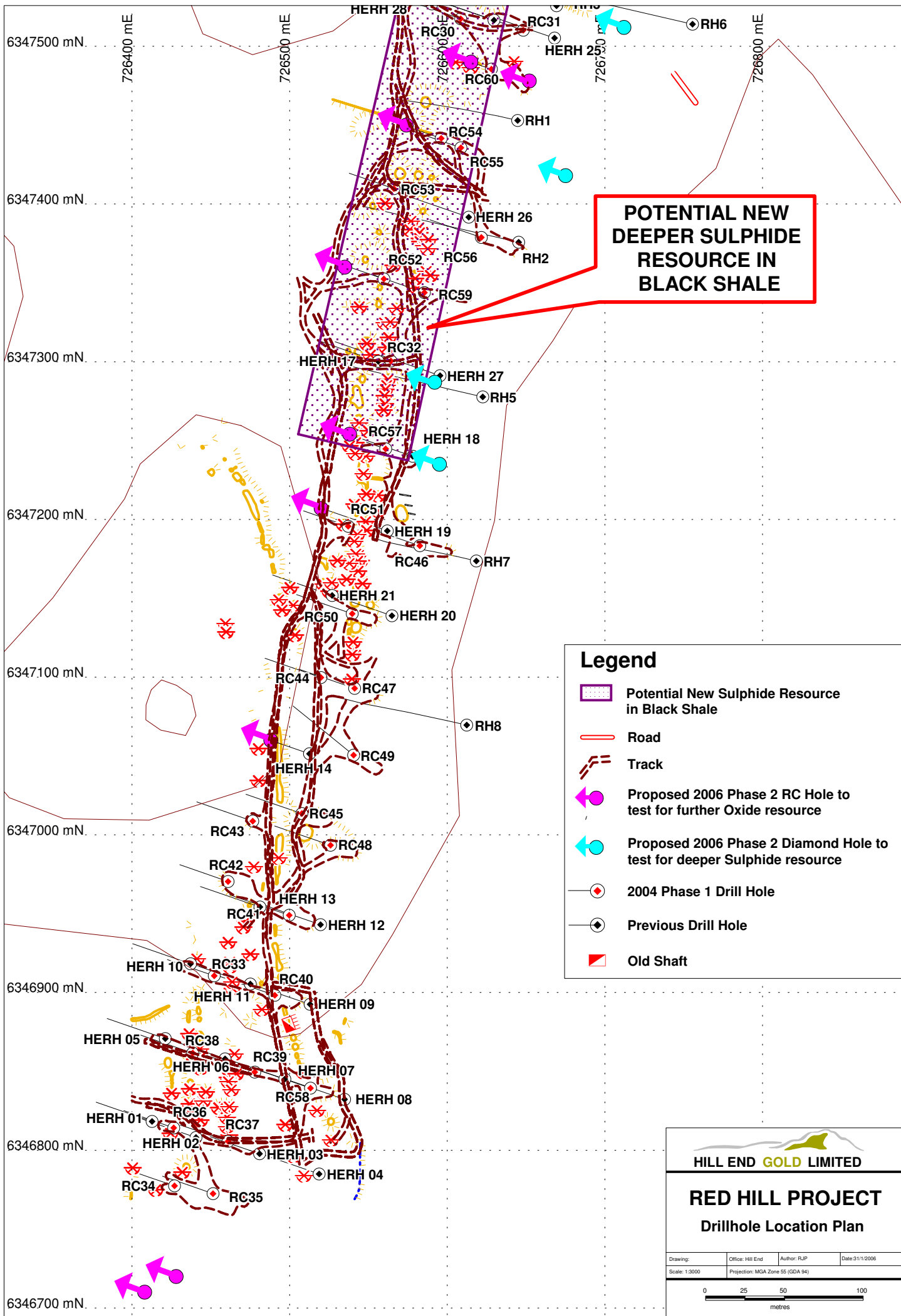
Legend

- Hill End Historic Site
- Road
- Proposed 2006 Phase 3 Drill Hole
- 2005/06 Phase 3 Drill Hole
- 2005 Phase 2 Drill Hole
- Old Shaft

HILL END GOLD LIMITED









**HILL END PROJECT
REWARD AREA**

Drillhole Location Plan



**POTENTIAL NEW
DEEPER SULPHIDE
RESOURCE IN
BLACK SHALE**

Legend

-  Potential New Sulphide Resource in Black Shale
-  Road
-  Track
-  Proposed 2006 Phase 2 RC Hole to test for further Oxide resource
-  Proposed 2006 Phase 2 Diamond Hole to test for deeper Sulphide resource
-  2004 Phase 1 Drill Hole
-  Previous Drill Hole
-  Old Shaft

HILL END GOLD LIMITED

RED HILL PROJECT

Drillhole Location Plan

| | | | |
|---------------|----------------------------------|-------------|-----------------|
| Drawing: | Office: Hill End | Author: RJP | Date: 3/11/2006 |
| Scale: 1:3000 | Projection: MGA Zone 55 (GDA 94) | | |

0 25 50 100 metres