

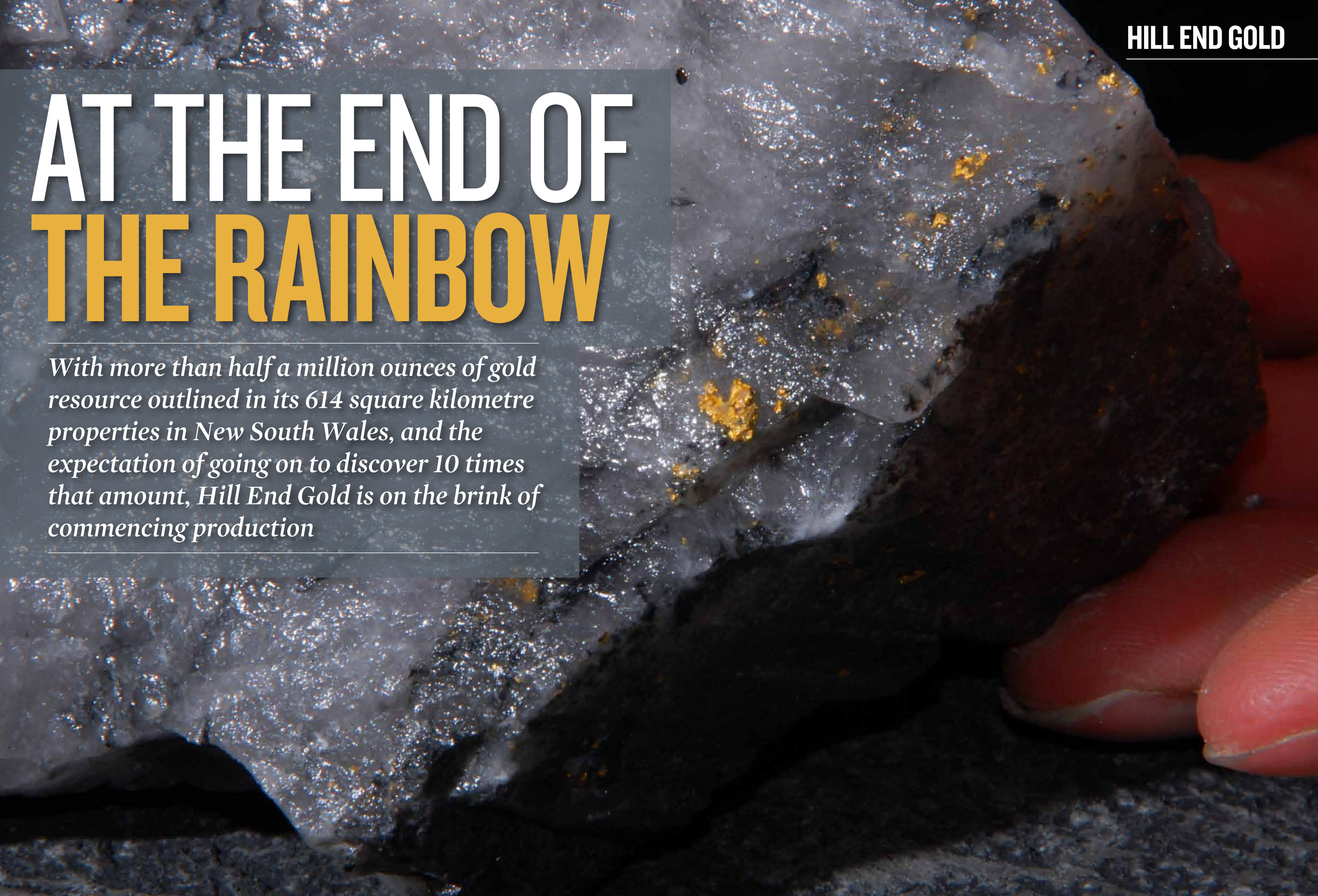
HILL END GOLD

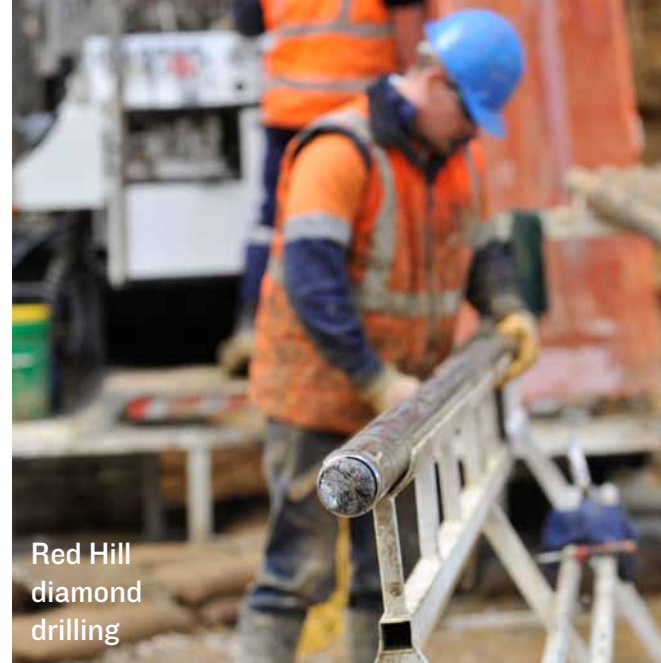
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AT THE END OF THE RAINBOW

With more than half a million ounces of gold resource outlined in its 614 square kilometre properties in New South Wales, and the expectation of going on to discover 10 times that amount, Hill End Gold is on the brink of commencing production





Red Hill diamond drilling



Hargraves diamond drilling



Diamond drill core logging

Environment monitoring

Many modern gold mines are sited on old workings. After all, gold has been sought throughout history and though geology and geophysics have become much more sophisticated sciences, our ancestors soon developed a nose for gold-bearing rock. Gold rushes, whether in Alaska, Mexico, Peru, South Africa or Australia, were sparked by the discovery of free gold on the surface or not far below. That is the image of the prospector.

In this respect, Hill End, 50 kilometres north of Bathurst in New South Wales, is not exceptional. It attracted a great deal of attention in the 19th century, but by the end of that century it was no longer easy to find the large lumps of gold that induced gold fever. However, it was at Hill End that in 1872 Bernard Holtermann uncovered the biggest lump of gold in the world.

The ‘Holtermann nugget’ stood almost as high as its discoverer and contained 3,000 ounces of gold: it is known to every schoolchild in Sydney through the nearby museum, and to gold miners on every continent. But that would be just cream on the cake these days, according to Philip Bruce, managing director of Hill End Gold, which holds the rights on Hill End and the adjacent property of Hargraves, also very significant historically, some 35 kilometres to the north.

While he is happy to share in the excitement and recognition provided by these great finds (shortly after the Holtermann specimen came to light an even larger 5,000



Hill End diamond drilling

ounce specimen was found but the miners couldn't be bothered to manhandle it to the surface so broke it up underground) present day investors need to know there is a sustainable business proposition. The gold rush finds were spectacular; but artisan mining literally just scratched the surface. "To have a significant corporate project you have got to have mineralization that is extensive, with the ability to come up to the resource stage," Bruce says. "You have to develop a credible economic plan on it and get a commercial project going."

Hill End Gold (HEG) listed on the Australian Stock Exchange in 2004, split out from a Canadian company, and a history of little exploration in the area. It is now headed up by part of the team behind the remarkable growth of Plutonic Resources, which became one of Australia's largest gold producers with a market cap of over A\$1 billion before it was taken over by Homestake and then Barrick Gold. Though the alluvial and shallow deposits in the area are said to have yielded around two million ounces of gold in the past, no systematic development through drilling and geological exploration had taken place and this HEG set out to remedy. "We have done work in specific areas to find out what the extent of the mineralization is, and the possibility of reopening some of the old mines. We found that the mineralization is reasonably continuous and that the grades are quite high—in some areas they are very persistent over the one kilometre or so scale," Bruce confirms.

The one big advantage that the present day deposit shares with the old workings is



Coarse gold recovery of 95 per cent by gravity alone

that the gold is readily accessible and can be mostly extracted cheaply by gravity separation. That should avoid the use of cyanide leaching and the possibility of toxic tailings.

HEG has come a long way towards building up the resource, drilling to gain the samples necessary to raise 'inferred' resources (tonnage and grade estimated using geological continuity, with a low level of confidence) to 'indicated' (tonnage and grade estimated with a reasonable level of confidence from geological information) to 'measured' (tonnage and grade estimated with a high level

of confidence, usually by check sampling with results returned as expected). Between 2008 and 2010 HEG started trial mining at the Reward Deposit at Hill End, processing 35,000 tons of rock at 11 grammes per ton. "It was amazing," says Bruce, "that we were able to recover better than 95 per cent of the gold just by gravity."

Gravity processing plants are low cost, and moving the existing prizewinning plant to a new location and expanding it with the addition of an ore sorting unit and a large crusher unit so that it can process run-of-mine feed at the rate of 250,000 tons a year will be straightforward.

2004

Year Hill End Gold listed on the Australian Stock Exchange



Hill End



Reward gravity plant



Red Hill reverse circulation drilling

“IT WAS AMAZING THAT WE WERE ABLE TO RECOVER BETTER THAN 95 PER CENT OF THE GOLD JUST BY GRAVITY”

There is no lack of potential targets for the viable mining operation Bruce plans to have identified by the third quarter of 2012, with the potential of a profitable commercial operation starting in 2013. Promising sites are the Reward, Hawkins Hill and Red Hill deposits at Hill End, however out of all the likely candidates the one that has the best chance, he thinks, is the evocatively named Big Nugget Hill at Hargraves, 35 kilometres to the north. “That one is in an area where

the gold ore is outcropping: it has hardly been mined, and we have done exploratory drilling to a depth of around 400 metres over a strike length of a kilometre.”

In these coarse gold projects the most costly part of the exercise is often the exploration, drilling and geological analysis, Bruce says. On Hargraves, drilling was a better option than underground trial mining and bulk sampling since the ore is close to the surface. An open pit may

initially go down 150 metres, and has been sampled to this depth with close drilling at 25 metre spacing—the 400 metre drills are more widely spaced at 100 metres—and like the Hill End deposits, Hargraves has been shown to have coarse gold; that is, gold that can be separated by gravity. A further programme of drilling will happen over the first half of this year.

Bruce’s priority this year is to identify exactly where the mine and processing plant are to go. Getting into production is an essential part of the business plan: “Some people are happy to make money out of developing tenements then selling them on, but my view is that it has to have a purpose. We know we have a valuable asset, so let’s get it into production!”

Another priority is to grow the resource through drilling, and advancing the deposits’ JORC resource. But for now half a million ounces, very probably growing to a million, is plenty to justify an immediate move to production. “Very often projects like this start with five years’ projected life, but then the project keeps going for 50 years. We would like to put together that five-year life rather than wait until the resource has been grown to four or five million ounces.” Nevertheless, he has every confidence the larger figure will be realised. **BE**

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