

HILL END GOLD LIMITED

ACN 072 692 365

STATUTORY REPORT

30 JUNE 2008

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HILL END GOLD LIMITED DIRECTORS' REPORT

The Directors present their report on the Company for the year ended 30 June 2008.

Directors

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

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

Principal Activities

The principal activities of the Company during the financial year were the continued exploration in the Hill End Project area, development of high grade resources at Reward, surface exploration on the Company's exploration licences surrounding Hill End and acquisition of additional significant projects.

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

Results

The Company incurred a pre-tax operating loss of \$6,287,504 (2007: loss \$469,227).

Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year (2007 – nil).

Review of Operations

During the year the Company continued exploration on the exploration licences surrounding Hill End and Hargraves and underground development of the Reward Gold Mine in the Hill End Project area.

In line with the Company's strategy of spreading project risk and diversifying its asset base, many Australian and overseas acquisition opportunities were evaluated. In particular, the Hargraves Project which is along strike from Hill End approximately 35 kilometres to the north, was acquired for \$300,000 and 6 million Hill End Gold shares and 2 million listed options exercisable at \$0.15 and expiring 12 September 2008, in three tranches on development milestones. The Hargraves Project adds significant value to the Company's tenement holdings in the Hill End area.

During the year a further \$4,669,622 was raised primarily through the exercise of options.

The capital structure of the Company is currently:

- 282,089,564 fully paid ordinary shares (HEG);
- 78,212,826 listed options (HEGO) exercisable at 15c by 12 September 2008,
- 54,224,158 Listed options (HEGB) exercisable at 25c by 12 September 2009.
- 12,505,000 Unlisted director and employee options with various exercise prices and expiry dates.

Substantial progress has been made during the year with the development of the Reward Gold Mine to the south of the town of Hill End. Initial sampling of high grade material from the development was processed and the first gold pour took place on 11 April 2008. An increase in mining and plant processing has continued since that time and by the close of the year, the Reward Exhibition shaft raise boring was completed and steelwork fabrication was well underway.

The Reward Gold Mine development is targeting the initial resources outlined by surface drilling in 2007 of 124,400 tonnes at 19g/t gold, which are indicated to be conservative based on the development and processing results to date. Recent underground diamond drilling has further extended the known high grade gold mineralisation in the Hawkins Hill – Reward area beyond the current resource blocks.

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs in the Company during the year other than the exercise of options raising net funds of \$4,663,469, a placement of a small number of shares raising \$6,153.

Subsequent Events

There were no significant events after balance date other than the completion of a 1 for 5 entitlement issue of options for 3 cents each. These options are exercisable at 24 cents each at any time up to and including 30 September 2009.

Likely Developments and Results

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

Environmental Issues

The Hill End Project Area is located on mineral tenements issued by the Department of Primary Industry - Minerals and the Reward Project operates under an environmental licence issued by the Environmental Protection Authority.

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

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

Information on Directors

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

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

Other listed company directorships held during past 3 years:

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

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

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

Other listed company directorships held during past 3 years:

Latrobe Magnesium Limited

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

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

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

Other listed company directorships held during past 3 years:

Drillsearch Energy Limited	Circumpacific Energy Limited
Peninsula Resources Inc.	Gulf Mines Limited
Bounty Oil & Gas NL	

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

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

Other listed company directorships held during past 3 years:

Pegmont Mines Limited

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

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

Other listed company directorships held during past 3 years:

GRD Limited	Oceana Gold Limited
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***Ian Cunynghame Daymond BA LIB
Non Executive Director Appointed 5 September 2008***

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

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

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

He is also a non-executive director of International Base Metals Ltd and non-executive chairman of ASX listed Copper Range Ltd and ActivEX Ltd.

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

Other listed company directorships held during past 3 years:

El Dore Mining Corporation Limited

Company Secretary

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

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

Remuneration Report

Remuneration policy

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

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

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

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

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

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

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

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

Performance based remuneration

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

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

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	\$55,000 per annum
Executive Directors	\$50,000 per annum
Non-executive Directors	\$40,000 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 \$325,000 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.

Directors and key management remuneration

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

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

Year ended 30 June 2008	Salary Fees & Commissions	Superannuation	Options	Total
	\$	\$	\$	\$
A. L. Paton	62,500	-	15,500	78,000
P.F. Bruce	298,164	26,836	77,500	402,500
I. N. S. Sloan	52,500	4,425	15,500	72,425
B. G. Thomas	52,500	4,296	15,500	72,296
G.C. Reveleigh	50,000	4,500	15,500	70,000

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

Year ended 30 June 2007	Salary Fees & Commissions	Superannuation	Options	Total
2006	\$	\$	\$	\$
A. L. Paton	25,000	-	1,600	26,600
P.F. Bruce	183,486	16,514	1,600	201,600
I. N. S. Sloan	15,000	1,350	1,600	17,950
B. G. Thomas	15,000	1,350	1,600	17,950
G.C. Reveleigh	70,000	6,300	1,600	77,900

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

Year ended 30 June 2008	Salary Fees & Commissions	Superannuation	Options	Total
	\$	\$	\$	\$
K. M. Lynn	36,000	-	7,905	43,905
Year ended 30 June 2007	\$	\$		\$
K. M. Lynn	36,000	-	-	36,000

Options granted as part of remuneration

Non executive directors were granted 500,000 options to subscribe for ordinary shares at an exercise price of 20 cents and the Managing Director was granted 2,5000,000 options to subscribe for ordinary shares at 20 cents each. In the 2007 year Directors were granted 200,000 options to acquire ordinary shares at an exercise price of 20 cents per share. For details of directors and executives interests in options at year end, refer note 16 of the financial statements.

Performance Income as a proportion of total remuneration

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

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors during the year ended 30 June 2008 and the number of meetings attended by each Director.

	Board Meetings		Audit Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
G. C. Reveleigh	7	7	2	2	-	-
A. L. Paton	7	7	2	2	1	1
I. N. S. Sloan	7	6	-	-	1	1
B. G. Thomas	7	6	2	2	1	-
P. F. Bruce	7	7	-	-	-	-

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

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 8,755,000 options which included a grant of 6,755,000 options issued to directors and employees and 2,000,000 listed options expiring 12 September 2008 as part consideration for acquisition of the Hargraves tenement. Subsequent to the end of the financial year the Company completed a 1 for 5 entitlement issue of options exercisable at 25 cents each on or before 30 September 2009.

Total outstanding options at the date of this report

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

Listed Options	Exercisable at 15 cents on or before 12 September 2008	78,212,826
Listed Options	Exercisable at 25 cents on or before 12 September 2009	54,224,158
Employee Options	Exercisable at 20 cents on or before 22 November 2012	2,055,000
Director Options	Exercisable at 20 cents on or before 22 November 2012	4,650,000
Managing Director Options	Exercisable at various prices on or before 30 November 2009	5,000,000
Director Options	Exercisable at 20 cents on or before 1 December 2010	800,000
Total options on issue		<u>144,941,984</u>

Directors Share and Option Holding

Shares and options held by directors at the date of this report are as follows:

	Fully Paid Ordinary Shares	Options Exercisable by 12 September 2008	Options Exercisable by 12 September 2009	Director Options Exercisable by 1 December 2010	Director Options Exercisable by 22 November 2012	Managing Director Options Exercisable by 30 Nov 2009
A Paton	1,435,065	-	-	200,000	500,000	-
P Bruce	5,724,385	2,862,194	1,144,879	200,000	2,500,000	5,000,000
G Reveleigh	4,432,163	-	-	200,000	500,000	-
I N Sloan	1,011,673	236,266	131,522	200,000	500,000	-
B Thomas	5,915,265	1,307,633	-	-	500,000	-
I Daymond	-	-	-	-	150,000	-

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, WHK Horwath, on other assignments in addition to their statutory audit duties where the firm's expertise and experience with the Company are beneficial.

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

Non-audit services to be undertaken by the auditor are referred to the Chairman of the Audit Committee for approval where the fees are expected to exceed \$50,000.

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

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below. No non-audit services were provided.

	2007 \$	2007 \$
<i>Audit services:</i>		
Remuneration for audit and review of financial reports under the Corporations Act 2001	75,725	67,668
<i>Other assurance services:</i>		
Review of prospectuses issued during year	-	-
Total auditor's remuneration	<u>75,725</u>	<u>67,668</u>

Change of Auditor

During the year the Company's auditor William Buck (Qld) Pty Ltd merged with WHK Horwath. As a result the name of the Company's auditor is now WHK Horwath.

Directors and Officers Indemnification

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

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

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

The indemnity does not extend to any liability:

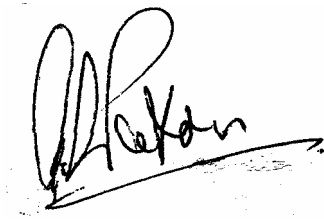
- to the Company or a related body corporate of the Company; or
- arising out of conduct of the directors or officers involving a lack of good faith; or
- which was incurred prior to 1 February 1996 and which is in respect of any negligence, default, breach of duty or breach of trust of which the directors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

HILL END GOLD LIMITED
DIRECTORS' REPORT
(continued)

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 12 and forms part of the Director's Report.

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

A handwritten signature in black ink, appearing to read 'Alfred Paton', with a long horizontal stroke extending to the right.

ALFRED PATON
Chairman

A handwritten signature in black ink, appearing to read 'Philip Bruce', with a long horizontal stroke extending to the right.

PHILIP BRUCE
Managing Director

12 September 2008

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

To the directors of Hill End Gold Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Hill End Gold Ltd for the year ended 30 June 2008 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.



WHK HORWATH



B P WORRALL
Principal

Brisbane, 8th September 2008

Liability limited by a scheme approved under Professional Standards Legislation.

Total Financial Solutions



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

Member Horwath International

WHK Horwath Pty Ltd ABN 84 006 466 351
Level 16, WHK Horwath Centre 120 Edward Street
Brisbane Queensland 4000 Australia
GPO Box 736 Brisbane Queensland 4001 Australia
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183
Email info.bri@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

HILL END GOLD LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
Sales		197,304	-
Interest		775,171	283,717
Total Revenue	2	972,475	283,717
Cost of Sales		(114,374)	-
Gross Profit		858,101	283,717
Other Income	2	-	485,114
Administration expenses	3	(1,657,356)	(884,403)
Depreciation expense	3	(107,831)	(61,638)
Other expenses	3	(5,380,418)	(292,017)
Profit/(loss) before income tax expense	3	(6,287,504)	(469,227)
Income tax expense	4	-	-
Net profit/(loss) for the year		(6,287,504)	(469,227)
		Cents	Cents
Basic loss per share	22	(2.6)	(0.4)
Diluted loss per share	22	(1.5)	(0.2)

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

HILL END GOLD LIMITED

BALANCE SHEET
AS AT 30 JUNE 2008

	Notes	2008 \$	2007 \$
Current Assets			
Cash and cash equivalents	5	6,450,141	17,515,819
Receivables	6	776,795	74,554
Total Current Assets		<u>7,226,936</u>	<u>17,590,373</u>
Non-Current Assets			
Other financial assets	7	328,506	218,220
Deferred exploration & development costs	8	21,101,767	9,203,431
Property Plant & Equipment	9	1,747,319	455,737
Total Non-Current Assets		<u>23,177,592</u>	<u>9,877,388</u>
Total Assets		<u>30,404,528</u>	<u>27,467,761</u>
Current Liabilities			
Payables	10	3,397,345	643,512
Provisions	11	75,790	50,211
Other		-	-
Total Current Liabilities		<u>3,473,135</u>	<u>693,723</u>
Non Current Liabilities			
Provisions	11	16,344	-
Other	12	94,701	-
Total Non Current Liabilities		<u>111,045</u>	<u>-</u>
Total Liabilities		<u>3,584,180</u>	<u>693,723</u>
Net Assets		<u>26,820,348</u>	<u>26,774,038</u>
Equity			
Contributed equity	13	35,393,795	29,863,872
Reserves	13	803,891	-
Accumulated losses	14	(9,377,338)	(3,089,834)
Total Equity		<u>26,820,348</u>	<u>26,774,038</u>

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

HILL END GOLD LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Ordinary Shares \$	Equity Reserve \$	Retained Earnings \$	Total \$
Balance at 30 June 2006		10,295,673	-	(2,620,607)	7,675,066
Loss attributable to members of the company	1(t)	-	-	(469,227)	(469,227)
Shares Issued during the year		19,568,199	-	-	19,568,199
Balance at 30 June 2007		29,863,872	-	(3,089,834)	26,774,038
Loss attributable to members of the company		-	-	(6,287,504)	(6,287,504)
Shares Issued during the year		5,529,923	-	-	5,529,923
Options issued during the year		-	803,891	-	803,891
Balance at 30 June 2008		35,393,795	803,891	(9,377,338)	26,820,348

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

HILL END GOLD LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
Cash Flows From Operating Activities			
Revenue			
Interest received		681,107	283,717
Research & Development claim		385,114	-
Payments to suppliers and employees		<u>(2,546,820)</u>	<u>(982,764)</u>
Net cash outflows from operating activities	20(b)	<u>(1,480,599)</u>	<u>(699,047)</u>
Cash Flows From Investing Activities			
Payments for exploration bonds		(110,286)	(15,287)
Purchases of property, plant & equipment		(1,399,413)	(96,596)
Payments for exploration expenditure		<u>(12,799,788)</u>	<u>(2,874,324)</u>
Net cash outflows from investing activities		<u>(14,309,487)</u>	<u>(2,986,207)</u>
Cash Flows From Financing Activities			
Proceeds from issue of options		54,486	-
Proceeds from the issue of shares		<u>4,669,922</u>	<u>19,568,199</u>
Net cash inflows from financing activities		<u>4,724,408</u>	<u>19,568,199</u>
Net (decrease)/increase in Cash Held		(11,065,678)	15,882,945
Cash at the Beginning of the Financial Year		<u>17,515,819</u>	<u>1,632,874</u>
Cash at the End of the Financial Year	20(a)	<u>6,450,141</u>	<u>17,515,819</u>

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

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

(b) Basis of Preparation

Statement of Compliance

The financial report of Hill End Gold Limited is a general purpose financial report prepared in accordance with Australian Accounting Standards (AASBs) including Australian Accounting Interpretations, adopted by the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations (UIG) and the Corporations Act 2001. International Financial Reporting Standards form the basis of Australian Accounting Standards adopted by the AASB.

Compliance with AIFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Hill End Gold Limited complies with International Financial Reporting Standards (IFRS).

The following standards, amendments to standards and interpretations have been identified as those which may impact the company in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Company's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Company only operates in one industry and one geographic segment. No changes to the presentation of segment information are expected from the application of this standard.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income" and makes changes to the statement of changes in equity. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense all borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Company's 30 June 2010 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Company has not yet determined the potential effect of the revised standard on future earnings.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(b) Basis of Preparation *continued*

- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

Reporting Basis and Conventions

The financial report is presented in Australian dollars.

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

- **Critical Accounting Estimates and Judgments**
The estimates and judgments incorporated into the financial report are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the group. The estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.
- **Key Estimates — Impairment**
The Company assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Rehabilitation

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

Exploration and evaluation costs

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required accounting estimates and judgments.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report was authorised for issue on 8 September 2008 by the board of directors.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(c) Exploration and Evaluation Expenditure

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

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

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

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

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

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

(d) Financial Instruments

Recognition and Initial Measurement

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

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

Derecognition

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

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Financial Instruments continued

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

(e) 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.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Cash

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

(g) Net fair value

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

(h) 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.

(i) Income Tax

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

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

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

(j) 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.

(k) Property, Plant and Equipment

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

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(k) Property, Plant and Equipment *continued*

The depreciation rates used are as follows:

Plant and equipment	20-25% straight line
Office furniture and equipment	25-33⅓% straight line
Motor vehicles	33⅓% straight line

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

(i) Impairment

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

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

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

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

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

(l) Employee Entitlements

Wages, salaries and annual leave

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

Long Service Leave

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

Equity-settled compensation

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

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(l) Employee Entitlements

Employee option plan

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

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

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

(m) Provisions

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

Rehabilitation

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

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

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

(n) Impairment

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

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

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Intangible Assets

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

(p) Issued Capital

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

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

(q) Goods and Services Tax (GST)

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

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

(r) 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.

(s) Comparative Figures

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

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(t) Prior Period Error

Correction of error in recording of revenue in the previous financial year

Due to improper recognition of research and development refund in the prior year, loss from ordinary activities after income tax expense was overstated by \$385,173. This error had the effect of understating deferred capitalised assets by \$385,173, overstating accumulated losses and understating total equity by \$385,173 as at 30 June 2007. The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

	2007 \$
Effect of change in correction of error	
Loss as reported in the 2007 financial report	(854,341)
Correction of error	1(h) 385,114
Restated loss	<u>(469,227)</u>

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted loss per share was an increment of \$0.02 cents per share.

2. REVENUE

Revenue from operating activities

	2008 \$	2007 \$
Gold sales	197,304	-
Interest received	775,171	283,717
Option fee	-	485,114
	<u>972,475</u>	<u>768,831</u>

3. OPERATING LOSS

The operating loss from operating activities:

- Advertising	(85,845)	(53,279)
- Payroll tax	(142,524)	-
- Share Registry	(48,196)	(38,152)
- Stock Exchange Fees	(32,989)	(71,513)
- Directors Emoluments	(776,410)	(405,134)
- Office Expenses	(53,226)	(71,766)
- Accounting & administration Fees	(81,442)	(42,009)
- Corporate Travel	(112,039)	(111,931)
- Share-based payments	(209,405)	-
- Other administration expenses	(115,280)	(90,619)
	<u>(1,657,356)</u>	<u>(884,403)</u>
- Exploration written off	(5,263,759)	-
- Other expenses	(116,659)	(292,017)
	<u>(5,380,418)</u>	<u>(292,017)</u>

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
4. INCOME TAX		
(a) Temporary Differences		
Current tax	-	-
Deferred tax	-	-
Underprovision for previous years	-	-
Total	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Operating loss before income tax	<u>(6,287,504)</u>	<u>(469,227)</u>
Prima facie income tax benefit at 30% on operating loss	1,886,251	140,768
Add tax effect of:		
Tax losses and temporary differences not recognised	(1,922,756)	(177,272)
Non temporary differences	-	-
Under overprovision for prior years	-	-
Equity raising costs debited to equity	<u>36,505</u>	<u>36,504</u>
Income tax attributable to operating loss	<u>-</u>	<u>-</u>
Directors are of the view that there is insufficient probability that the Company and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities		
(c) There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked		
	2008 \$	2007 \$
(d) Tax Losses		
Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non temporary differences	24,895,600	6,585,866
Potential tax benefit at 30%	7,468,680	1,975,960
(e) Unrecognised temporary differences		
Non deductible amounts as temporary differences	(193,191)	(152,553)
Accelerated deductions for book compared to tax	21,090,046	8,806,596
Total	<u>20,896,855</u>	<u>8,654,043</u>
Potential effect on future tax expense	6,269,057	2,596,213
5. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>6,450,141</u>	<u>17,515,819</u>

The effective interest rates on term deposits were 7.2% (2007: 6.2%).
The Group's exposure to interest rate risk is discussed in note 22.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
6. RECEIVABLES		
Other Debtors	<u>776,795</u>	<u>74,554</u>
7. OTHER FINANCIAL ASSETS		
Non-Current		
Performance guarantee bonds	<u>328,506</u>	<u>218,220</u>
8. INTANGIBLE ASSETS		
Non-Current		
Exploration expenditure		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	9,203,431	5,943,994
Expenditure in the period	17,118,614	3,259,437
Expenditure written off	(5,220,278)	-
	<u>21,101,767</u>	<u>9,203,431</u>

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

Opening balance	9,203,431
Additions	15,418,454
Acquisition of Hargraves Project	1,700,160
Write-off relinquish or expired tenements	(5,220,278)
Net book value	<u>21,101,767</u>

9. PROPERTY, PLANT AND EQUIPMENT

Property – at cost	<u>114,608</u>	<u>-</u>
Plant and equipment - at cost	1,643,609	577,041
Less: Accumulated depreciation	<u>(202,565)</u>	<u>(161,568)</u>
	<u>1,441,044</u>	<u>415,473</u>
Motor vehicles - at cost	355,188	136,952
Less: Accumulated depreciation	<u>(163,521)</u>	<u>(96,688)</u>
	<u>191,667</u>	<u>40,264</u>
	<u>1,747,319</u>	<u>455,737</u>

Reconciliation

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

	Real Property	Plant & Equipment	Motor Vehicles	Total
	\$	\$	\$	\$
Carrying value at start of year	-	415,473	40,264	455,737
Additions	114,608	1,066,569	218,236	1,399,413
Disposals	-	-	-	-
Depreciation	<u>-</u>	<u>(40,998)</u>	<u>(66,833)</u>	<u>(107,831)</u>
Carrying value at end of year	<u>114,608</u>	<u>1,441,044</u>	<u>191,667</u>	<u>1,747,319</u>

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
10. PAYABLES		
Current		
Trade creditors and accruals	<u>3,397,345</u>	<u>643,512</u>
11. PROVISIONS		
Current		
Employee Entitlements	<u>75,790</u>	<u>50,211</u>
Non Current		
Employee Entitlements	<u>16,344</u>	<u>-</u>
	<u>92,134</u>	<u>50,211</u>
Number of Employees at year end	<u>26</u>	<u>13</u>

12. OTHER LIABILITIES

Non Current		
Provision for minesite rehabilitation	<u>94,701</u>	<u>-</u>

Rehabilitation costs are expected to be incurred in between 2008 and 2018. The provision has been estimated for the mining operations where a legal or constructive obligation exists, and discounted using a discounted rate of 13.5%.

	2008 \$	2007 \$
13. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
271,172,394 fully paid ordinary shares (2007:238,058,242)		
Balance at the beginning of the financial year	29,863,873	10,295,673
Issue of shares to raise capital	<u>5,529,922</u>	<u>19,568,199</u>
	<u>35,393,795</u>	<u>29,863,872</u>

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		2008	2007	
		\$	\$	
13 CONTRIBUTED EQUITY continued				
(b) Movements in ordinary share capital				
Date	Details	Number of shares	Issue price	\$
1 July 2006	Opening balance	95,640,114		10,295,674
26 July 2006	Exercise of 2005 options	4,285	\$0.15	643
31 October 2006	October placement	22,486,000	\$0.11	2,473,460
7 December 2006	December placement	9,255,000	\$0.11	1,018,050
31 December 2006	December placement	4,545,455	\$0.11	500,000
30 April 2007	Exercise of options	26,580,211	\$0.15	3,987,032
28 May 2007	Exercise of options	36,910,221	\$0.15	5,536,533
6 June 2007	Exercise of options	29,486,663	\$0.15	4,422,999
12 June 2007	Exercise of unlisted options	200,000	\$0.20	40,000
12 June 2007	Exercise of options	12,950,293	\$0.15	1,942,544
30 June 2007	Transaction costs arising on share issue			(353,063)
30 June 2007	Balance	238,058,242		29,863,872
30 July 2007	Exercise of options	21,500	\$0.15	3,225
31 October 2007	Exercise of options	434,001	\$0.15	65,100
20 December 2007	Exercise of options	1,054,850	\$0.15	158,228
1 February 2008	Exercise of options	212,387	\$0.15	31,858
4 February 2008	Placement Austexploration	2,000,000	\$0.43	860,000
11 February 2008	Exercise of options	43,550	\$0.15	6,532
11 February 2008	Exercise of ESOP	50,000	\$0.20	10,000
26 June 2008	Exercise of options	29,297,864	\$0.15	4,394,980
30 June 2008	Balance	271,172,394		35,393,795

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.

(c) Share-based payments

The share based payment reserve is used to recognise the fair value of options issued to employees, directors, other entity, but not exercised.

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

Date	Details	Number of shares	Exercise price	\$
1 July 2006	Opening balance	-		-
22 November 2007	Employee share options (i)	6,755,000	3.1 cents	209,405
31 January 2008	Options (ii)	2,000,000	27 cents	540,000
30 June 2008	Options application fees			54,486
30 June 2008	Balance	8,755,000		803,891

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

13 CONTRIBUTED EQUITY continued

Options

- (i) The employee share options plan was approved by shareholders at the 2007 annual general meeting. The Employee Option Plan is designed to provide long-term incentives to executive directors and employees to deliver long-term shareholder return. The options vested immediately and expire on 22 November 2012.
- (ii) Options issued to AEPL with an expiry date of 12 September 2008 on the issue of the 2,000,000 consideration pursuant to Hargraves project exploration licence.

(d) Capital Management

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

14. ACCUMULATED LOSSES

Opening balance	3,089,834	2,620,607
Adjustment for Research & development claim	-	(385,114)
Net loss for year	6,287,504	854,341
Closing balance	<u>9,337,338</u>	<u>3,089,834</u>

15. AUDITOR'S REMUNERATION

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

Current auditors of the Company:

Audit and review of the financial statements	72,470	63,971
Other services	-	-
	<u>72,469</u>	<u>63,971</u>

16. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Directors

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

Specified Executives

K Lynn	Company Secretary
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HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

16. REMUNERATION OF DIRECTORS AND EXECUTIVES (Continued)

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

Employee Options	Balance 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
Directors					
A Paton	200,000	500,000	-	-	700,000
G Reveleigh	200,000	500,000	-	-	700,000
P Bruce	5,200,000	2,500,000	-	-	7,700,000
B Thomas	-	500,000	-	-	500,000
I Sloan	200,000	500,000	-	-	700,000
I Daymond	-	-	-	150,000	150,000
Executives					
K M Lynn	-	255,000	-	-	255,000
Total	5,800,000	4,755,000	-	150,000	10,705,000

Listed Options	Balance 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
Directors					
A Paton	449,091	-	-	-	449,091
G Reveleigh	2,216,082	-	-	(2,216,082)	-
P Bruce	2,862,194	-	-	-	2,862,194
B Thomas	2,457,633	-	-	-	2,457,633
I Sloan	485,837	-	-	-	485,837
I Daymond	-	-	-	-	-
Executives					
K M Lynn	527,500	-	-	-	527,500
Total	8,998,337	-	-	(2,216,082)	6,782,255

Ordinary Shares	Balance 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
Directors					
A Paton	898,182	-	-	87,792	985,974
G Reveleigh	4,432,163	-	-	-	4,432,163
P Bruce	5,724,385	-	-	-	5,724,385
B Thomas	5,015,265	-	-	(100,000)	4,915,265
I Sloan	971,673	-	-	-	971,673
I Daymond	-	-	-	-	-
Executives					
K M Lynn	1,055,000	-	-	-	1,055,000
Total	18,096,668	-	-	(12,208)	18,084,460

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

Employee Options	Balance 1 July 2006	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2007
Directors					
A Paton	250,000	200,000	-	(250,000)	200,000
G Reveleigh	200,000	200,000	-	(200,000)	200,000
P Bruce	5,200,000	200,000	(200,000)	-	5,200,000
B Thomas	-	200,000	-	(200,000)	-
I Sloan	200,000	200,000	-	(200,000)	200,000
I Daymond	-	-	-	-	-
Executives					
K M Lynn	100,000	-	-	(100,000)	-
Total	5,950,000	1,000,000	(200,000)	(950,000)	5,800,000

HILL END GOLD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

16. REMUNERATION OF DIRECTORS AND EXECUTIVES (Continued)

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

Listed Options Directors	Balance 1 July 2006	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2007
A Paton	400,000	-	(250,454)	299,545	449,091
G Reveleigh	1,790,713	-	(140,713)	566,082	2,216,082
P Bruce	1,498,314	-	(1,723,314)	3,087,194	2,862,194
B Thomas	2,005,265	-	(2,105,265)	2,557,633	2,457,633
I Sloan	395,001	-	(50,000)	140,836	485,837
I Daymond	-	-	-	-	-
Executives					
K M Lynn	-	-	-	527,500	527,500
Total	6,089,293	-	(4,269,746)	7,178,790	8,998,337

Ordinary Shares Directors	Balance 1 July 2006	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2007
A Paton	417,728	-	250,454	230,000	898,182
G Reveleigh	4,291,450	-	140,713	-	4,432,163
P Bruce	3,496,071	-	1,723,314	505,000	5,724,385
B Thomas	2,610,000	-	2,105,265	300,000	5,015,265
I Sloan	921,673	-	50,000	-	971,673
I Daymond	-	-	-	-	-
Executives					
K M Lynn	-	-	-	1,055,000	1,055,000
Total	11,736,922	-	4,269,746	2,090,000	18,096,668

(d) Individual directors' and executives compensation disclosures

The Company has not employed any executive officers, other than Directors, who were involved in, concerned in, or who took part in the management of the Company's affairs. Details of the nature and amount of the remuneration of each Director and executive of the Company and some equity instrument disclosures as permitted by Corporations Regulations are provided in the Remuneration Report section of the Directors' Report.

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

17. 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 was made for consulting and other services to related entities of the following directors:

	2008	2007
	\$	\$
G C Reveleigh	<u>18,004</u>	<u>27,686</u>

All transactions were on normal commercial terms.

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18. CONTINGENT LIABILITY

During the year the Company acquired an interest in the Hargraves tenement. The acquisition cost included \$300,000 plus the issue of 2,000,000 ordinary fully paid shares and 2,000,000 listed options expiring 12 September 2008 with an exercise price of 15 cents each. The Company will issue the vendors an additional 2,000,000 ordinary shares in the event that 70,000 ozs of gold are produced from the tenement.

19. SEGMENT INFORMATION

Business Segments

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

	2008 \$	2007 \$
20. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
(a) Reconciliation of Cash		
Cash balance comprises		
Cash at bank	2,075,141	17,515,819
Term deposits	4,375,000	-
	<u>6,450,141</u>	<u>17,515,819</u>
(b) Operating loss after income tax	(6,287,504)	(854,341)
Adjustment for non cash items		
Depreciation	107,831	61,638
Employee options	209,405	-
Exploration Expenditure written off	5,220,278	-
	<u>(749,990)</u>	<u>(792,703)</u>
Decrease in Receivables	(702,241)	(23,282)
(Decrease) /increase in Payables	(53,947)	85,957
Increase in Provisions	25,579	30,981
	<u>(1,480,599)</u>	<u>(699,047)</u>
Net cash outflows from operating activities	(1,480,599)	(699,047)

21. 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	-	-
Due beyond one year and within five years	-	-
	<u>-</u>	<u>-</u>

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

22. FINANCIAL RISK MANAGEMENT

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

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

(a) Market Risk

(i) Foreign exchange risk

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

(ii) Price Risk

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

(iii) Cash flow and fair value interest rate risk

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

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

The interest rate risk sensitivity analysis has been determined based on the exposure of the company to interest rates for non-derivative financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1% increase or decrease is used when reporting interest rates internally to key management personnel and represents management's assessment of the possible change in interest rates.

At 30 June 2008, if the interest rates had changed by 1% from the period-end rates with all other variables held constant, post-tax profit for the year for the company would have been \$119,800 lower/higher mainly as a result of lower/higher interest income on cash and cash equivalents.

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

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

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

22. FINANCIAL RISK MANAGEMENT continued

(iii) Cash flow and fair value interest rate risk

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non- interest Bearing	Total
	%	\$	Within 1 year \$	Over 1 year \$	\$	\$
2008						
FINANCIAL ASSETS						
Cash assets	7.2	-	6,450,141	-	-	6,450,141
Performance guarantee bonds		-	-	328,506	-	328,506
Other financial assets	-	-	-	-	776,795	776,795
		-	6,450,141	328,506	776,795	7,555,442
FINANCIAL LIABILITIES						
Payables	-	-	-	-	(3,489,479)	(3,489,479)
NET FINANCIAL ASSETS (LIABILITIES)		-	6,450,141	328,506	(2,712,684)	4,065,963
2007						
FINANCIAL ASSETS						
Cash assets	6.2	-	17,515,819	-	-	17,515,819
Performance guarantee bonds		-	-	218,220	-	218,220
Other financial assets	-	-	-	-	74,554	74,554
		-	17,515,819	218,220	74,554	17,808,593
FINANCIAL LIABILITIES						
Payables	-	-	-	-	(693,723)	(693,723)
NET FINANCIAL ASSETS (LIABILITIES)		-	17,515,819	218,220	(619,169)	17,114,870

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

	2008 \$	2007 \$
Net financial assets per above	4,065,963	17,114,870
Property Plant & Equipment	1,747,319	455,737
Provision for Rehabilitation	(94,701)	-
Deferred Exploration & Development	21,101,767	9,203,431
Net assets per statement of financial position	26,820,348	26,774,038

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

22. FINANCIAL RISK MANAGEMENT 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) Liquidity Risk

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

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

(e) Net Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The net fair values of the financial assets and financial liabilities approximate their carrying values.

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

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

(e) Sensitivity Analysis

The Company has not performed a sensitivity analysis on price risk and its impact on current year results and equity which could result from a change in this risk as the likely impact is insignificant given the minimal revenue generated from gold sales during the year.

23. EARNINGS PER SHARE

	2008 Cents	2007 Cents
Basic earnings per share	(2.6)	(0.4)
Diluted earnings per share	(1.5)	(0.2)
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basis earnings per share and alternative basis earnings per share	<u>241,968,461</u>	<u>131,485,630</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	<u>357,859,343</u>	<u>227,963,102</u>

HILL END GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

23. EARNINGS PER SHARE continued

	2008 \$	2007 \$
Reconciliation of earnings used in calculating earnings per share		
Earnings used in calculating basic earnings per share	<u>(6,287,504)</u>	(469,227)
Earnings used in calculating diluted earnings per share	<u>(5,281,967)</u>	(469,227)

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

24. SUBSIDIARIES

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

25. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after balance date other than the completion of a 1 for 5 entitlement issue of options for 3 cents each. These options are exercisable at 24 cents each at any time up to and including 30 September 2009.

26. COMPANY DETAILS

The registered office of the Company is

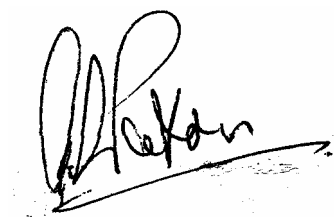
Hill End Gold Limited
4 Bowen Street
Hill End NSW 2850

HILL END GOLD LIMITED
DIRECTORS' DECLARATION

The directors declare that:

- 1 the financial statements and notes, as set out on pages 13 to 35 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and economic entity;
- 2 the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
- 3 in the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



A Paton
Chairman



Philip Bruce
Managing Director

12 September 2008

INDEPENDENT AUDIT REPORT

To the members of Hill End Gold Limited

Report on the Financial Report

We have audited the accompanying financial report of Hill End Gold Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Total Financial Solutions



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Each member of the Association is a separate and independent legal entity.

Member Horwath International

WHK Horwath Pty Ltd ABN 84 006 466 351
Level 16, WHK Horwath Centre 120 Edward Street
Brisbane Queensland 4000 Australia
GPO Box 736 Brisbane Queensland 4001 Australia
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183
Email info.bri@whkhorwath.com.au www.whkhorwath.com.au
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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Hill End Gold Limited on 8th September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

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

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

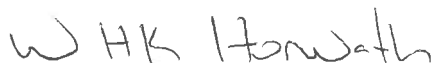
The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

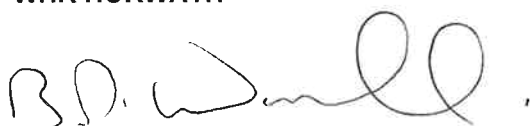
We have audited the Remuneration Report included on pages 6 to 8 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Hill End Gold Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



WHK HORWATH



B P WORRALL
Principal

Brisbane, 12 September 2008

HILL END GOLD LIMITED

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

The Company presently has four non-executive directors including the Chairman and one executive director, 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 B.G. Thomas)

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

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

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

HILL END GOLD LIMITED
CORPORATE GOVERNANCE STATEMENT
(continued)

BUSINESS RISKS

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

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

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

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

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

ANNUAL REVIEW

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

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

ETHICAL STANDARDS

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

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

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

THE BOARD OF DIRECTORS

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

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

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

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

HILL END GOLD LIMITED

CORPORATE GOVERNANCE STATEMENT (continued)

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 2004 with a view to making amendments where applicable after considering the Company's size and the resources it has available.

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

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

ASX Principle	Status Reference /comment A= Complies N/A = Not Comply
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, four of whom are non executive (including the Chairman). The Company considers the expense of sourcing additional directors at this stage of its development is unwarranted. The full board currently meets every month. In addition, strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise. The board believes the alignment of the interests of directors with those of shareholders as being the most efficient way to ensure shareholders' interests are protected.
Principle 2: Structure the board to add value 2.1 A majority of board members should be independent directors 2.2 The chairperson should be an independent director 2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual 2.4 The board should establish a nomination committee 2.5 Provide the information indicated in Guide to reporting on Principle 2	A Given the Company's background, the nature and size of its business and the current stage of its development, the Board comprises five directors, four of whom are non executive (including the independent Chairman). The Board believes that this is both appropriate and acceptable at this stage of the Company's development. A The position of Chairman is independent A The positions of Chairman and Managing Director are held by separate persons. A The Board has a formal nomination committee. A The skills and experience of directors are set out in the Company's Annual Report and on its website.
Principle 3: Promote ethical and responsible decision making 3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.12 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices 3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees	A The Company has formulated a Code of Conduct which can be viewed on the Company's website. A Complies A Complies A The Company has formulated a securities trading policy which can be viewed on its website.

3.3	Provide the information indicated in Guide to Reporting on Principle 3	A	The Company has established an audit committee which comprises two three 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 view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	A	Complies
	The board should establish an audit committee	A	Complies
	Structure the audit committee so that it consists of		
	- Only non executive directors - A majority of independent directors - An independent chairperson who is not the chairperson of the board - At least three members	A	Complies
		A	Complies
		A	Complies
	The audit committee should have a formal charter 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	A The Company has formalised a risk management Committee and has reviewed policies on risk management. The Board also 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 by the Committee and at board meetings and a risk management culture is encouraged amongst employees and contractors.
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	A Complies with 7.2
7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board	A Determined areas of risk which are regularly considered include • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	
7.3 Provide information indicated in Guide to Reporting on Principle 7	A Complies
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 senior management and employees is reviewed by the Board and approved by the Board. Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the Company's securities. Whenever relevant, any such matters are reported to ASX.
Principle 9 Remunerate fairly and responsibly	
9.1 Provide disclosure in relation to the Company's remuneration policies and benefits to these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	A The Company discloses remuneration related information in its Annual Report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the board on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2 The board should establish a remuneration committee.	A Complies
9.3 Clearly distinguish the structure of non executive directors' remuneration from that of executives.	A Complies
9.4 Ensure that payment of equity based executive remuneration's made in accordance with thresholds set in plans approved by shareholders.	A Complies
9.5 Provide information indicated in ASX Guide to Reporting on Principle 9.	A Complies
Principle 10: Recognise legitimate interests of Stakeholders	
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	A The Company's Code of Conduct is set out in the Company's website. The Board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the Company

HILL END GOLD LIMITED SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 28 August 2008.

1. Distribution of Shareholders

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

Holdings Ranges	Holders	Total Units	%
1-1,000	60	25,156	0.009
1,001-5,000	480	1,645,366	0.589
5,001-10,000	496	4,263,389	1.527
10,001-100,000	1,133	41,121,553	14.728
100,001-9,999,999,999	277	232,157,423	83.147
Totals	2,446	279,212,887	100.000

(b) There are 227 shareholders with less than a marketable parcel of ordinary shares.

(c) There are three substantial shareholders in the Company's Register of Substantial Shareholders as at 28 August 2008, being Wanabee Holdings Pty Ltd who holds 10.7%, HSBC Custody Nominees (Australia) Limited, who holds 8.66%, National Nominees Limited, who holds 7.07% and of the ordinary shares on issue.

2. Twenty Largest Shareholders

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

Rank	Shareholder	No	%
1	WANABEE HOLDINGS PTY LIMITED	29,900,000	10.709
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,180,793	8.661
3	NATIONAL NOMINEES LIMITED	19,726,785	7.065
4	WANABEE HOLDINGS PTY LTD	15,000,000	5.372
5	MR BRYAN RALPH ELBOZ & MRS PATRICIA MARY ELBOZ	9,100,000	3.259
6	MR MALCOLM THOMAS PRICE & MRS MAYUMI PRICE	5,588,609	2.002
7	MR TAN SRI AZMI WAN HAMZAH	5,357,142	1.919
8	CITICORP NOMINEES PTY LIMITED	5,209,960	1.866
9	DIAZILL PTY LIMITED	4,783,934	1.713
10	PROF ALAN JONATHAN BERRICK	4,263,000	1.527
11	ANZ NOMINEES LIMITED	4,096,438	1.467
12	OSCFRESH PTY LIMITED	4,000,630	1.433
13	MR TAN SRI AZMI WAN HAMZAH	3,750,000	1.343
14	FORTY TRADERS LIMITED	3,282,467	1.176
15	ALCARDO INVESTMENTS LIMITED	3,075,244	1.101
16	G E REVELEIGH & CO PTY LTD	3,022,763	1.083
17	LEET INVESTMENTS PTY LTD	2,636,694	0.944
18	FORTY TRADERS LIMITED	2,500,000	0.895
19	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,486,206	0.890
19	CATHOLIC CHURCH INSURANCES LIMITED	2,424,126	0.868
	Total	154,384,791	55.293
	Total Shares	279,207,759	

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.

HILL END GOLD LIMITED

OPTIONHOLDER INFORMATION

The optionholder information set out below was applicable as at 28 August 2008.

1. Distribution of Optionholders

Holdings Ranges	Holders	Total Units	%
1-1,000	197	124,950	0.230
1,001-5,000	377	1,040,522	1.919
5,001-10,000	169	1,313,376	2.422
10,001-100,000	281	8,492,814	15.662
100,001-9,999,999,999	54	43,253,266	79.766
Totals	1,078	54,224,928	100.000

2. Twenty Largest Optionholders

The names of the twenty largest holders of 30 September 2009 options are listed below:

Rank	Shareholder	Number	%
1	WANABEE HOLDINGS PTY LIMITED	9,085,787	16.756
2	WANABEE HOLDINGS PTY LTD	5,000,000	9.221
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,420,488	8.152
4	CATHOLIC CHURCH INSURANCES LIMITED	2,693,493	4.967
5	MR BRYAN RALPH ELBOZ & MRS PATRICIA MARY ELBOZ	1,520,000	2.803
6	MR JOHN CAMPBELL SMYTH	1,138,762	2.100
7	MR MALCOLM THOMAS PRICE & MRS MAYUMI PRICE	1,097,722	2.024
8	LEFTONE NOMINEES PTY LTD	1,083,467	1.998
9	CORNERSTONE ADVISORS PTY LTD	1,072,874	1.979
10	EMPSHORE LIMITED	1,029,898	1.899
11	PRIME SECURITIES INVESTMENT GROUP PTY LTD	1,000,000	1.844
12	GROSVENOR PIRIE MANAGEMENT LIMITED	997,932	1.840
13	ANARAY PTY LTD	961,415	1.773
14	DIAZILL PTY LIMITED	956,788	1.764
15	OSCFRESH PTY LIMITED	800,126	1.476
16	MR TAN SRI AZMI WAN HAMZAH	750,000	1.383
17	MR ROBERT SILVER	684,000	1.261
18	ALCARDO INVESTMENTS LIMITED	615,049	1.134
19	G E REVELEIGH & CO PTY LTD	604,553	1.115
20	LEET INVESTMENTS PTY LTD	527,339	0.973
	Total	36,039,693	66.46
	Total Options	54,224,928	

HILL END GOLD LIMITED
CORPORATE DIRECTORY

Directors

Alfred Lampard Paton
Non Executive Chairman

Philip Francis Bruce
Managing Director

Graham Charles Reveleigh
Non Executive Director

Ian Noel Stuart Sloan
Non Executive Director

Bruce Geoffrey Thomas
Non Executive Director

Ian Cunynghame Daymond
Non Executive Director

Company Secretary

Kevin Martin Lynn

Australian Company Number

072 692 365

Sydney Office

Hill End Gold Limited
3 Spring Street
Sydney NSW 2000

Telephone: +61 2 8249 4416
Facsimile: + 61 2 8249 4919

Registered Office / Field Office

4 Bowen Street
Hill End NSW 2850

Telephone: +61 2 6337 8343
Facsimile: + 61 2 6337 8345
www.hillendgold.com.au

Share Registry

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000

Telephone +61 2 9290 9600
Facsimile: +61 2 9279 0664
www.registriesltd.com.au

Auditor

WHK Horwath
Level 16, 120 Edward Street
Brisbane QLD 4000

Telephone: +61 7 3233 3555
Facsimile: +61 7 3210 6183