

Concise
Annual Report 05

Corporate Directory

Directors

Alfred Lampard Paton

Non Executive Chairman

Philip Francis Bruce

Managing Director

Graham Charles Reveleigh

Executive Director

Ian Noel Stuart Sloan

Non Executive Director

Bruce Geoffrey Thomas

Non Executive Director

Company Secretary

Kevin Martin Lynn

Australian Company Number

072 692 365

Sydney Office

Hill End Gold Limited

Suite 1310, 3 Spring Street

Sydney NSW 2000

Telephone: +61 2 8249 4416

Facsimile: +61 2 8249 4919

Registered and Technical Office

41 Cavendish Street

P O Box 92

Earlville QLD 4870

Telephone: +61 7 4033 1805

Facsimile: +61 7 4033 6415

www.hillendgold.com.au

Field Office

Bowen Street

Hill End NSW 2850

Telephone: +61 2 6337 8343

Facsimile: +61 2 6337 8345

Share Registry

Registries Limited

Level 2, 28 Margaret Street

Sydney NSW 2000

Telephone: +61 2 9290 9600

Facsimile: +61 2 9279 0664

www.registriesltd.com.au

Auditor

William Buck

Level 1, 74 Abbott Street

Cairns QLD 4870

Telephone: +61 7 4052 3222

Facsimile: +61 7 4051 8827

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This concise report has been derived from the full financial report for the year ended 30 June 2005. The full financial report and auditor's report will be sent to members on request, free of charge. Please either call (07) 4033 1805 or email your request to www.hillendgold.com.au and a copy will be forwarded to you.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of Hill End Gold Limited and its controlled entities as the full financial report.



Chairman's Statement

Dear Shareholder,

This annual report sets out the progress made by Hill End Gold Limited during its second year as a listed entity on the ASX.

During the past year significant advances have been made with focused surface exploration across our tenements whilst operating within the resources of tight financing. Tenements of 540 square kilometres cover the major part of the Hill End goldfield and include an application for an exploration licence to the south over the Hill End Fault of 165 square kilometres.

These exploration and associated work programs have culminated in a new understanding of the geological features controlling the high grade gold mineralisation at Hill End. Surface drilling, mapping and sampling and the digital compilation of available old records and exploration data have been completed during the year together with mapping and sampling in the Hawkins Hill underground development. Through the development of a reliable local and regional model for the Hill End deposits the Hill End project has now moved from being a potential small high grade gold project to one with the potential for multiple million ounce gold deposits along the now recognised Hill End structural corridor.

Surface drilling is successfully outlining the initial project area at Reward at a much reduced exploration cost compared to underground development and drilling. Additional significant targets have been identified at Red Hill where a potential Hawkins Hill style deposit is to be drilled during the coming year as well as to the north of Reward at Germantown and the Golden Mile workings.

The 2005 Annual Report outlines the new strategic direction and priorities 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. The potential offered by the Hill End Gold prospects and our activities and plans for the coming year will be covered by Philip Bruce in his Managing Director's review of operations.

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



Alf Paton
Chairman

Managing Director's Review

Overview

- Hill End Gold (HEG) has the majority of the Hill End goldfield under tenement with a number of high potential targets ready for drilling.
- The Company has targeted a resource potential of 4-5 million ounces of gold in new deposits below shallow high grade workings along the almost unexplored Hill End Anticline.
- Our growth objectives are to discover and develop substantial gold deposits and to acquire projects to increase share price and asset value.

Key Points

- Tenements of 540 square kilometres include the very high grade operations of the 1870s such as the Hawkins Hill and Red Hill-Tambaroora deposits which together produced 1.6 million ounces of gold.
- The Hawkins Hill deposit is estimated to have been one million ounces of gold prior to mining in the 1870s. Reported production was 45-50,000 tonnes at approximately 300g/t.
- HEG is drilling the Reward area with a target scope of 500,000-1,000,000 tonnes at an average grade between 10 and 20 g/tAu.
- Extensive high grade surface workings along the Hill End Anticline indicate the potential for multiple million ounce deposits at shallow depth which are similar to Hawkins Hill.
- HEG plans to drill in the Hill End structural corridor particularly along the richly mineralised ten kilometre strike length between Hawkins Hill and Red Hill.

Background

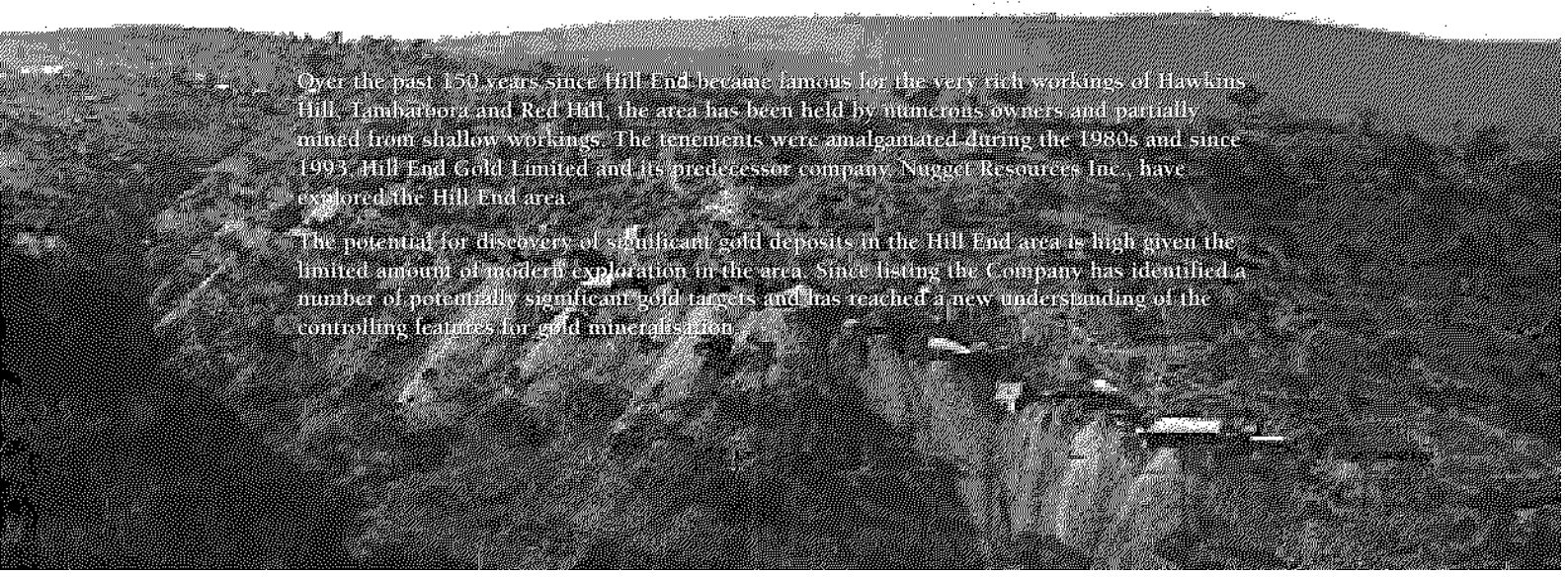
Hill End Gold Limited is a gold exploration and development company which listed on the ASX in July 2003.

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

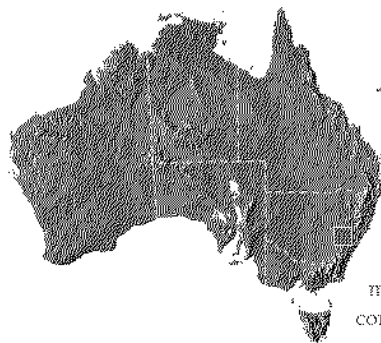


Over the past 150 years since Hill End became famous for the very rich workings of Hawkins Hill, Tambaroora and Red Hill, the area has been held by numerous owners and partially mined from shallow workings. The tenements were amalgamated during the 1980s and since 1993 Hill End Gold Limited and its predecessor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

The potential for discovery of significant gold deposits in the Hill End area is high given the limited amount of modern exploration in the area. Since listing the Company has identified a number of potentially significant gold targets and has reached a new understanding of the controlling features for gold mineralisation.



Managing Director's Review - continued



The Hill End Project

Our tenements cover approximately 60 kilometres of strike along the Hill End Anticline including the highly mineralised Hill End structural corridor which has hosted the majority of very high grade gold deposits in the Hill End area.

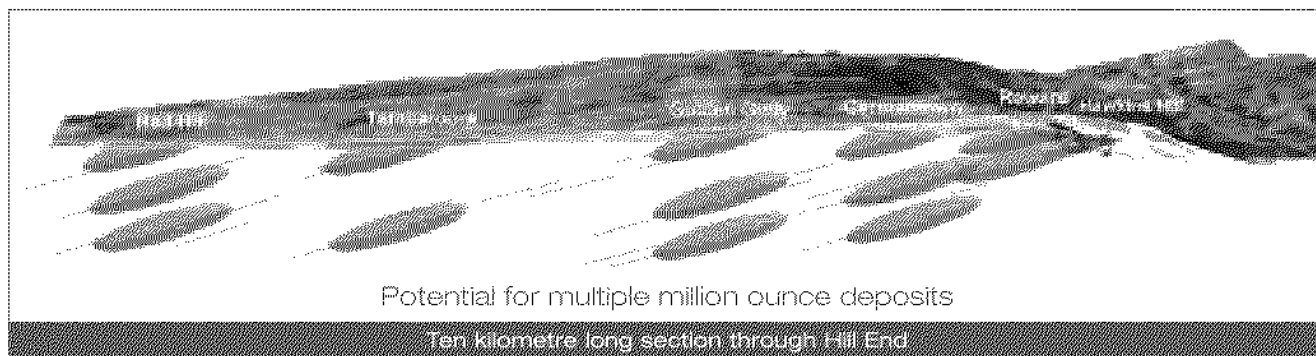
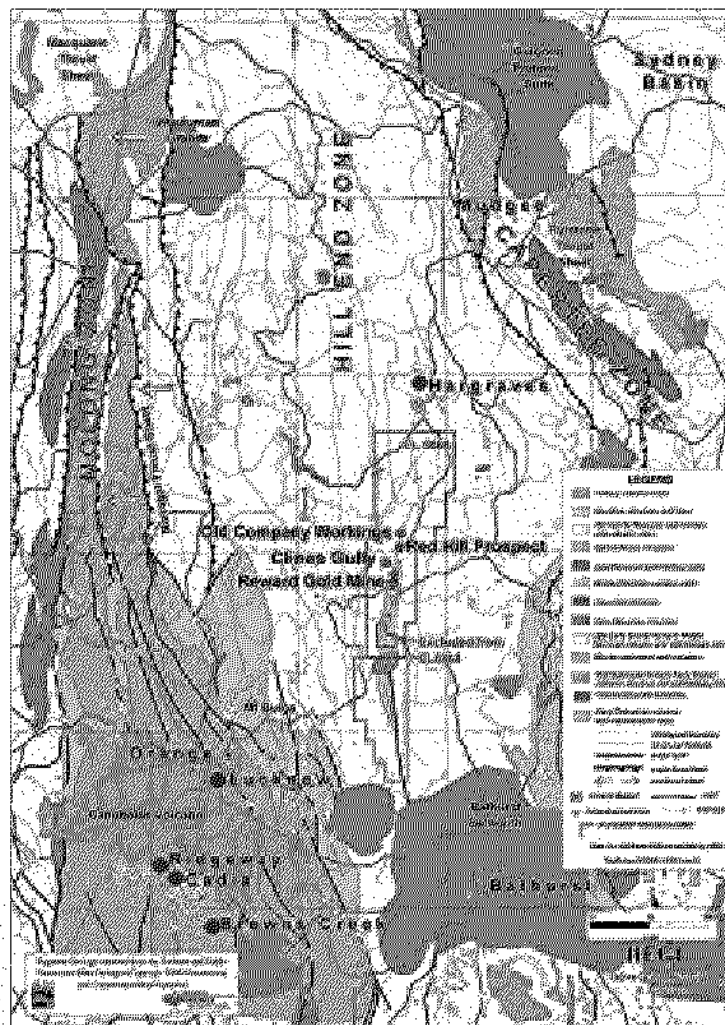
Drilling has identified an extension to the high grade Hawkins Hill deposit in the Reward area and a potential repeat of a Hawkins Hill style deposit at Red Hill. Further drilling is planned to outline the Reward deposit and to explore for repetitions of the previously mined ~1 million ounce sized deposits in the large Hill End system, particularly the ten kilometres of strike along the eastern structural corridor between Hawkins Hill and Red Hill.

A new understanding of the controls of the high grade gold mineralisation and recent mapping have targeted areas for immediate drilling.

Outlook for 2005/2006:

- Outline of the high grade gold deposit in the Reward area by drilling along strike and down dip of the existing intersections;
- The target scope for the Reward area is 500,000–1,000,000 tonnes at an average grade between 10 and 20g/tAu;
- Drilling beneath the surface workings along the Hill End Anticline, particularly at Red Hill, to identify new high grade deposits at shallow depth;
- Preparation for further project development and drilling during 2006;
- Acquisition of mineral projects with near term potential for significant cash flow.

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



Potential for discovery of significant gold deposits



Digital compilation of previous mining and exploration records for the Hill End area and mapping of the mineralisation has led to a new understanding of the controlling structural features for the high grade gold deposits on the Company's Hill End tenements.

The Hill End deposits are similar to the large, high grade gold deposits of Bendigo and Ballarat in Victoria, being structurally controlled mineralisation in slate belt host rocks. Bendigo has produced 22 million ounces of gold and has been mined to a depth of 1,400 metres, while Ballarat produced 12 million ounces and has been mined to a depth of 950 metres. Hill End

has produced 1.6 million ounces of gold in workings from 10's of metres depth to a maximum depth of only 250 metres and is almost completely unexplored at depth.

All major gold deposits at Hill End occur in association with quartz in the 50-200 metre wide steeply-dipping structural corridors running along both sides of the Hill End Anticline. The gold occurs as very high grade gold shoots in quartz veins and stockworks in wide mineralised zones which repeat along the structural corridor and down dip below the old workings. Very little drilling has been undertaken on either the western or the eastern structural corridor which is the current focus for drilling.

The Hawkins Hill deposit which is located south of the town of Hill End produced over a reported 400,000 ounces at a grade of approximately 300g/tAu during the nineteenth century. The Hawkins Hill and Tambaroora-Red Hill deposits at Hill End are estimated to have each contained ~one million ounces of gold prior to mining during the nineteenth century.

The very large Hill End mineralised system extends over 25 kilometres along the Hill End Anticline and is interpreted to contain significant gold deposits below the extensive shallow workings.

Hawkins Hill – Reward Development

The Reward deposit is approximately 400 metres north along strike from the Hawkins Hill deposit and is located in the upper part of the same 120 metre thick slate unit which hosts the Hawkins Hill deposit.

Twelve reverse circulation holes were completed on the Reward area during the year, totalling 931.4 metres with five holes continued on with HQ3 diamond tails for a further 502.7 metres drilled.

The diamond drill holes were designed to intersect the interpreted strike extensions of the high grade zone at Reward which has previously returned assays up to 208g/tAu over 0.9 metres from previous drilling and individual vein sets up to 6 metres wide. A recently completed five hole program has shown further success with visible gold in drill intersections. Drilling has extended the zone of Reward mineralisation to approximately 400 metres of strike with visible gold in a number of thick zones of quartz veining.

A reliable predictive model for the Reward mineralisation has now been established and detailed logging and sampling of the drill core is in progress to interpret the different vein sets and to establish gold grades prior to resource estimation.

Further drilling is planned at Reward in preparation for development with a target scope of 500,000-1,000,000 tonnes at an average grade between 10 and 20 g/tAu.



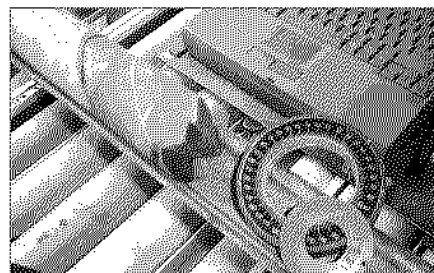
Managing Director's Review – continued

There has been almost no mining to the north on the Reward mineralisation beyond the Robert Emmer's Crosscourse. It has been identified that the Reward mineralisation is likely to extend down plunge to the north below the Germantown workings and the Golden Mile area. There has been no drilling yet on the Golden Mile deposits or at depth within the mineralised structural corridor.

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

Mapping of the previous workings in the Hawkins Hill area has identified the unmined part of the deposit between the accessed Amalgamated and Consolidated levels. This section contains the Holtermann's Crosscourse which is well mineralised at its intersection with shoots within the bedding plane quartz veins. The Holtermann's "nugget" containing 3,100 ounces was extracted from the intersection of the Holtermann's Crosscourse with the Mica vein approximately 120 metres above the Amalgamated level.

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



Red Hill

The outcropping Red Hill gold deposits are hosted by a relatively tight stratigraphic unit which is predominantly greywacke/sandstone and located on the eastern flank of the shallow north-plunging Hill End Anticline. The mineralisation is within the eastern structural corridor and outcrops. At a depth of approximately 100 metres below surface, historical mining and diamond drilling during the 1980s have identified a mineralised slate unit which is similar to the Hawkins Hill deposit. This target may host a deposit of similar size and grade as Hawkins Hill.

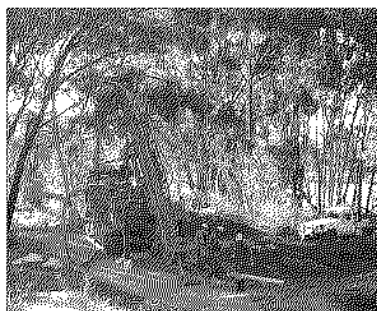
Surface mapping and drilling have also identified extensive zones of shallow oxide gold mineralisation along the structural corridors, particularly to the north of Hill End, where deep weathering to a depth of 70 metres and gently undulating topography is ideal for open pit development. Reverse circulation drilling has outlined shallow weathered gold resources in the Red Hill project area.

The near-surface mineral resources total 27,000 ounces (indicated plus inferred) which have been delineated within the structural corridor over a strike length of 800 metres to a depth of 75 metres. There is potential for extension along strike and at depth.

Metallurgical testing of these near-surface resources gave excellent gold recovery results using simple gravity and leach processing.

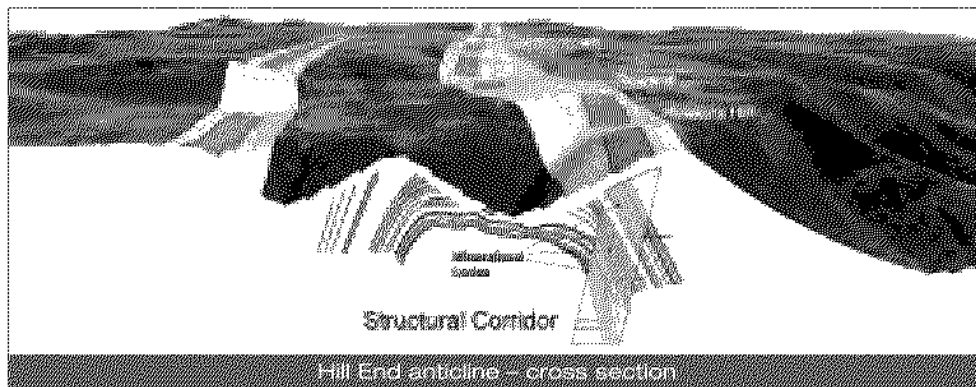
Exploration

Exploration is focused on additional discoveries of deposits in the Hill End area, which may be mined by underground or open pit methods. Prospectivity is considered high by Australian standards given the minor exploration undertaken to date on such a prolific gold field. During the coming year surface exploration will focus on drilling in the mineralised structural corridors to a relatively shallow depth to test for significant gold deposits, particularly beneath the old workings.



The Hill End Goldfield lies within turbidite sequences in the North Hill End Trough. Rocks in the Hill End area have undergone biotite grade, greenschist-facies metamorphism with the north striking Hill End Anticline intruded to the south of the goldfield by the Bruinbun Granite which is of Lower Carboniferous age. The Hill End Anticline regionally plunges at approximately 10° to the north.

Surface and underground mapping and examination of drill core and underground exposures has led to an improved understanding of aspects of deposit geology.



Mineralisation associated with the Hill End Anticline has a close spatial relationship with the axial plane of the anticline. The majority of workings, whether they be bedded veins, fault veins or stockworks, are located in structural corridors which are parallel to, and within a critical distance of, the axial plane of the Hill End Anticline on both the eastern and western flanks.

The structural corridors widen and narrow in a similar manner to the mineralisation in the individual veins. The wide parts of the structural corridor are at the highly mineralised areas such as Hawkins Hill – Reward, Germantown, Golden Gully and Red Hill. As with most natural systems a fractal arrangement is present. At the one metre scale, features such as boudinage of veins are seen in mineralised areas with the boudins being part of individual shoots on a 10 metre to 20 metre scale. The shoots are part of richer zones on a 300 metre to 500 metre scale and these richer zones are contained within wider parts of the structural corridors on 1000 metre to 3000 metre spacings.

In the Hawkins Hill to Reward area an outcropping stratigraphic horizon approximately 120 metres thick, comprised of alternating bands of greywacke and slate, contains extensive mineralised quartz veins. The stratigraphic horizon dips at approximately 65° to the east and is well mineralised where it intersects the eastern sub-vertical structural corridor which is parallel to the cleavage direction of the axial plane of the Hill End Anticline. The Hawkins Hill and Reward gold deposits are approximately 400 metres in strike length in broad zones of mineralised quartz veins which can be parallel to either the bedding or cleavage direction or associated with fault structures.

This is an important relationship in that the high grade gold mineralisation is largely contained within the envelope of the north plunging intersection of the stratigraphy with the steeply dipping structural corridors. The high grade gold deposits can be generally dipping east though repeating in parallel shoots aligned vertically. Previous drilling has mostly targeted downdip extensions and not the potential for parallel deposits at depth.

General

The historically recognised southern boundary of the Hill End gold field is south of the Macquarie River at Chambers Creek with the Bruinbun Granite truncating and post dating the mineralisation. It is noted that the Hill End anticline continues for a further 10 kilometres south of the Bruinbun Granite in close association with the Hill End Fault which truncates the anticline further to the south.

The mineralised structural corridors at Hill End are interpreted to be a diffuse northern continuation of the Hill End Fault which has been mapped by the Geological Survey of New South Wales to the south of the Bruinbun Granite.

It is believed that the structures hosting gold mineralisation along the Hill End Anticline are also present to the south of the Bruinbun Granite. Local knowledge indicates prospecting and mining in the Killongbutta area in the 1930s along the Hill End Anticline. Application has been made for an Exploration Licence of 165 square kilometres (Gowan ELA 2551 HEG 100%) to have the entire prospective length of the Hill End Anticline under tenement.

Following field investigation of geophysical anomalies in EL 6119 and EL 6125, the decision was made to relinquish these tenements.

Managing Director's Review – continued

Tenements

In the Hill End area the Company holds a minimum 85% beneficial interest in the Mining Leases and the area formerly subject to Exploration Licence 2037, which is now part of Exploration Licence 5868 and the Company holds a 100% interest in Exploration Licence Application 2551.

Corporate

Two placements were completed during the year raising gross proceeds of \$1,400,000 from the issue of 15,000,000 ordinary fully paid shares and 7,500,000 options exercisable at 15 cents and expiring 30 May 2007.

Mr Bruce Thomas was appointed to the Board as a non-executive director. Mr Thomas has extensive skills in resource company investment, strategic planning and company management and is a Chartered Accountant, a Chartered Secretary and an Associate of the Securities Institute of Australia.

Red Hill Mineral Resource Statement

Mineralisation Category	Whites			Old Red Hill		
	Tonnes	Grade g/tAu	Category	Tonnes	Grade g/tAu	Category
Oxide	209,400	1.05	Indicated	177,600	1.50	Inferred
Transitional	275,700	1.27	Indicated			
TOTAL	484,100	1.18	Indicated	177,600	1.50	Inferred
Contained gold	18,300 ounces			8,600 ounces		

The cross sectional polygonal resource estimation for oxide and transitional material was completed for the Whites and Old Red Hill areas using the following parameters:

Parameter	Criteria
Lower Cut Off Grade	0.2g/tAu (low cost mining and processing)
Upper Cut Off Grade	Nil, no composite > 5g/tAu
Assay Interval	1 metre
Intersection Grade Averaging	Arithmetic
Sectional Grade Averaging	Polygon area weighted
Internal Dilution	Two assay intervals (2m)
Mining Dilution	Nil
Polygon Influence on Section	Half distance to adjacent drill hole
Polygon Influence between Sections	Half distance to adjacent section
Nominal Pit Slopes	60° east slope, 45° west slope
Bulk Density	2.5t/m ³

Attribution

Exploration comment and data herein are based on information provided by either John Gallo of JNK Exploration Services, Ian Cooper of Southern Cross Technical and Field Services or Philip Bruce. Mr Gallo and Mr Bruce are Fellows of the Australasian Institute of Mining and Metallurgy and Mr Cooper is a Member of The Australasian Institute of Mining and Metallurgy. Mr Gallo, Mr Bruce and Mr Cooper 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".

Directors' Report

The Directors present their report on the Company for the year ended 30 June 2005.

Directors

The Directors of Hill End Gold Limited during the financial year and until the date of this report are:

- **Alfred Lampard Paton** (Chairman)
- **Philip Francis Bruce** (Managing Director)
- **Graham Charles Reveleigh** (Executive Director)
- **Ian Noel Stuart Sloan** (Non-Executive Director)
- **Bruce Geoffrey Thomas** (Non-Executive Director appointed 22 February 2005)

Principal Activities

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

Results

The Company incurred a pre-tax operating loss of \$619,481 (2004: loss \$427,563).

Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year, (2004 ~ nil).

Review of Operations

During the year the Company raised funds from sophisticated investors in December 2004 raising \$1m and July 2005 raising a further \$400,000 before costs of the raisings.

Activities during the year included:

- Underground development in the Hawkins Hill area in preparation for bulk sampling of the Hawkins Hill to Reward development and testing of remnant stopes in the Hawkins Hill deposit;
- Establishment of the bulk sampling plant and infrastructure at the Amalgamated area;
- Compilation of all available drilling data, surface mapping and underground development information into a digital database;
- Highly successful surface drilling in the Reward area below previous workings to investigate the potential for near-surface mineralisation and for strike extensions of very high grade drill intersections such as 208g/t over 0.9m;
- Determination of the regional and local controls of the high grade mineralisation being the 100–200 metre wide steeply dipping structural corridor running parallel to the Hill End Anticline and local host features such as slaty rocks and dilation zones;
- Identification of the potential for very significant deposits below outcropping mineralisation along the structural corridor at Reward, Germantown and Red Hill.

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

Directors' Report – continued

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs in the Company during the year other than a placement in December 2004 to sophisticated investors raising for \$1 million.

Subsequent Events

The Company is in the process of raising further cash to fund its operations. These funds will be used to fund the Company's future operations at Hill End.

Likely Developments and Results

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

Environmental Issues

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

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

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

Information on Directors

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

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

Other listed company directorships held during the past 3 years:

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

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

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

Other listed company directorships held during the past 3 years:

- Latrobe Magnesium Limited

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

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

Other listed company directorships held during the past 3 years:

Drillsearch Energy Limited
Circumpacific Energy Limited
Nugget Resources Inc.

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 Fildfield, NSW. In 1981, Mr Sloan acquired a steel fabrication business, which he operated for 3 years after which he established the computer company, Magnasoft Pty Ltd.

Other listed company directorships held during the past 3 years:

Nil

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

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

Other listed company directorships held during past 3 years:

GRD Limited

Kevin Lynn, B.Bus, CA, FAICD, MAppFin (Securities Institute)
Company Secretary

Mr Lynn is a Chartered Accountant. He was appointed as Company Secretary and Chief Financial Officer 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 believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company.

Directors' Report – continued

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

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

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

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

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

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

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

Performance based remuneration

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

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

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

The directors have set the base fees payable as follows:

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

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

Service Agreements

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

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

There are no other service agreements.

Table 1: Director remuneration for the year ended 30 June 2005							
	Salary & Fees	Non Monetary	Super- annuation	Retirement benefits	Equity Options	Other Bonuses	Total
Alfred Lampard Paton							
2005	25,000		—				25,000
2004	25,000		—				25,000
Philip Francis Bruce							
2005	183,486		15,514		4,000		204,000
2004	15,000		1,350				16,350
Graham Francis Reveleigh							
2005	70,000		6,300				76,300
2004	70,000		6,300				76,300
Ian Noel Stuart Sloan							
2005	15,000		1,350				16,350
2004	15,000		1,350				16,350
Bruce Geoffrey Thomas							
2005	5,000		450				5,450
2004	—		—				—

Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2005

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

Options granted as part of remuneration for the year ended 30 June 2005

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Hill End Gold Limited to increase goal congruence between executives, directors and shareholders. During the year the Company issued the Managing Director Philip Bruce 5,000,000 options as part of his remuneration. For details of directors and executives interests in options at year end, refer Note 15 of the financial statements.

Performance income as a proportion of total remuneration

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

Directors' Report – continued

Meetings of Directors

The following table sets out the number of meetings of the company's Directors during the year ended 30 June 2005 and the number of meetings attended by each Director.

	Board Meetings		Committee Meetings			
	Directors Meetings		Remuneration		Audit	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
G. C. Reveleigh	9	9	2	2	2	2
A. L. Paton	9	9	2	2	2	2
I. N. S. Sloan	9	7	2	2	—	—
B. G. Thomas	3	3	—	—	—	—
P. F. Bruce	9	9	—	—	—	—

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

Share Options

Options issued in the current financial year

During the financial year the company issued a total of 5,000,000 options as a placement in December 2004 and 5,000,000 to the Managing Director as approved at the Meeting of Shareholders in November 2004.

Total outstanding options at the date of this report

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

Unlisted options	Exercisable at 15 cents on or before 31 May 2007	7,500,000
Managing Director Options	Exercisable at various prices on or before 30 November 2009	5,000,000
Employee	Exercisable at 20 cents on or before 30 August 2006	950,000
Total options on issue		13,450,000

Corporate Governance

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

Non-Audit Services

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

The Board of Directors has considered the level and nature of non-audit services provided by the auditor during the year and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the

nature and scope of each type of non-audit service provided by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001.

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

	2005	2004
	\$	\$
<i>Audit services:</i>		
Remuneration for audit and review of financial reports under the Corporations Act 2001	13,520	8,278
<i>Other assurance services:</i>		
Review of prospectuses issued during year	5,000	—
Total auditor's remuneration	18,520	8,278

Directors and Officers Indemnification

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

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

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

The indemnity does not extend to any liability:

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

Auditor's Independence Declaration

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

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



Alfred Paton
Chairman

29 September 2005



Philip Bruce
Managing Director

29 September 2005

Auditor's Independence Declaration

William Buck
Business Advisors
Chartered Accountants

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Hill End Gold Limited

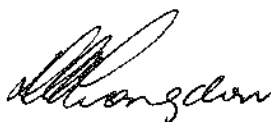
I declare that, to the best of my knowledge and belief, in relation to the audit of Hill End Gold Limited for the year ended 30 June 2005 there have been:

- 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 Brisbane on 29 September 2005.



William Buck
Chartered Accountants



D W Langdon
Partner

Statement of Financial Performance

For the year ended 30 June 2005

		2005	2004
	Notes	\$	\$
Revenues from ordinary activities	3	36,182	111,949
Expenses from ordinary activities			
— Advertising		(16,093)	(64,382)
— Printing		(11,394)	(5,843)
— Share Registry		(10,557)	(20,284)
— Stock Exchange Fees		(16,808)	(20,821)
— Bank Fees		(8,179)	(7,939)
— Auditors		(18,520)	(8,278)
— Directors Emoluments		(318,124)	(164,733)
— Office Expenses		(70,107)	(63,110)
— Accounting Fees		(36,000)	(36,000)
— Corporate Advisory Fees		—	(11,708)
— Corporate Travel		(18,257)	(20,444)
— Depreciation		(58,210)	(77,894)
— Doubtful Debts		—	(34,243)
— Exploration Expenditure written off		(26,267)	—
— Other expenses from ordinary activities		(47,148)	(3,833)
Loss from ordinary activities before income tax expense	4	(619,482)	(427,563)
Income tax expense		—	—
Loss from ordinary activities after income tax expense		(619,482)	(427,563)
Total changes in equity other than those resulting from transactions with owners as owners		(619,482)	(427,563)
		Cents	Cents
Basic earnings per share	7	(0.01)	(0.01)
Diluted earnings per share	7	(0.01)	(0.01)

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

Statement of Financial Position

As at 30 June 2006

		2005	2004
	Notes	\$	\$
Current Assets			
Cash assets		323,680	1,014,887
Receivables		17,185	55,265
Total Current Assets		340,865	1,070,152
Non-Current Assets			
Other financial assets		213,036	200,000
Deferred Exploration & Development		4,652,120	3,456,315
Property Plant & Equipment		477,028	487,887
Total Non-Current Assets		5,342,184	4,144,202
Total Assets		5,683,049	5,214,354
Current Liabilities			
Payables		121,431	415,992
Provision		11,538	—
Total Current Liabilities		132,969	415,992
Non Current Liabilities			
Payables		421,200	—
Total Non Current Liabilities		421,200	—
Total Liabilities		554,169	415,992
Net Assets		5,128,880	4,798,362
Equity			
Contributed equity	6	7,049,320	6,099,320
Accumulated losses	4	(1,920,440)	(1,300,958)
Total Equity		5,128,880	4,798,362

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

Statement of Cash Flows

For the year ended 30 June 2005

	2005	2004
Notes	\$	\$
Cash Flows From Operating Activities		
Interest received	36,182	111,949
Payments to suppliers and employees	(672,129)	(318,503)
Net cash outflows from operating activities	(635,947)	(206,554)
Cash Flows From Investing Activities		
Exploration Bonds	(13,036)	(159,000)
Property Plant & Equipment	(47,351)	(563,781)
Exploration Expenditure	(1,222,073)	(1,932,415)
Net cash outflows from investing activities	(1,282,460)	(2,657,196)
Cash Flows From Financing Activities		
Proceeds from borrowings	277,200	—
Proceeds from the issue of shares	950,000	3,861,911
Net cash inflows from financing activities	1,227,200	3,861,911
Net Increase in Cash Held	(691,207)	998,161
Cash at the Beginning of the Financial Year	1,014,887	16,726
Cash at the End of the Financial Year	323,680	1,014,887

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

Notes to the Financial Statements

For the year ended 30 June 2005

1. Discussion and Analysis

Statement of Financial Performance

The Company reported an operating loss after tax of \$619,481 for the year ended 30 June 2005, compared to \$427,473 for the prior year. This was mainly due to the greater level to the administration, exploration and general ongoing operating activities at the Hill End site.

Statement of Financial Position

In December 2004 the Company issued 10 million ordinary shares by way of share placement realising a total of \$1 million before issue costs and in June-July 2005 the Company issued a further 5 million ordinary shares by way of a placement realising a total of \$400,000 before costs. These funds were used for working capital and exploring the Company's Reward Project Area, which to date has resulted in a significant extension of the target zone of mineralisation at Hill End. The Company is in the process of raising additional funds to further extend the zone of mineralisation and complete an infill drilling programme in the target zone.

Statement of Cash Flows

Cash flows in to operating activities, \$635,947 (2004: \$206,554) increased reflecting greater of exploration and administrative activity at the Hill End Mine Site.

Cash flows for investment activities, \$1,222,073 (2004: \$1,932,415) comprised funds spent on underground development and exploration. The spend was significantly down on the previous financial year as there was a greater concentration of on exploration, geological data logging data and analysis and a scale back of the amount of underground development undertaken.

Cash flows from financing activities reflect the funds raised in the placement in December 2004 (\$1 million before costs of the issue) and funds received post financial year which will convert into equity after the financial year end.

2. Full Financial Report

Further financial information can be obtained from the full financial report, which is available from the Company, free of charge, on request. A copy may be requested by calling the Company on (07) 4033 1805.

3. Revenue

Revenue from outside the operating activities

Interest received

36,182

111,949

4. Accumulated Losses

Opening balance

1,300,958

873,395

Net loss for year

619,482

427,563

Closing balance

1,920,440

1,300,958

5. Impact of Adopting AASB Equivalents to IASB Standards

The company is preparing and managing the transition to Australian equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the company's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's AIFRS committee.

Impairment of Assets

The recoverable amount of an asset is to be determined as the higher of net selling price or value in use. This will result in a change in the company's current accounting policy, which determines the recoverable amount of an asset on the basis of discounted cash flows. On transition, the financial effect of this impact is assessed as nil.

Income Taxes

The company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions or other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. On transition, the financial effect of this impact is assessed as nil.

Notes to the Financial Statements - continued

	2005	2004
	\$	\$
6. Contributed Equity		
Issued and paid up capital		
Balance at the beginning of the financial year	6,099,320	2,237,410
Issue of shares to raise capital	950,000	3,861,910
Balance at the end of the financial year	7,049,320	6,099,320
Consisting of 52,209,625 ordinary shares (2004: 42,209,625 ordinary shares)		
7. Earnings per Share		
Basic earnings per share	(0.01)	(0.01)
Diluted earnings per share	(0.01)	(0.01)
Number	Number	
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basis earnings per share and alternative basis earnings per share	47,798,666	36,823,014
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	64,045,216	46,828,858
	\$	\$
Reconciliation of earnings used in calculating earnings per share		
Earnings used in calculating basic and diluted earnings per share	(619,482)	(427,563)

Options granted to employees and directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 10.

8. Segment Information

Business Segments

The Company operates in the mining industry in Australia only. Operations comprise the exploration, development and mining of precious minerals.

Directors' Declaration

In the opinion of the Directors of Hill End Gold Limited the accompanying concise financial report of the Company for the year ended 30 June 2005, set out on pages 17 to 22.

- a) has been derived from or is consistent with the full financial report for the financial year; and
- b) complies with Accounting Standard AASB 1039; concise Financial Reports.

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



Alfred Paton
Chairman

Sydney, 29 September 2005



Philip Bruce
Managing Director

Sydney, 29 September 2005

Independent Audit Report

William Buck
Business Advisors
Chartered Accountants

To the Members of Hill End Gold Limited

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, and the accompanying notes to the financial statements for Hill End Gold Ltd (the company) for the year ended 30 June 2005.

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

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion to the members of the company.

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

We performed procedures to assess whether in all material respects the financial report is presented fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standard AASB1039 "Concise Financial Reports".

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

- testing that the information in the concise financial report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June. Our audit report on the full financial report was signed on 29 September 2005, and was not subject to any qualification.

Independence

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

Audit Opinion

In our opinion, the concise financial report of Hill End Gold Limited complies with Australian Accounting Standard AASB1039 "Concise Financial Reports"

Signed at Brisbane this 30th day of September 2005.



William Buck
Chartered Accountants



D W Langdon
Partner

Corporate Governance Statement

BOARD OF DIRECTORS

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

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

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

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

COMMITTEES OF THE BOARD

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

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

All committees operate principally in a review or advisory capacity.

PRINCIPAL FUNCTIONS OF BOARD COMMITTEES

Audit Committee

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

- Assisting the Board in the discharge of its responsibilities in respect of the preparation of the Company's financial statements and the Company's internal controls;
- Recommending to the Board, nominees for appointment as external auditors;
- Reviewing the performance of the external auditors;
- Providing a line of communication between the Board and the external auditors; and
- Examining the external auditor's evaluation of internal controls and Management's response.

Remuneration Committee

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

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

Corporate Governance Statement – continued

Nomination Committee

(Mr A. L. Paton, (Chairman), Mr P. F. Bruce, Mr G. O. Reveleigh)

- Assessing the performance of the Board and each director;
- Assessing the appropriateness of the current structure of the Board;
- If appropriate, recruiting directors for the Board; and
- Ensuring that directors are aware of their responsibilities.

BUSINESS RISKS

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

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

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

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

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

ANNUAL REVIEW

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

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

ETHICAL STANDARDS

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

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

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

THE BOARD OF DIRECTORS

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

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

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with

other board members, credentials within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

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

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

ROLE OF THE BOARD

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

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

APPOINTMENTS TO OTHER BOARDS

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

INDEPENDENT PROFESSIONAL ADVICE

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

CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

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

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2005 with a view to making amendments where applicable after considering the Company's size and the resources it has available.

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

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

Corporate Governance Statement – continued

ASX Principle

Status Reference/Comment

Principle 1: Lay solid foundations for management and oversight

Formalise and disclose the functions reserved to the board and those delegated to management

- A The Company has adopted this recommendation and formalised and disclose the functions reserved to the board and those delegated to management. The Company has a small board, comprising five directors, three of whom are non executive (including the Chairman).
- The Company considers the expense of sourcing additional directors at this stage of its development is unwarranted.
- The full board currently meets every month. In addition, strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise.
- The board believes the alignment of the interests of directors with those of shareholders as being the most efficient way to ensure shareholders' interests are protected.

Principle 2: Structure the board to add value

- 2.1 A majority of board members should be independent directors
- 2.2 The chairperson should be an independent director
- 2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual
- 2.4 The board should establish a nomination committee
- 2.5 Provide the information indicated in Guide to reporting on Principle 2

- A Given the Company's background, the nature and size of its business and the current stage of its development, the Board comprises five directors, three of whom are non executive (including the independent Chairman). The Board believes that this is both appropriate and acceptable at this stage of the Company's development.
- A The positions of Chairman and Managing Director are held by separate persons.
- A The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.
- A The skills and experience of directors are set out in the Company's (in part) Annual Report and on its website.

Principle 3: Promote ethical and responsible decision making

- 3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:
- 3.1.1 the practices necessary to maintain confidence in the Company's integrity
- 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices
- 3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees
- 3.3 Provide the information indicated in Guide to Reporting on Principle 3

- A The Company has formulated a Code of Conduct which can be viewed on the Company's website.
- A Complies
- A Complies
- A The Company has formulated a securities trading policy which can be viewed on its website.
- A The Company has established an audit committee which comprises two non executive directors. The charter for this committee is disclosed on the Company's website. Sourcing alternative or additional directors to strictly comply with this Principle is considered expensive with costs outweighing potential benefits in addition, the board as a whole addresses the governance aspects of the full scope of the Company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full Board Meetings.

Principle 4: Safeguard integrity in financial reporting

- 4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) (to state in writing to the board that the Company's financial reports present a true and fair

- A Complies

ASX Principle	Status Reference/Comment
view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	
The board should establish an audit committee	A Complies
Structure the audit committee so that it consists of	
• Only non executive directors	A One executive director on Audit Committee
• A majority of independent directors	A Complies
• An independent chairperson who is not the chairperson of the board	A Chairperson same
• At least three members	A Complies
The audit committee should have a formal charter	A Complies
Provide the information indicated in Guide to reporting on Principle 4	A Complies
Principle 5: Make timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	A The Company has also instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The Board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2 Provide the information indicated in Guide to Reporting on Principle 5	A The Board receives monthly reports on the financial position of the Company with performance being measured against approved budgets.
Principle 6: Respect the rights of shareholders	
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	A In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distribution of specific releases covering major transactions or events.
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	A Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The Company's auditors attend all shareholders' meetings.
Principle 7: Recognise and manage risk	N/A While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.1 The board or appropriate board committee should establish policies on risk oversight and management	
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	
7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board	A Determined areas of risk which are regularly considered include • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	
7.3 Provide information indicated in Guide to Reporting on Principle 7	N/A
Principle 8: Encourage enhanced Performance	
8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	A The Company has a sub committee of the Board to consider remuneration matters. The remuneration of executive and non executive directors is reviewed by the Committee with the exclusion of the director concerned. The remuneration of management and employees is reviewed by the Board and approved by the Board.

Corporate Governance Statement – continued

ASX Principle	Status Reference/Comment
Principle 9: Remunerate fairly and responsibly	Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the Company's securities. Whenever relevant, any such matters are reported to ASX.
9.1 Provide disclosure in relation to the Company's remuneration policies and benefits to these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	N/A The Company discloses remuneration related information in its Annual Report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the board on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2 The board should establish a remuneration committee.	A Complies
9.3 Clearly distinguish the structure of non executive directors' remuneration from that of executives.	A Complies
9.4 Ensure that payment of equity based executive remuneration's made in accordance with thresholds set in plans approved by shareholders.	A Complies
9.5 Provide information indicated in ASX Guide to Reporting on Principle 9.	A Complies
Principle 10: Recognise legitimate interests of Stakeholders	
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	A The company's Code of Conduct is set out in the Company's website. The Board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the Company

Shareholder Information

The shareholder information set out below was applicable as at 29 September 2005.

1. Distribution of Shareholders

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

Category of holding	Number	No. of Shares	Percentage
1 – 1,000	20	7,188	0.01
1,001 – 5,000	82	309,913	0.54
5,001 – 10,000	180	1,695,522	2.97
10,001 – 100,000	366	14,494,928	25.34
100,001 shares and over	100	40,702,074	71.14
	748	57,209,625	100.00

(b) There are 116 shareholders with less than a marketable parcel of ordinary shares.

(c) There is one substantial shareholder in the Company's Register of Substantial Shareholders as at 29 September 2005, being National Nominees, who holds 5.676% of the ordinary shares on issue.

2. Twenty Largest Shareholders

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

Name	No. of Shares held	Percentage of Shares held
1. National Nominees Limited	3,247,360	5.676
2. Diazill Pty Limited <P B Superannuation Fund A/C>	2,612,754	4.567
3. G E Reveleigh & Co Pty Ltd <The Reveleigh S/F A/C>	2,446,450	4.276
4. Forty Traders Limited	1,772,727	3.090
5. Leet Investments Pty Limited	1,646,090	2.877
6. G E Reveleigh & Co Pty Ltd <The Arfamo A/C>	1,515,000	2.648
7. Alcardo Investments Limited <Styled 102501 A/C>	1,000,000	1.748
8. Mr Nigel Kirwan <The GNPK Family A/C>	805,000	1.407
9. Mr Eduardo Siao	770,000	1.346
10. Mega-Min Resources NL <Mega-Min A/C>	700,000	1.224
11. Alan Thomas McDonald & Wendy Margaret McDonald	660,667	1.155
12. WHI Securities Pty Ltd <Crown Credit Corporation A/C>	617,558	1.079
13. ANZ Nominees Limited <Cash Income A/C>	608,500	1.064
14. Unlimited Pty Limited	599,939	1.049
15. HSBC Custody Nominees (Australia) Limited	568,000	0.993
16. Forbar Custodians Limited <Forsyth Barr Ltd-Nominee A/C>	547,000	0.956
17. Philip Francis Bruce	527,403	0.922
18. Daletech Pty Ltd <The Pitt Street A/C>	524,531	0.917
19. NEFCO Nominees Pty Ltd	500,000	0.874
20. Mr Barry Webb	500,000	0.874
Total	22,168,979	38.730

3. Voting Rights

At a general meeting of shareholders:

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

Optionholder Information

The optionholder information set out below was applicable as at 29 September 2005.

1. Distribution of Optionholders

Category of holding	Number	No. of Options	Percentage
1 – 1,000	—	—	—
1,001 – 5,000	—	—	—
5,001 – 10,000	—	—	—
10,001 – 100,000	31	1,577,500	11.73
100,001 shares and over	26	11,872,500	88.27
	57	13,450,000	100.00

2. Unlisted Options

Included in the options noted above are the following unlisted options issued to employees:

Expiry Date	Exercise Price	No. of Holders	No. of Options
30 August 2006	20 cents	5	950,000

3. Twenty Largest Optionholders

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

Name	No. of Options held	Percentage of Options held
1. Forbar Custodians Limited <Forsyth Barr LTD-Nominee A/C>	1,000,000	13.333
2. National Nominees Limited	500,000	6.667
3. Leet Investments Pty Ltd	500,000	6.667
4. Westglade (Pty) Ltd	400,000	5.333
5. National Nominees Limited	400,000	5.333
6. Artos Investments Ltd	375,000	5.000
7. National Nominees Limited	312,500	4.167
8. HSBC Custody Nominees (Australia) Limited	260,000	3.467
9. Mega-Min Resources NL <Mega-Min A/C>	250,000	3.333
10. Redbrook Nominees Pty Ltd	250,000	3.333
11. Mr Barry Webb	250,000	3.333
12. WHI Securities Pty Ltd <Crown Credit A/C>	250,000	3.333
13. Yelrif Investments Pty Limited	150,000	2.000
14. Rocklea Estate Pty Limited <Farrow Super Fund Account>	150,000	2.000
15. Ms Ana Maria Saul <Ana Saul Super Fund A/C>	150,000	2.000
16. Super 1136 Pty Ltd	150,000	2.000
17. Alcardo Investments Limited	150,000	2.000
18. MPS Nominees Pty Ltd	150,000	2.000
19. Tizoka Securities Pty Ltd	150,000	2.000
20. Jayare Nominees Pty Ltd <Jasat Super Fund A/C>	125,000	1.667
Total	5,922,500	78.967

Hill End Mining Tenements

Tenement	Grant/ Application Date	Expiry Date	Status Exception	Area Restriction	Surface	Depth	Notes
Exploration Licence No 5868 (1992)	18 Jun 2001	17 Jun 2005	Current	113 units	Part	Nil	1. Hill End Historic Site excluded, Exploration Licence applies below historic site 2. Deed of Transfer from Nugget Resources Inc to Nugget Resources Australia Pty Ltd dated 26 June 2001.
Exploration Licence Application ELA 2551	13 Jul 2005		Application	48 blocks			
Gold Lease No 5846 (1906)	15 Feb 1968	7 Dec 2019	Current	2.044 hectares	Nil	Nil	1. Agreement between Big Nugget Partnership and Silver Orchid Pty Ltd dated 25 June 1993 2. Deed of Transfer from Nugget Resources Inc to Nugget Resources Australia Pty Ltd dated 26 June 2001
Mining Lease No 49 (1973)	30 Jul 1975	7 Dec 2019	Current	1.618 hectares	Nil	Nil	
Mining Lease No 50 (1973)	30 Jul 1975	7 Dec 2019	Current	3.02 hectares	Nil	Nil	
Mining Lease No 315 (1973)	8 Dec 1976	7 Dec 2019	Current	6.671 hectares	Nil	Nil	
Mining Lease No 316 (1973)	8 Dec 1976	7 Dec 2019	Current	8.846 hectares	Nil	Nil	
Mining Lease No 317 (1973)	8 Dec 1976	7 Dec 2019	Current	7 hectares	Nil	Nil	
Mining Lease No 913 (1973)	20 Jan 1981	19 Jan 2023	Current	22 hectares	Nil	Nil	
Mining Lease No 914 (1973)	20 Jan 1981	19 Jan 2023	Current	21.69 hectares	Nil	Nil	
Mining Lease No 915 (1973)	4 Feb 1981	3 Feb 2023	Current	13.27 hectares	Nil	Nil	
Mining Lease No 1116 (1973)	28 Mar 1984	27 Mar 2005	Current	15.71 hectares	Nil	Nil	
Mining Lease No 1541 (1992)	17 Oct 2003	16 Oct 2024	Current	279 hectares	Nil	Nil	

Hill End Gold Limited

PO Box 92, Earlville, QLD 4870

Telephone: +61 7 4033 1805