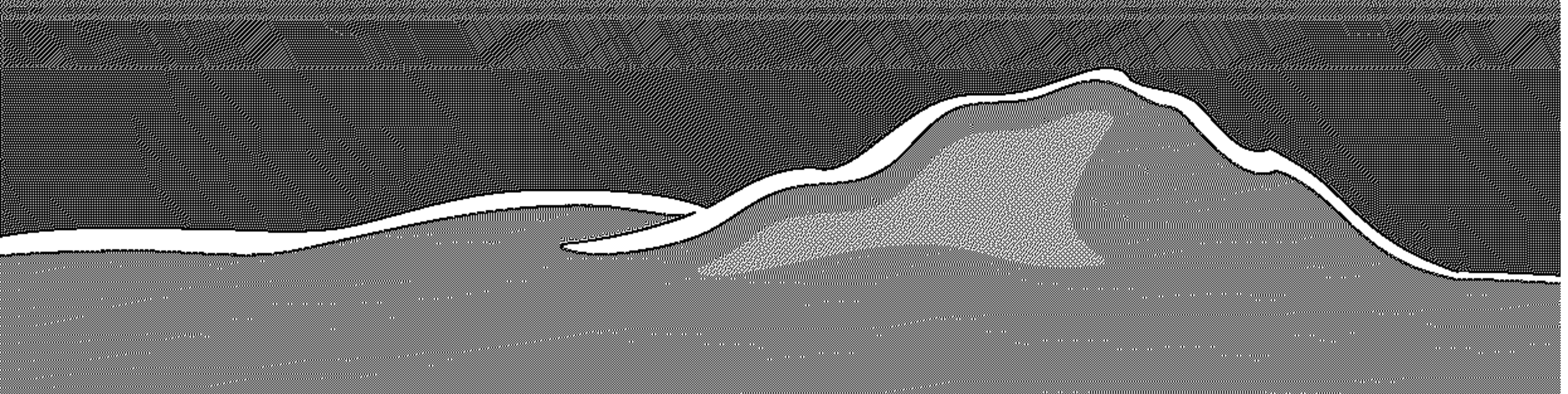
HILL END GOLD LIMITED

ACN 072 692 365



# 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

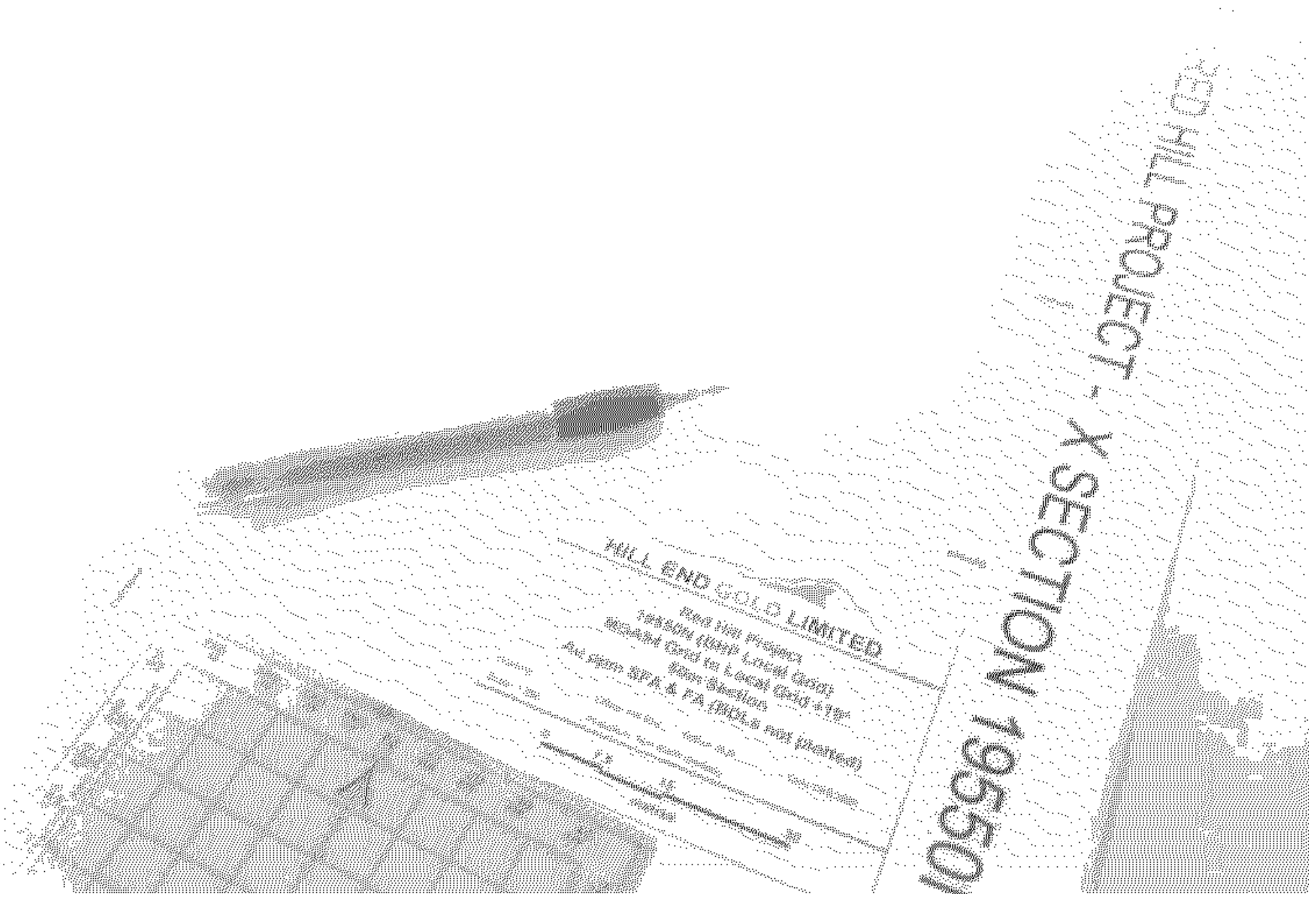
### Field Office
Bowen Street
Hill End NSW 2850
*Telephone:* +61 2 6337 8343
*Facsimile:* + 61 2 6337 8345

### 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

# Contents





# 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.

AlPaton

**Alf Paton**
*Chairman*

# Managing Director's Review

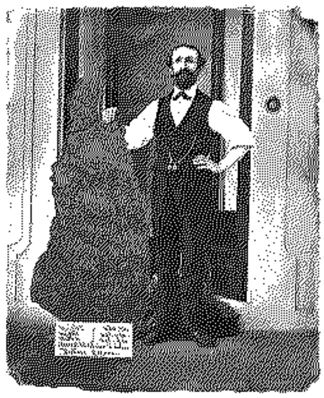
## Overview

- 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



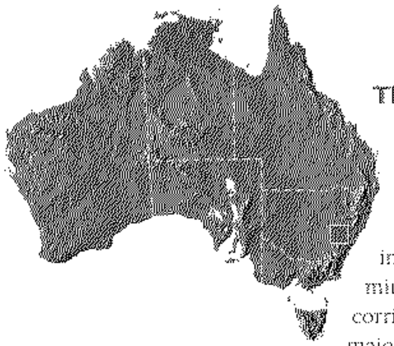
Hill End Gold Limited is a gold exploration and development company which listed on the ASX in July 2003.

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

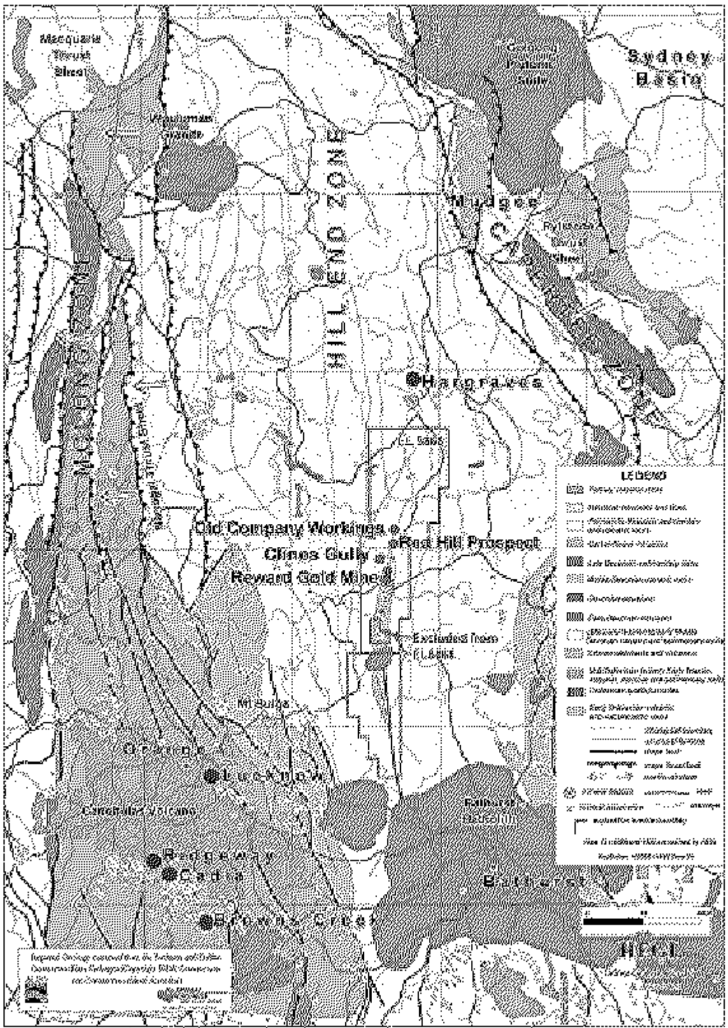


## The Hill End Project

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.

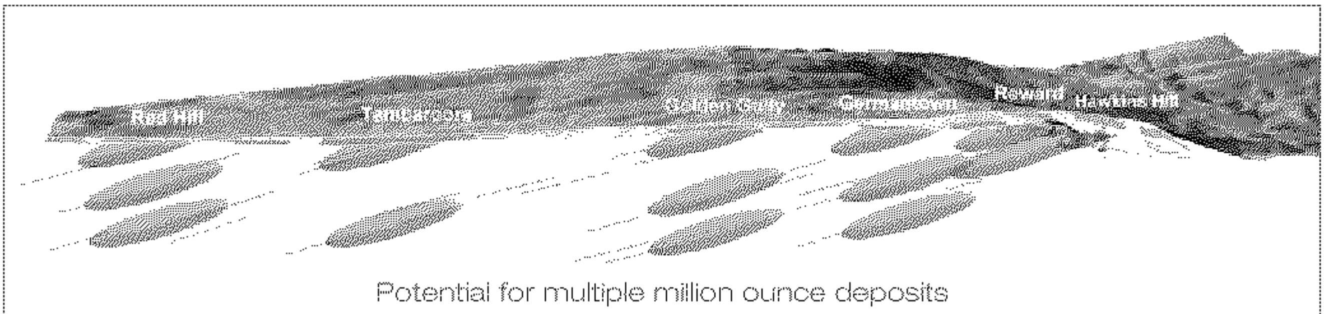
*A new understanding of the controls of the high grade gold mineralisation and recent mapping have targeted areas for immediate drilling.*




## Outlook for 2005/2006:

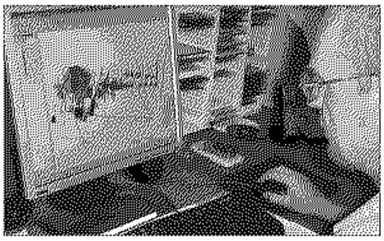
- Outline of the high grade gold deposit in the Reward area by drilling along strike and down dip of the existing intersections;
- The target scope for the Reward area is 500,000-1,000,000 tonnes at an average grade between 10 and 20g/tAu;
- Drilling beneath the surface workings along the Hill End Anticline, 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.*




Ten kilometre long section through Hill End

## 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.

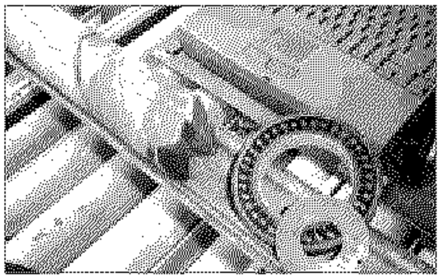
Twelve reverse circulation holes were completed on the Reward area during the year, totalling 931.4 metres with five holes continued on with HQ3 diamond tails for a further 502.7 metres drilled.

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 Emmet'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.

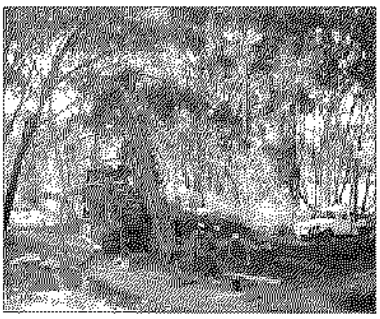
Surface mapping and drilling have also identified extensive zones of shallow oxide gold mineralisation along the structural corridors, particularly to the north of Hill End, where deep weathering to a depth of 70 metres and gently undulating topography is ideal for open pit development. Reverse circulation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

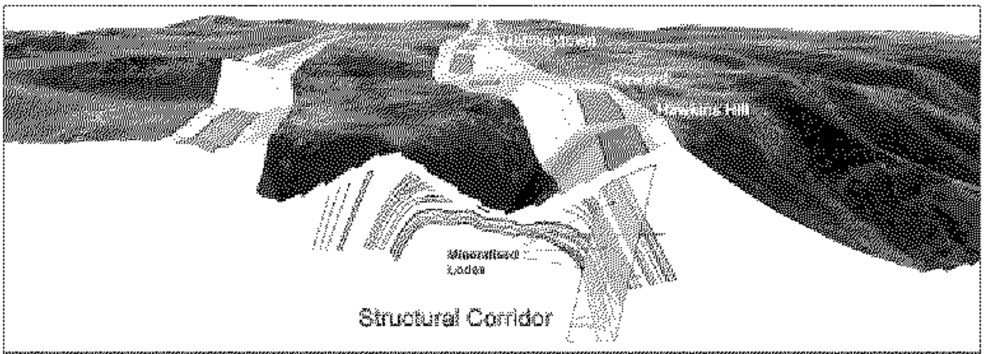
### Exploration

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.




Hill End anticline – cross section

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 White's 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/m3 |

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.

## 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, MIE, MAusIMM, FAICD
*Chairman* (non executive), Appointed 10 October 2001

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

***Other listed company directorships held during the past 3 years:***

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

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

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

***Other listed company directorships held during the past 3 years:***

Latrobe Magnesium Limited

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

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

***Other listed company directorships held during 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 Fifield, NSW. In 1981, Mr Sloan acquired a steel fabrication business, which he operated for 3 years after which he established the computer company, Magnasoft Pty Ltd.

***Other listed company directorships held during 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 financal 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 $ |
|---|---|---|
| *Audit services:* | | |
| Remuneration for audit and review of financial reports under the Corporations Act 2001 | 13,520 | 8,278 |
| *Other assurance services:* | | |
| 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.

**William Buck**
*Chartered Accountants*

**D W Langdon**
*Partner*

# Statement of Financial Performance

For the year ended 30 June 2005

| | Notes | 2005 $ | 2004 $ |
|---|---|---|---|
| Revenues from ordinary activities | 2 | 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** | 3 | **(619,482)** | **(427,563)** |
| Income tax expense | 4 | – | – |
| **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** | 13 | **(619,482)** | **(427,563)** |
| | | **Cents** | **Cents** |
| Basic earnings per share | 21 | (0.01) | (0.01) |
| Diluted earnings per share | 21 | (0.01) | (0.01) |

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

# Statement of Financial Position

As at 30 June 2005

| | Notes | 2005 $ | 2004 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash assets | 5 | 323,680 | 1,014,887 |
| Receivables | 6 | 17,185 | 55,265 |
| **Total Current Assets** | | **340,865** | **1,070,152** |
| **Non-Current Assets** | | | |
| Other financial assets | 7 | 213,036 | 200,000 |
| Deferred Exploration & Development | 8 | 4,652,120 | 3,456,315 |
| Property Plant & Equipment | 9 | 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 | 10 | 121,431 | 415,992 |
| Provision | 11 | 11,538 | – |
| **Total Current Liabilities** | | **132,969** | **415,992** |
| **Non Current Liabilities** | | | |
| Payables | 10 | 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 | 12 | 7,049,320 | 6,099,320 |
| Accumulated losses | 13 | (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

| | Notes | 2005 $ | 2004 $ |
|---|---|---|---|
| **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 | 18 | (635,947) | (206,554) |
| **Cash Flows From Investing Activities** | | | |
| Exploration Bonds | | (13,036) | (159,000) |
| Property Plant & Equipment | | (47,351) | (565,781) |
| 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** | 5 | **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. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

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

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

### (a) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development 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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage.

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

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

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

### (b) 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.

### (c) Cash

For the purposes of the statement of cash flows, cash 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.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**(d) Net fair value**

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

**(e) Revenue**

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

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

**(f) Income Tax**

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit or loss (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates, which are expected to apply when those timing differences reverse.

**(g) 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.

**(h) Property, Plant and Equipment**

Property, plant and equipment is depreciated so as to write off the cost of each asset over its expected economic life. The carrying amount is reviewed annually and based on net cash flows. Additions during the year are depreciated on a pro-rata basis from the date of acquisition.

The depreciation rates used are as follows:

| | |
|---|---|
| Plant and equipment | 20-25% straight line |
| Office furniture and equipment | 25-33_% straight line |
| Motor vehicles | 33_% straight line |

**(i) Employee Entitlements**

*Wages, salaries and annual leave*

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(j) 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.

**(k) Comparative Figures**

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

**(l) 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 company'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 company'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 company'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.

| | 2005 $ | 2004 $ |
|---|---|---|

## 2. REVENUE

| | 2005 $ | 2004 $ |
|---|---|---|
| **Revenue from outside the operating activities** | | |
| Interest received | **36,182** | **111,949** |

## 3. OPERATING LOSS FROM ORDINARY ACTIVITIES

| | 2005 $ | 2004 $ |
|---|---|---|
| **The operating loss from ordinary activities before income tax is arrived at after charging:** | | |
| - 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 Expenses Written Off | 26,267 | - |
| - Other expenses from ordinary activities | 47,147 | 3,833 |

## 4. INCOME TAX

### (a) Income Tax Expense

The prima facie tax calculated on the operating loss from ordinary activities before income tax is reconciled to income tax as follows:

| | 2005 $ | 2004 $ |
|---|---|---|
| Operating loss before income tax | **(619,481)** | **(427,563)** |
| Prima facie income tax benefit at 30% on operating loss | 185,844 | 128,269 |
| Add tax effect of: | | |
| Income tax losses not recognised as a benefit | (233,719) | (150,402) |
| Timing differences | 47,875 | 22,133 |
| Income tax attributable to operating loss | - | - |

### (b) Deferred Tax Assets Not Recognised

| | 2005 $ | 2004 $ |
|---|---|---|
| Income tax loss carried forward | 527,994 | 294,276 |
| Timing differences | 58,410 | 96,011 |
| | **586,404** | **390,287** |

## 4. INCOME TAX (Continued)

The benefit for the above tax losses will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

| | 2005 $ | 2004 $ |
|---|---|---|
| **5. CASH ASSETS** | | |
| Cash at bank and on hand | **323,680** | **1,014,888** |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows: | | |
| Cash assets | **323,680** | **1,014,888** |
| **6. RECEIVABLES** | | |
| Other Debtors | 17,185 | 89,508 |
| Provision for Doubtful Debts | - | (34,243) |
| | **17,185** | **55,265** |
| **7. OTHER FINANCIAL ASSETS** | | |
| **Non-Current** | | |
| Performance guarantee bonds | **213,036** | **200,000** |
| **8. OTHER** | | |
| **Non-Current** | | |
| Exploration expenditure | | |
| Costs carried forward in respect of areas of interest in: | | |
| Exploration and evaluation phase | | |
| Opening balance | 3,456,315 | 1,523,899 |
| Expenditure in the period | 1,222,072 | 1,932,416 |
| Expenditure written off | (26,267) | - |
| | **4,652,120** | **3,456,315** |

| | 2005 $ | 2004 $ |
|---|---|---|

## 9. PROPERTY, PLANT AND EQUIPMENT

| | 2005 $ | 2004 $ |
|---|---|---|
| Plant and equipment - at cost | 473,680 | 426,329 |
| Less: Accumulated depreciation | (96,630) | (67,600) |
| | 377,050 | 358,729 |
| Motor vehicles - at cost | 139,452 | 139,452 |
| Less: Accumulated depreciation | (39,474) | (10,294) |
| | 99,978 | 129,158 |
| | **477,028** | **487,887** |

**Reconciliation**

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

| | Plant & Equipment $ | Motor Vehicles $ | Total $ |
|---|---|---|---|
| Carrying value at start of year | 358,729 | 129,158 | 487,887 |
| Additions | 47,351 | - | 47,351 |
| Disposals | - | - | - |
| Depreciation | (29,030) | (29,180) | (58,210) |
| Carrying value at end of year | **377,050** | **99,978** | **477,028** |

## 10. PAYABLES

| | 2005 $ | 2004 $ |
|---|---|---|
| **Current** | | |
| Trade creditors and accruals | **121,431** | **415,992** |
| **Non Current** | | |
| Accruals | 144,000 | - |
| Unissued Capital | 277,200 | - |
| | **421,200** | **-** |

## 11. PROVISIONS

| | 2005 $ | 2004 $ |
|---|---|---|
| Employee Entitlements | **11,538** | **-** |
| **Number of Employees at year end** | **5** | **5** |

## 12. CONTRIBUTED EQUITY

### (a) Issued and paid up capital

| | 2005 $ | 2004 $ |
|---|---|---|
| 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)

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.

### (b) Share Options

During the financial year the company issued a total of:

- 5,000,000 options as part of a placement in December 2004. These options are exercisable at 15 cents per share on or before 30 May 2007.
- 5,000,000 options to the Managing Director which was approved at a meeting of Shareholders 25 November 2004. 3,000,000 of the options are exercisable at 30 cents per share and 2,000,000 at 40 cents per share and expire 30 November 2009.

There are also on issue 950,000 employee options. Under the terms of the Employee Option Plan, the exercise price for an Option is 20 cents per Share. In accordance with clause 5(c) of the option plan, and upon the expiration of the non-exercise period, the Option Holder has the choice of paying the full exercise price 20 cents per Share or, alternatively, paying 1 cent of the issue price per share in which case the Option Holder shall be entitled to be issued partly paid Shares, which will be converted to fully paid Shares when the balance of 19 cents per share is paid.

| **Movements in options** | 2005 Number | 2004 Number |
|---|---|---|
| Balance at the beginning of the financial year | 10,465,728 | 950,000 |
| Issue of options | 10,000,000 | 9,515,728 |
| Balance at the end of the financial year | **20,465,728** | **10,465,728** |

## 13. ACCUMULATED LOSSES

| | 2005 $ | 2004 $ |
|---|---|---|
| Opening balance | 1,300,958 | 873,395 |
| Net loss for year | 619,482 | 427,563 |
| Closing balance | **1,920,440** | **1,300,958** |

## 14. AUDITOR'S REMUNERATION

| | 2005 $ | 2004 $ |
|---|---|---|
| Remuneration for audit or review of the financial reports of the company: | | |
| Current auditors of the company: | | |
| Audit and review of the financial statements | 13,520 | 8,278 |
| Other services | 5,000 | - |
| | **18,520** | **8,278** |

## 15. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

| | |
|---|---|
| **Directors** | |
| A Paton | Chairman – Non-Executive |
| P Bruce | Managing Director |
| G Reveleigh | Director – Executive |
| I Sloan | Director – Non-Executive |
| B Thomas | Director – Non-Executive |
| **Specified Executives** | |
| K Lynn | Chief Financial Officer and Company Secretary |

### (b) Relevant Interests in Options and Ordinary Shares at the Date of this Report

| Employee Options | Balance 1 July 2004 | Granted as Remuneration | Options Exercised | Net Change Other | Balance 30 June 2005 |
|---|---|---|---|---|---|
| **Specified Directors** | | | | | |
| A Paton | 250,000 | - | - | - | 250,000 |
| G Reveleigh | 200,000 | - | - | - | 200,000 |
| P Bruce | 200,000 | 5,000,000 | - | - | 5,200,000 |
| B Thomas | - | - | - | - | - |
| I Sloan | 200,000 | - | - | - | 200,000 |
| **Specified Executives** | | | | | |
| K M Lynn | 100,000 | - | - | - | 100,000 |
| **Total** | **950,000** | **5,000,000** | **-** | **-** | **5,950,000** |

| Listed Options | Balance 1 July 2004 | Granted as Remuneration | Options Exercised | Net Change Other | Balance 30 June 2005 |
|---|---|---|---|---|---|
| **Specified Directors** | | | | | |
| A Paton | 100,000 | - | - | 300,000 | 400,000 |
| G Reveleigh | 1,127,500 | - | - | 40,000 | 1,167,500 |
| P Bruce | 1,138,702 | - | - | - | 1,138,702 |
| B Thomas | - | | | 615,000 | 615,000 |
| I Sloan | 230,000 | - | - | - | 230,000 |
| **Specified Executives** | | | | | |
| K M Lynn | - | - | - | - | - |
| **Total** | **2,596,202** | **-** | **-** | **955,000** | **3,551,202** |

| Ordinary Shares | Balance 1 July 2004 | Granted as Remuneration | Options Exercised | Net Change Other | Balance 30 June 2005 |
|---|---|---|---|---|---|
| **Specified Directors** | | | | | |
| A Paton | 200,000 | - | - | 192,728 | 392,728 |
| G Reveleigh | 3,858,722 | - | - | 102,728 | 3,961,450 |
| P Bruce | 2,490,736 | - | - | 1,107,814 | 3,598,550 |
| B Thomas | - | | | 1,827,990 | 1,827,990 |
| I Sloan | 800,955 | - | - | 120,718 | 921,673 |
| **Specified Executives** | | | | | |
| K M Lynn | - | - | - | - | - |
| **Total** | **7,350,413** | **-** | **-** | **3,351,978** | **10,702,391** |

## 15. REMUNERATION OF DIRECTORS AND EXECUTIVES (Continued)

### (c) Directors' and Specified Executives Emoluments

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

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

### (d) Emolument Of Directors

| | Salary Fees & Commissions | Superannuation | Options | Total |
|---|---|---|---|---|
| **2005** | **$** | **$** | **$** | **$** |
| A. L. Paton | 25,000 | - | - | 25,000 |
| P.F. Bruce | 183,486 | 15,514 | 4,000 | 204,000 |
| I. N. S. Sloan | 15,000 | 1,350 | - | 16,350 |
| B. G. Thomas | 5,000 | 450 | - | 5,450 |
| G.C. Reveleigh | 70,000 | 6,300 | - | 76,300 |

### (e) Emoluments of the Specified Executives

| | Salary Fees & Commissions | Superannuation | Total |
|---|---|---|---|
| **2005** | **$** | **$** | **$** |
| K. M. Lynn | 36,000 | - | 36,000 |

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

There were no shares or options issued as remuneration to specified executives during the financial year ended June 2005.

## 16. RELATED PARTY TRANSACTIONS

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

***Directors***

**Other Transactions with Director Related Entities**

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

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| G C Reveleigh | 56,494 | 249,749 |
| I N S Sloan | 13,592 | 15,575 |

All transactions were on normal commercial terms.

## 17. SEGMENT INFORMATION

**Business Segments**

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

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| **18. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Operating loss after income tax | (619,481) | (427,563) |
| Doubtful Debts | - | 34,234 |
| Depreciation | 58,210 | 77,894 |
| Exploration Expenditure written off | 26,267 | - |
| Decrease in Receivables | 38,080 | (63,777) |
| (Decrease) in Payables | (150,561) | 172,658 |
| Increase in Provisions | 11,538 | - |
| **Net cash outflows from operating activities** | **(635,947)** | **(206,554)** |

## 19. COMMITMENTS FOR EXPENDITURE

**Operating Leases**

| | | |
|---|---|---|
| Total operating lease expenditure contracted for at balance date but not provided for in the financial statements: | | |
| Due within one year | 300,000 | 200,000 |
| Due beyond one year and within five years | - | - |
| | **300,000** | **200,000** |

## 20. FINANCIAL INSTRUMENT DISCLOSURES

(a) *Interest Rate Risk*

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

| | Weighted Average Effective Interest Rate | Floating Interest Rate | Fixed Interest Rate Maturing | | Non-interest Bearing | Total |
|---|---|---|---|---|---|---|
| | | | Within 1 year | Over 1 year | | |
| | % | $ | $ | $ | $ | $ |
| **2005** | | | | | | |
| **FINANCIAL ASSETS** | | | | | | |
| Cash assets | 4.5 | - | 323,680 | - | - | 323,680 |
| Performance guarantee bonds | 4.5 | - | - | 213,036 | - | 213,036 |
| Other financial assets | - | - | - | - | 17,185 | 17,185 |
| | | - | 323,680 | 213,036 | 17,185 | 553,901 |
| **FINANCIAL LIABILITIES** | | | | | | |
| Payables | - | - | - | - | (554,169) | (554,169) |
| **NET FINANCIAL ASSETS (LIABILITIES)** | | **-** | **323,680** | **213,036** | **(536,984)** | **(268)** |
| **2004** | | | | | | |
| **FINANCIAL ASSETS** | | | | | | |
| Cash assets | 4.5 | - | 1,014,887 | - | - | 1,014,887 |
| Performance guarantee bonds | 4.5 | - | - | 200,000 | - | 200,000 |
| Other financial assets | - | - | - | - | 55,265 | 55,265 |
| | | - | 1,014,887 | 200,000 | 55,265 | 1,270,152 |
| **FINANCIAL LIABILITIES** | | | | | | |
| Payables | - | - | - | - | (415,992) | (415,992) |
| **NET FINANCIAL ASSETS (LIABILITIES)** | | **-** | **1,014,887** | **200,000** | **(360,727)** | **854,160** |

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

| | 2005 | 2004 |
|---|---|---|
| | $ | $ |
| Net financial assets per above | (268) | 854,160 |
| Property Plant & Equipment | 477,028 | 487,887 |
| Deferred Exploration & Development | 4,652,120 | 3,456,315 |
| Net assets per statement of financial position | 5,128,880 | 4,798,362 |

**20. FINANCIAL INSTRUMENT DISCLOSURES** (continued)

(c) *Credit Risk*

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

(d) *Net Fair Values*

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

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

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

| | **2005 Cents** | **2004 Cents** |
|---|---|---|
| **21. 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 basic 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 | **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 | **(619,481)** | **(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 12.

# Directors' Declaration

The directors declare that:

(a) in the directors' opinion, the financial statements and notes set out on pages 17 to 31:

(i) are in accordance with the Corporations Act 2001;

(ii) comply with Accounting Standards and other mandatory professional reporting requirements; and

(iii) give a true and fair view of the company's financial position as at 30 June 2005 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(b) in the directors' 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; and

(c) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors at Sydney, 29 September 2005

**A Paton**
**Chairman**

**Philip Bruce**
**Managing Director**

# Independent Audit Report

To the Members of Hill End Gold Limited:

**Scope**

We have audited the financial report of Hill End Gold Limited for the financial year ended 30 June 2005 as set out on pages 17 to 32. The company's directors are responsible for the financial report, which includes the consolidated financial statements of the Company comprising the company and the entities it controlled at the year's end or during the financial year. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether or not the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether or not, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of their operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

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

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and Company's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

**WILLIAM BUCK**
**Chartered Accountants**

**D W LANGDON**
**Partner**

**Brisbane**
**29 September 2005**

# Corporate Governance Statement

## BOARD OF DIRECTORS

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

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

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

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

## COMMITTEES OF THE BOARD

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

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

All committees operate principally in a review or advisory capacity.

## PRINCIPAL FUNCTIONS OF BOARD COMMITTEES

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

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

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

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

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

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

## BUSINESS RISKS

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

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

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

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

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

## ANNUAL REVIEW

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

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

## ETHICAL STANDARDS

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

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

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

## THE BOARD OF DIRECTORS

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

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

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

| 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).<br>The Company considers the expense of sourcing additional directors at this stage of its development is unwarranted.<br>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.<br>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 | 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. |
| 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 | A | The positions of Chairman and Managing Director are held by separate persons. |
| 2.4 | The board should establish a nomination committee | 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. |
| 2.5 | Provide the information indicated in Guide to reporting on Principle 2 | 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: | A | The Company has formulated a Code of Conduct which can be viewed on the Company's website. |
| 3.1.1 | the practices necessary to maintain confidence in the Company's integrity | A | Complies |
| 3.1.2 | the responsibility and accountability of individuals for reporting or investigating reports of unethical practices | A | Complies |
| 3.2 | Disclose the policy concerning trading in Company securities by directors, officers and employees | A | The Company has formulated a securities trading policy which can be viewed on its website. |
| 3.3 | Provide the information indicated in Guide to Reporting on Principle 3 | 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 |

# Corporate Governance Statement - continued

| 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** | | |
| 7.1 | | The board or appropriate board committee should establish policies on risk oversight and management | N/A | While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors. |
| 7.2 | | The chief executive officer (or equivalent) and the chief financial officer for equivalent) should state to the Board in writing that: | A | Determined areas of risk which are regularly considered include<br>• performance and funding of exploration activities<br>• budget control and asset protection<br>• status of mineral tenements<br>• land access and native title considerations<br>• compliance with government laws and regulations<br>• safety and the environment<br>• continuous disclosure obligations |
| | 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 polices adopted by the Board | | |
| | 7.2.2 | the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects | | |
| 7.3 | | Provide information indicated in Guide to N/A Reporting on Principle 7 | | N/A |
| **Principle 8:** | | **Encourage enhanced Performance** | | |
| 8.1 | | Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives | A | The Company has a sub committee of the Board to consider remuneration matters. The remuneration of executive and non executive directors is reviewed by the Committee with the exclusion of the director concerned. The remuneration of management and employees is reviewed by the Board and approved by the Board. |

| ASX Principle | | Status | Reference/Comment |
|---|---|---|---|
| | | | Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the Company's securities. Whenever relevant, any such matters are reported to ASX. |
| **Principle 9:** | **Remunerate fairly and responsibly** | | |
| 9.1 | Provide disclosure in relation to the Company's remuneration policies and benefits to these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance. | N/A | The Company discloses remuneration related information in its Annual Report to shareholders in accordance with the Corporations Act 2001.<br>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.<br>The Board continues to review existing procedures over time to ensure adequate processes are in place.<br>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 | 3.099 |
| 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** | **38.750** |

## 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 |

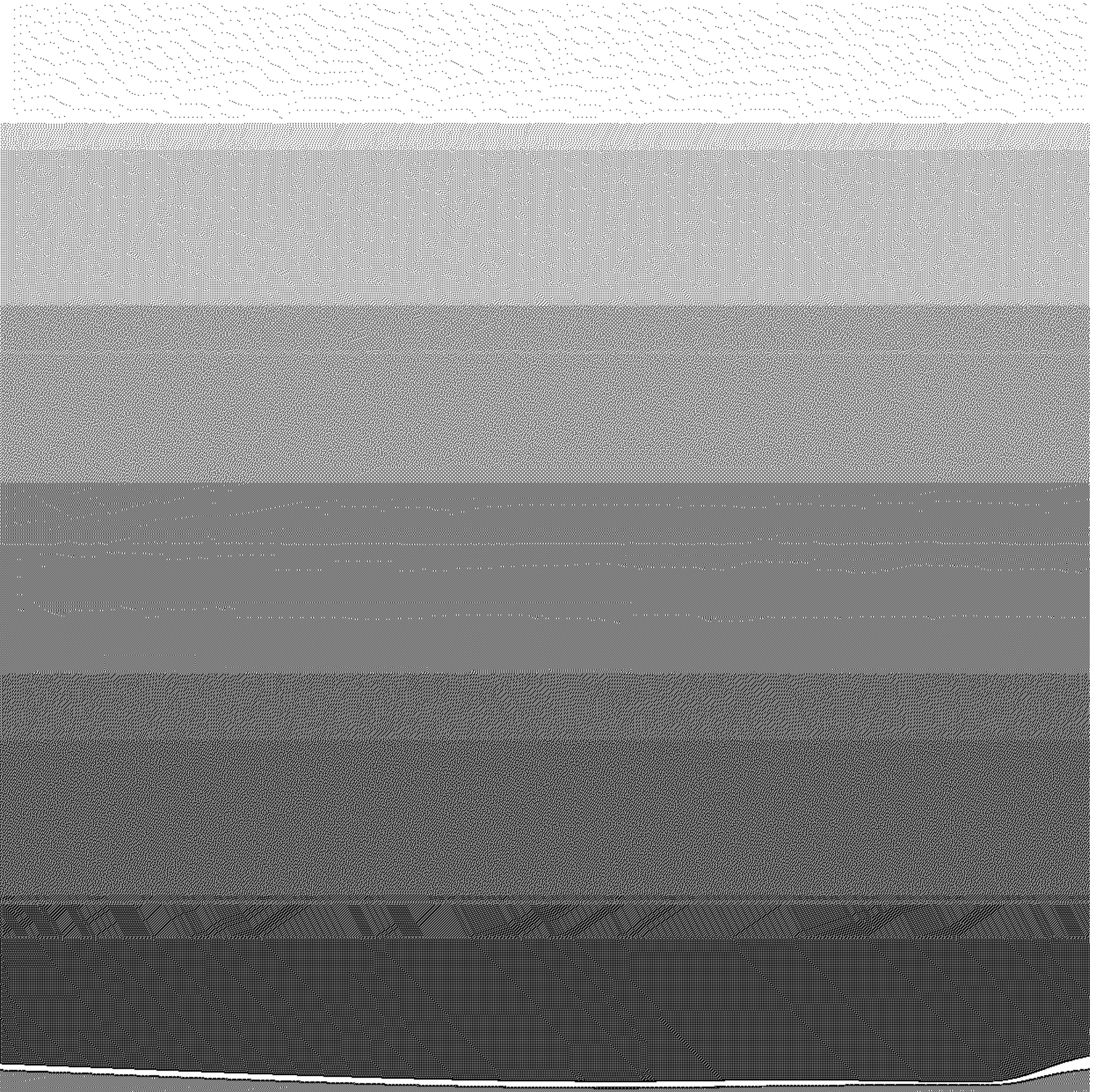
## 3. Twenty Largest Optionholders

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. Tizoku 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<br>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 | |
| 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 | 1. Agreement between Big Nugget Partnership and Silver Orchid Pty Ltd dated 25 June 1993<br>2. Deed of Transfer from Nugget Resources Inc to Nugget Resources Australia Pty Ltd dated 26 June 2001 |
| 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