

HILLGROVE **RESOURCES**



FIRST QUARTER FY2014 PERFORMANCE UPDATE

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RUSSELL MIDDLETON ||||| **CHIEF FINANCIAL OFFICER**

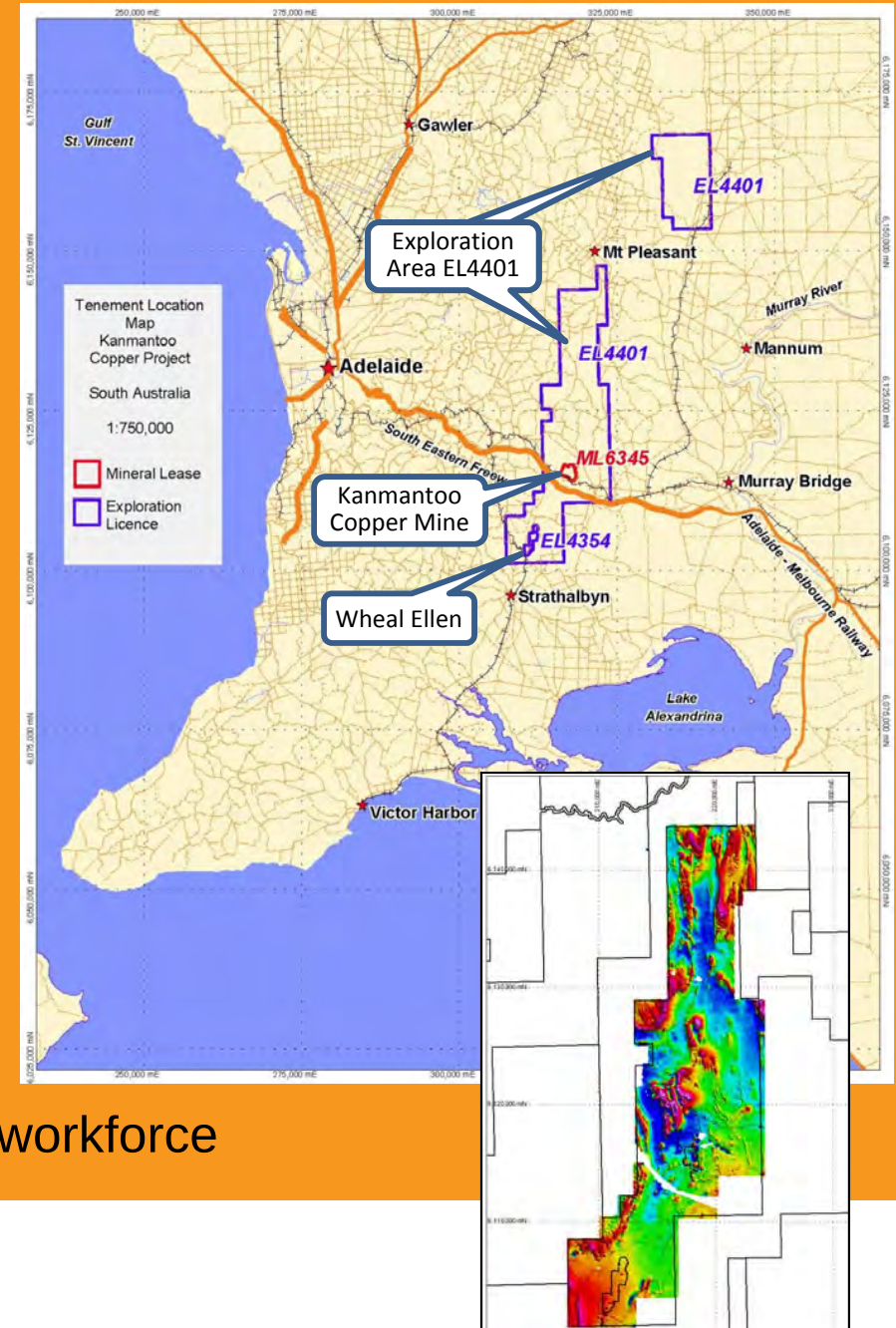
31 MAY 2013



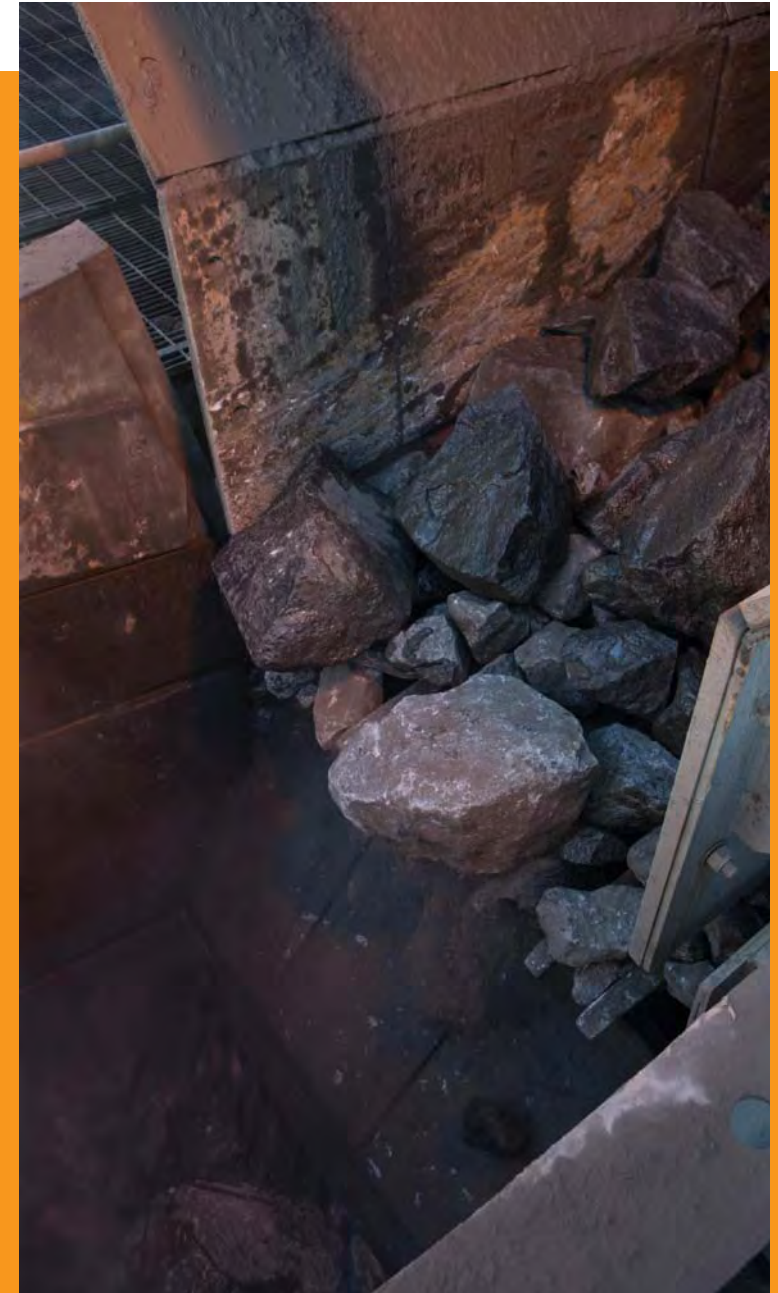
- Production and cash flow in Australia
 - Kanmantoo Copper Mine (100% owned), South Australia
- Rim-of-Fire exploration in Indonesia
 - Sumba gold project (80% owned)
 - Bird's Head copper/gold project (80% beneficial interest via JVA)



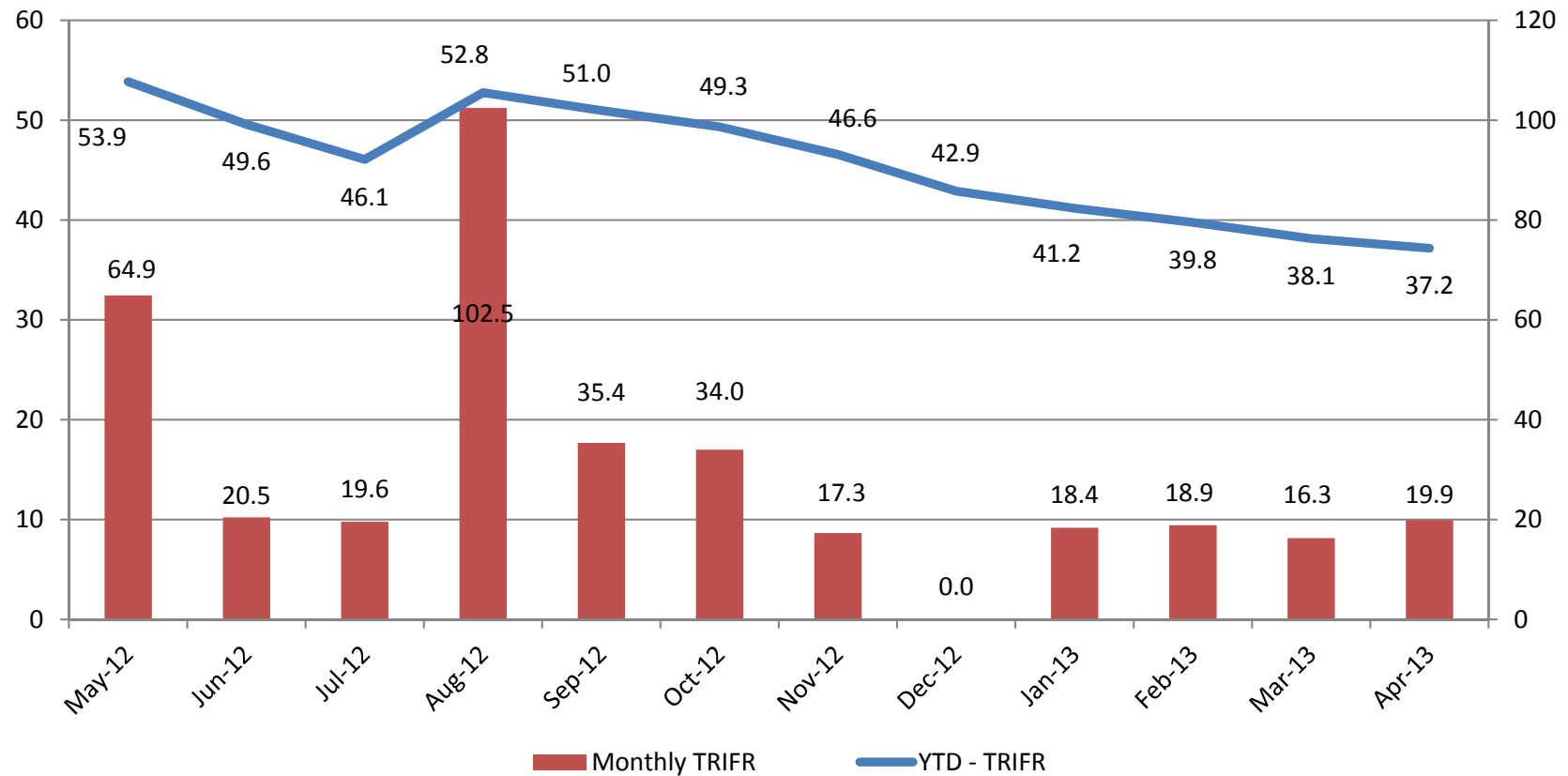
- 100%-owned by Hillgrove
- 55km from Adelaide, South Australia
- Mining Lease is within 500km² Exploration License, and relatively unexplored
- Exploration potential considered high
- The project enjoys commensurate capital cost advantages
 - Close to power (National Grid)
 - Recycled water pipeline
 - 3km from main highway
 - 90km to export port
- Attractive employment costs compared to remote fly-in/fly-out mine operations
- Quality of life attracts mature, experienced workforce



- New primary crusher circuit replacement project at Kanmantoo has been successfully completed with all underperforming elements replaced – throughput up to 2.8Mtpa
- Record quarter in the Kanmantoo operation for a number of metrics, including:
 - mill throughput; and
 - tonnes of ore mined
- Strong hedge book remains in place, providing certainty for cash flows and revenues over future periods
- A number of potential funding parties showed interest in Bird's Head and Sumba assets, with two site tours conducted in the quarter



Total Recordable Injury Frequency Rate: May 2012 - Apr 2013

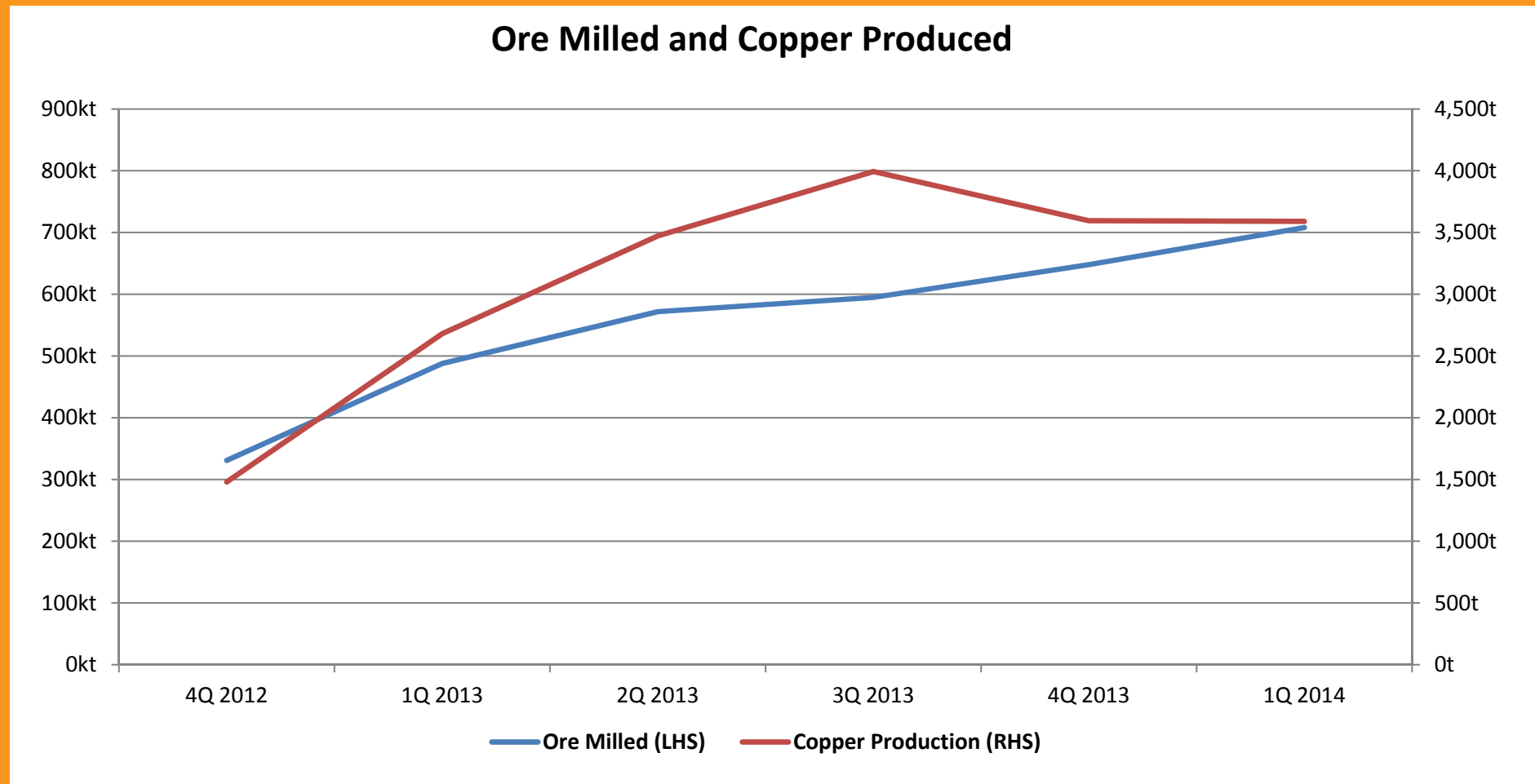


Period		FY 2012	FY 2013	Q4 13	Q1 14
Ore to ROM from Pit	(kt)	495	2,221	639	689
Ore to / (from) long term stockpiles	(kt)	1,267	849	98	(137)
Mined Waste	(kt)	7,446	11,777	3,650	2,728
Total Tonnes Mined	(kt)	9,208	14,847	4,387	3,417
Mining Grade to ROM	(%)	0.75	0.76	0.70	0.67
Ore Milled	(kt)	331	2,303	648	708
Milled Grade	(%)	0.56	0.66	0.62	0.57
	Au (g/t)	0.11	0.16	0.20	0.18
	Ag (g/t)	2.22	2.96	2.50	3.21
Recovery	Cu (%)	69.6	89.9	90.1	89.1
	Au (%)	67.5	54.7	53.0	54.0
	Ag (%)	46.6	55.4	62.5	38.7
Cu Concentrate Produced	Tonnes	4,774	56,431	15,827	15,510
Concentrate Grade	Cu (%)	30.2	24.4	22.7	23.1
	Au (g/t)	6.0	3.6	4.4	4.5
	Ag (g/t)	79.9	67.0	64.0	56.8
Contained Metal In Concentrate	Cu (t)	1,481	13,744	3,595	3,590
	Au (oz)	816	6,570	2,226	2,237
	Ag (oz)	12,194	121,656	32,576	28,304
Total Concentrate Sold	Dry metric t	4,263	56,526	16,182	16,184

- Record quarter for a number of metrics, including:
 - Mill throughput
 - Ore mined tonnes
- Benefits of new crusher installation only partially realised in the quarter
- Mining dilution and mill feed in line with Resource estimation
- Lower recoveries in quarter are a result of lower feed grades

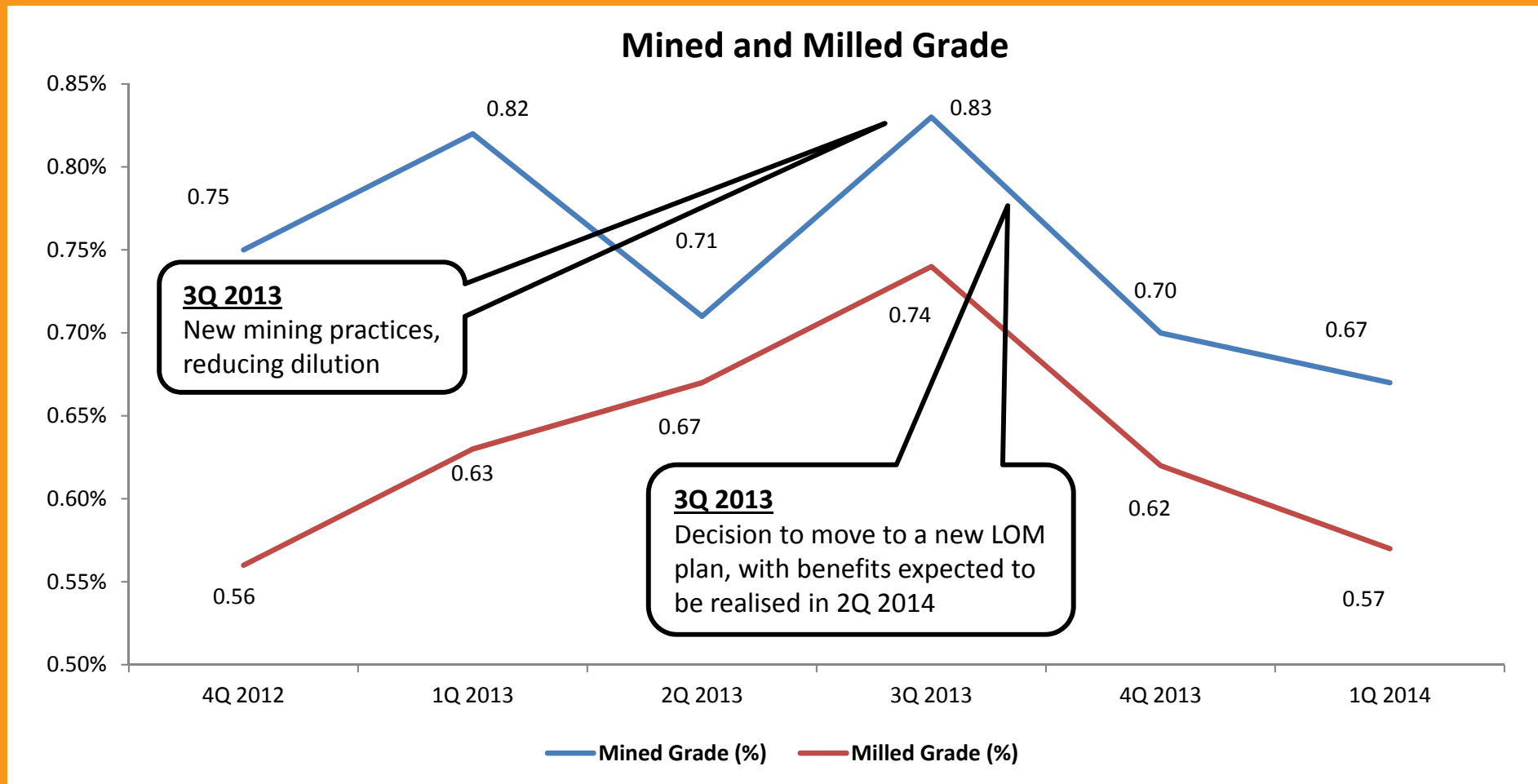
Note: all references to quarters in this presentation relate to Hillgrove financial year quarters. Hillgrove FY14 is 1 February 2013 to 31 January 2014.





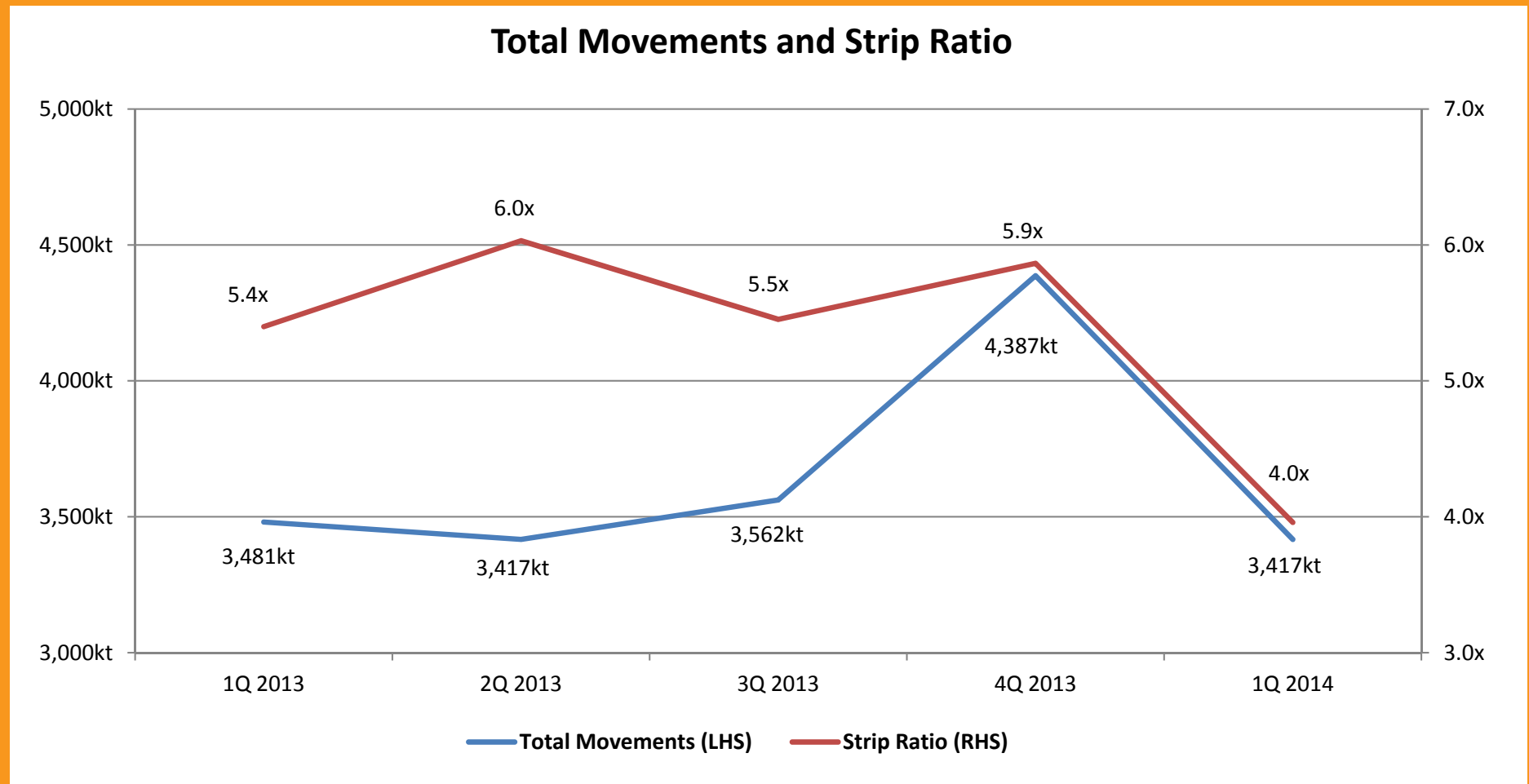
- Record plant performance each quarter has not as yet translated into higher copper production as a result of lower feed grades...





- ... as a result of a conscious management decision to move to a new life of mine plan





- This new life of mine plan and previous capital investment in mining waste allows us to focus on mining ore and reduce strip ratios

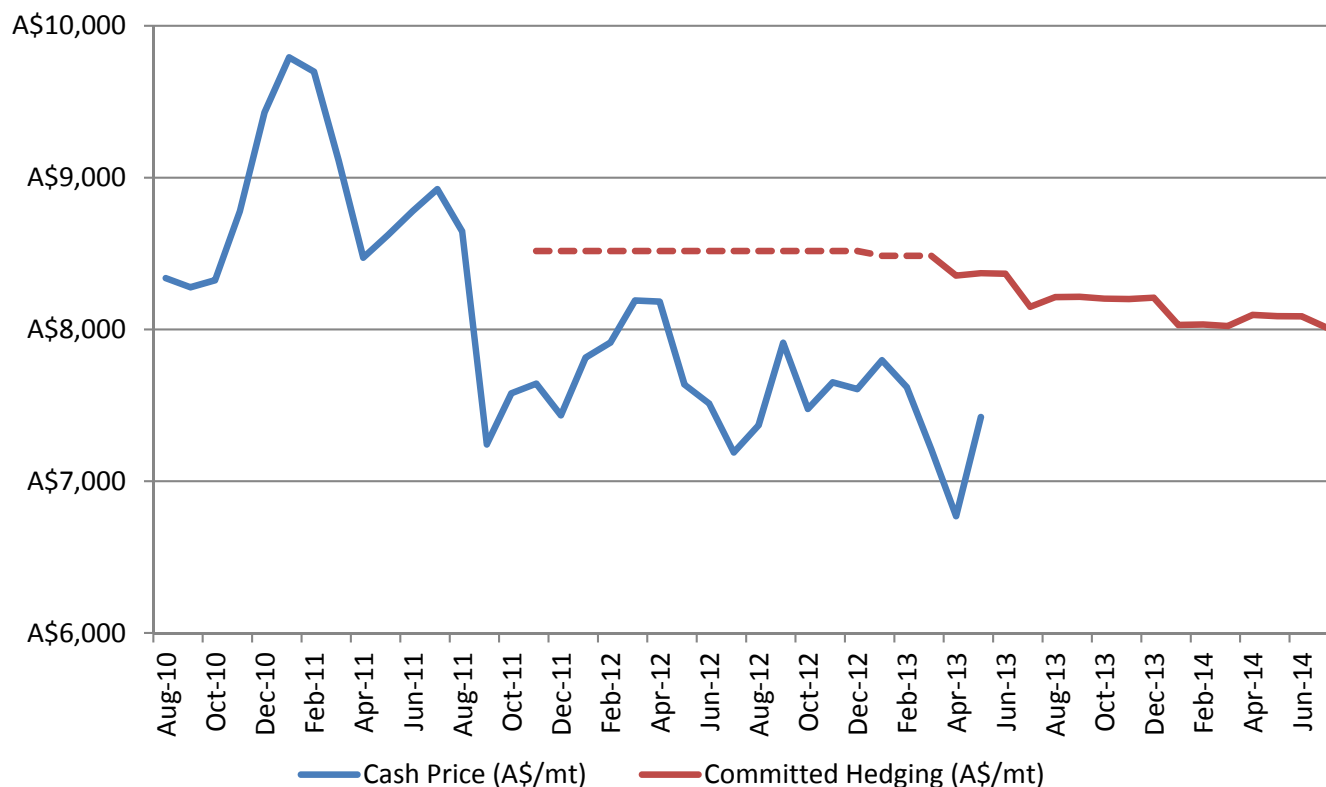


Period US cents per lb	FY 2013	Jan-13 QTR	Apr-13 QTR
Mining Costs	120	155	191
Processing Costs	97	94	97
Other Direct Cash Costs	23	19	24
Total Onsite Costs	240	268	312
Transport & Shipping	18	18	18
Treatment, Refining and Smelter Charges	36	37	39
Total Offsite Costs	54	55	57
Precious Metals Credits	(46)	(49)	(54)
Total Direct Operating Costs (C1 Cash Costs)	248	274	315
Royalties	5	6	5
D&A	96	30	122
TOTAL	349	310	442

- C1 cash costs of production was USD3.15/lb (average AUD/USD exchange rate of 1.035)
- C1 cost was impacted by additional activity on the ROM in the changeover to the new primary crusher system
- The cash cost is expected to be lower as a result of the depreciating AUD/USD, forecast lower costs, as well as forecast higher production going forward



Hillgrove AUD Copper Position

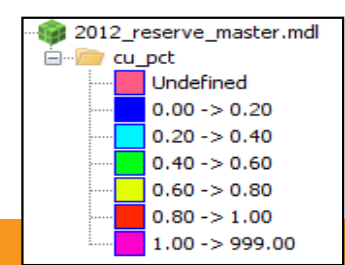


- Strong hedge book provides certainty for cashflows and revenue in future periods
- Approximately 41,000t of copper swaps
- Approximately 70% of forecast copper production hedged up until June 2015 at an average price circa AUD7,950/tonne

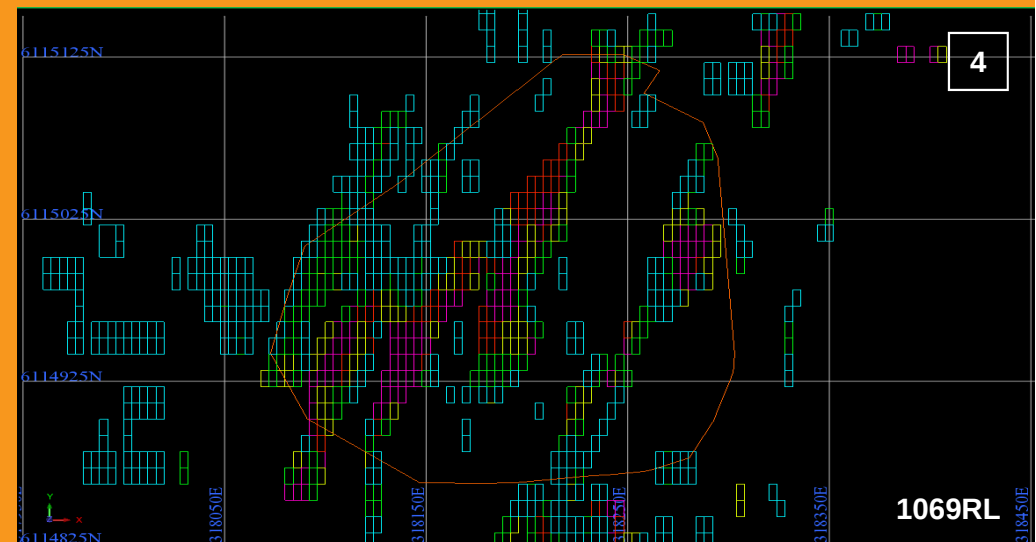
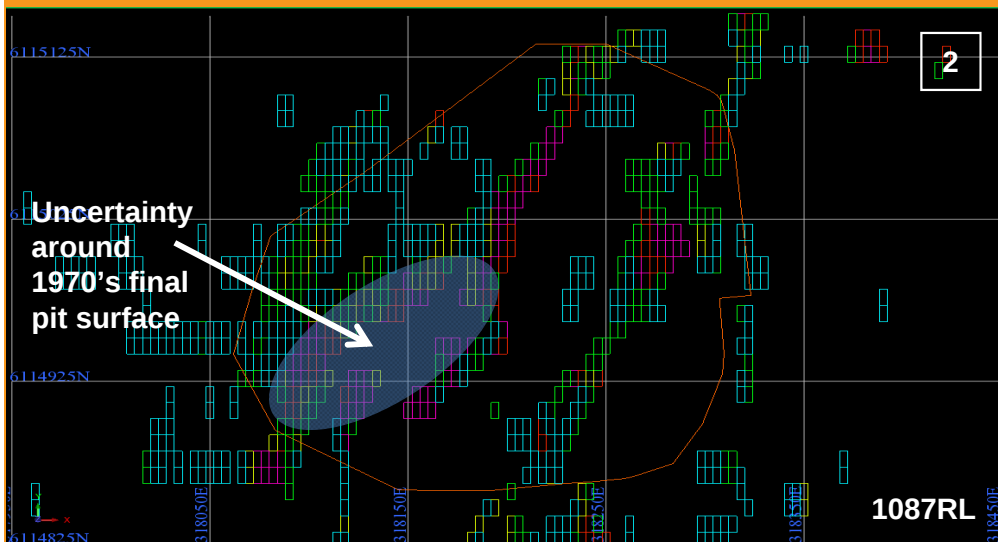
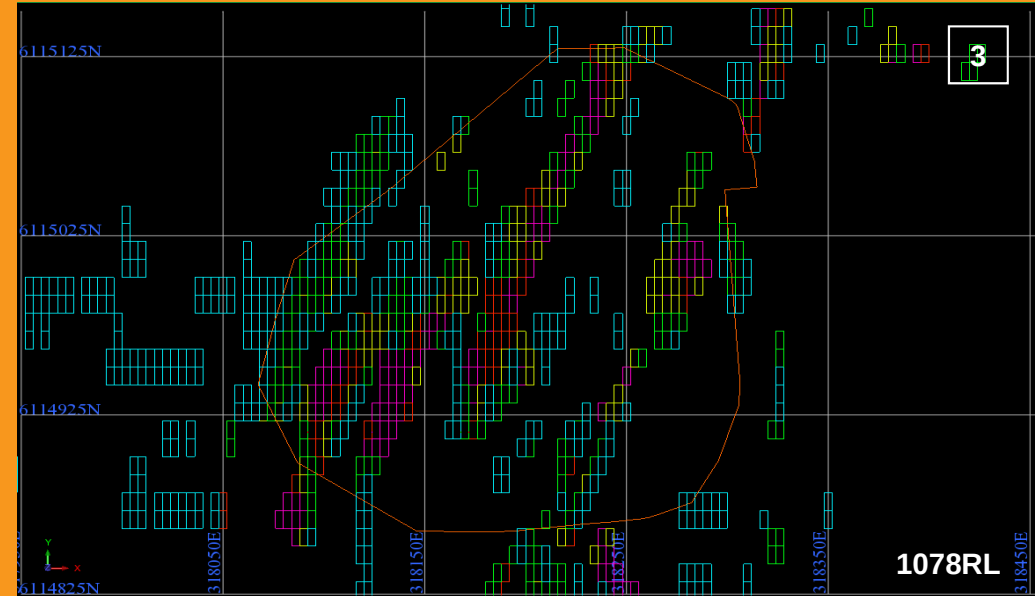
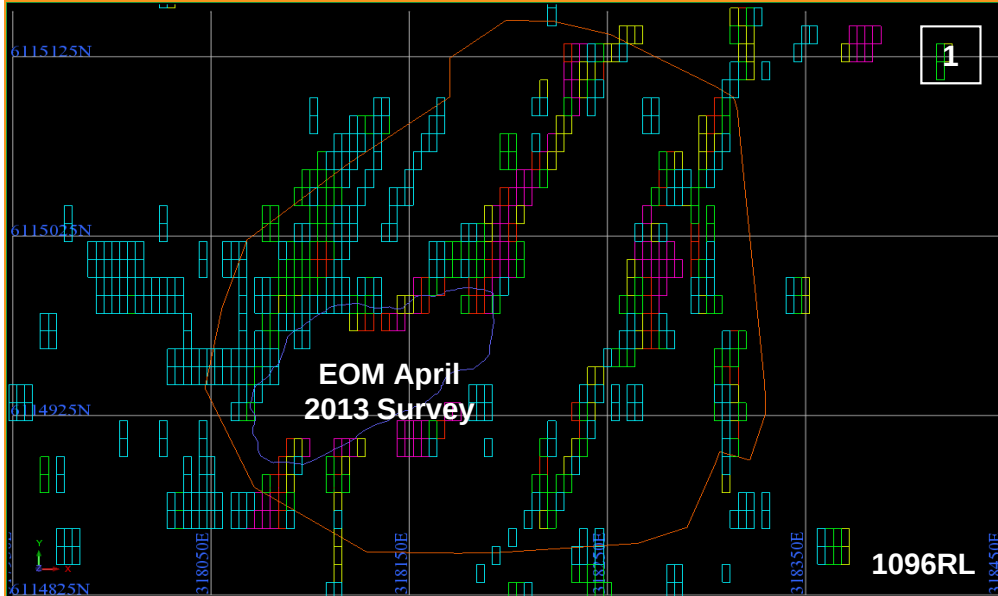


- New primary crusher installation was completed successfully in March and commissioned by early April with throughput reaching targeted 2.8Mtpa
- 3,590t of copper was produced during the quarter, in line with previous quarter, and while key improvement tasks were completed
- Ancillary crushing equipment has been removed from ROM, which directly leads to lower unit costs and a substantial increase to mill throughput
- Mining dilution and Run of Mine (ROM) mill feed in line with resource estimation, resulting in a ROM grade of 0.67% Cu
- With mill performance better than expected, blended feed to the mill (direct from pit and lower grade stockpiles) was used to ensure continuity of feed and rapid movement to LOM Plan, resulting in a mill feed grade of 0.57% Cu
- New LOM plan continues to see Kavanagh bench turnover prioritised in the next quarter to achieve consistent mill feed





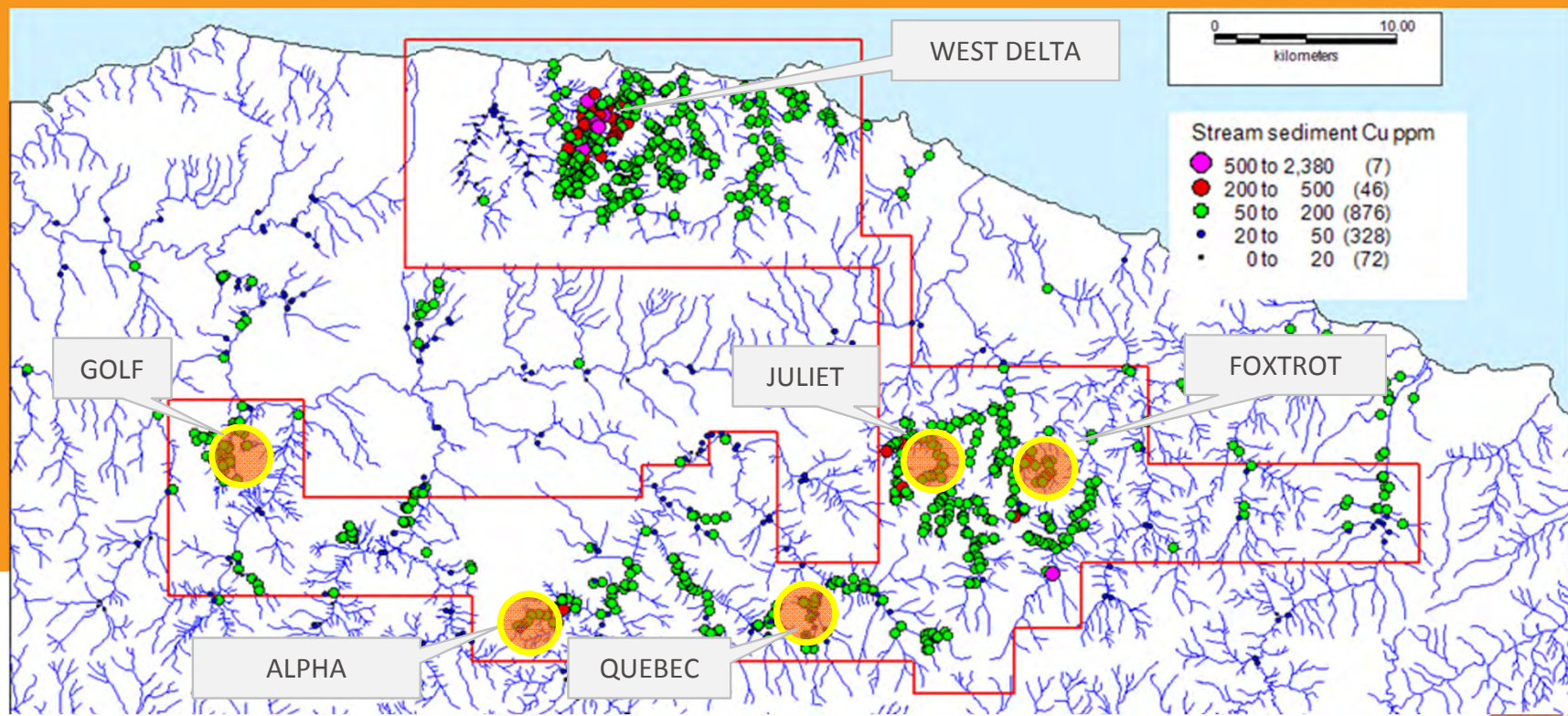
Grid 100m x 100m



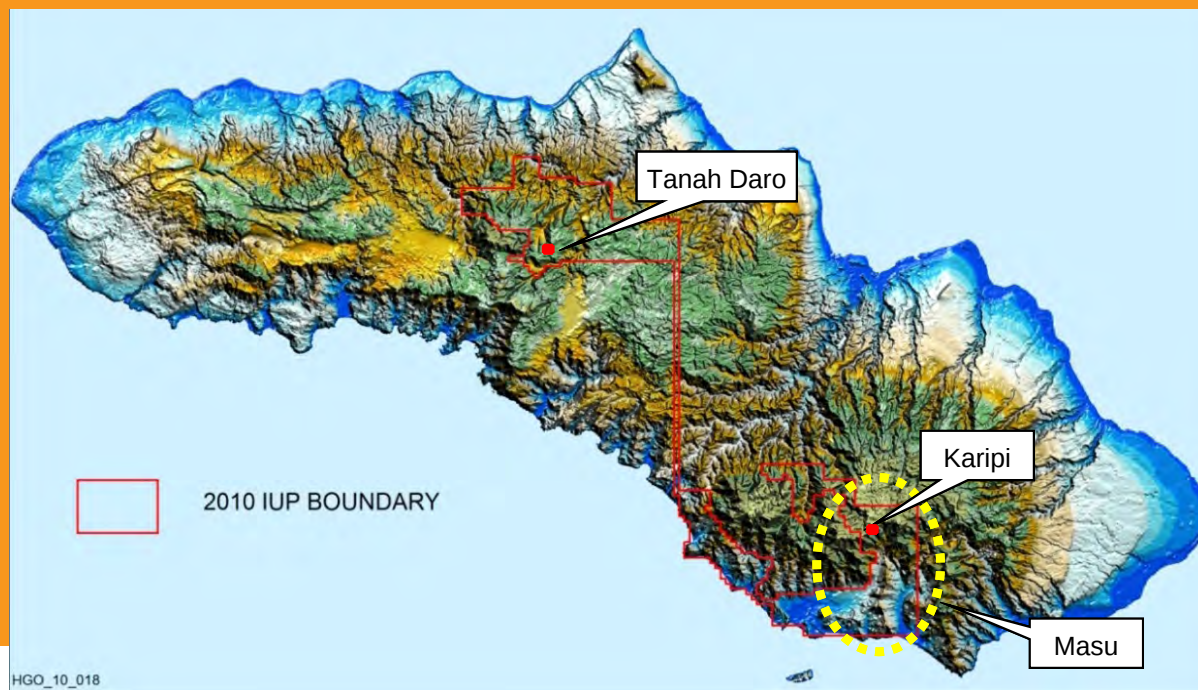
- Hillgrove has taken the decision to wind down the exploration activity at Bird's Head and Sumba:
 - majors reviewing greenfield exploration activities
 - no recognition of value of these assets by Hillgrove investors
- Based on the above, expenditure will be reduced to a minimum until cycle turns and work on these assets are recognised
- Hillgrove will continue to search for funding partners in order to progress exploration at both sites
- Confidence in both assets remains, with drilling targets identified and ready to go



- Hillgrove has an 80% beneficial interest in PT Akram through a JV Agreement
- Moving to a corporatised ownership structure – PMA conversion in progress
- IUP rights granted to March 2017 cover almost 1,000km²
- Hillgrove responsible for exploration & development activities to Decision to Mine
- Successful drilling campaign confirms widespread molybdenum mineralisation and elevated copper values consistent with near-porphyry environment



- Hillgrove has an 80% direct shareholding in PT Fathi Resources through Singapore holding structures, which has been converted to PMA status
- IUP rights granted to December 2016 cover ~1,000km² – reducing to 750km²
- Hillgrove responsible for exploration and development activities and sole funding up to Decision to Mine
- Ex-BHP project: Extensive database of previous exploration results has delineated numerous targets
- Island arc setting
- Principal targets of low sulphidation epithermal gold mineralisation throughout
- Successful drilling campaign has confirmed south coast potential for porphyry copper-gold targets



SENSITIVITIES TO REVENUE

■ AUD/USD	+/- 5%	AUD 2.8 million
■ Copper Price	+/- 10%	AUD 4.5 million
■ Gold Price	+/- 10%	AUD 0.8 million

GUIDANCE FOR FY2014

Production

■ Concentrate	75,000 – 80,000 dry metric tonnes
■ Copper	18,000 – 20,000 tonnes
■ Gold	5,000 – 6,000 ounces

Costs

■ C1 Costs	USD 2.25 – 2.50 per pound (at AUD/USD of 1.00)
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Processing Grade Outlook

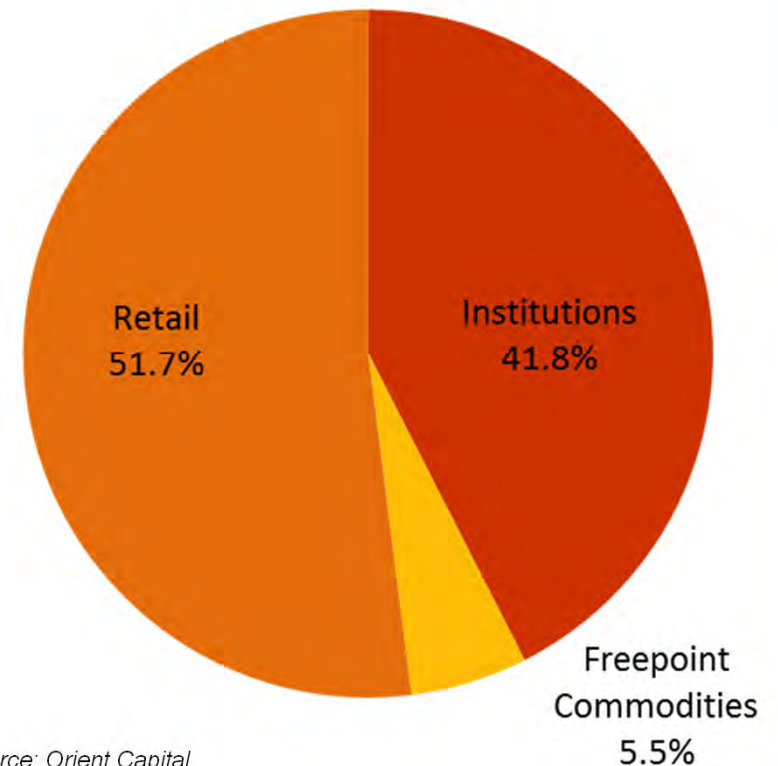
■ Average	0.75%
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- ASX listed: HGO
- Shares on issue: 1,022.8 million
- Share price: AUD0.08*
- Market capitalisation: AUD81.8 million*
- Cash and cash equivalents: AUD16.8 million*
- Debt AUD49.3 million*
- EV AUD114.3 million*
- 47% Institutional shareholders
- Top 20 shareholders own ~51%

* As at 30 April 2013

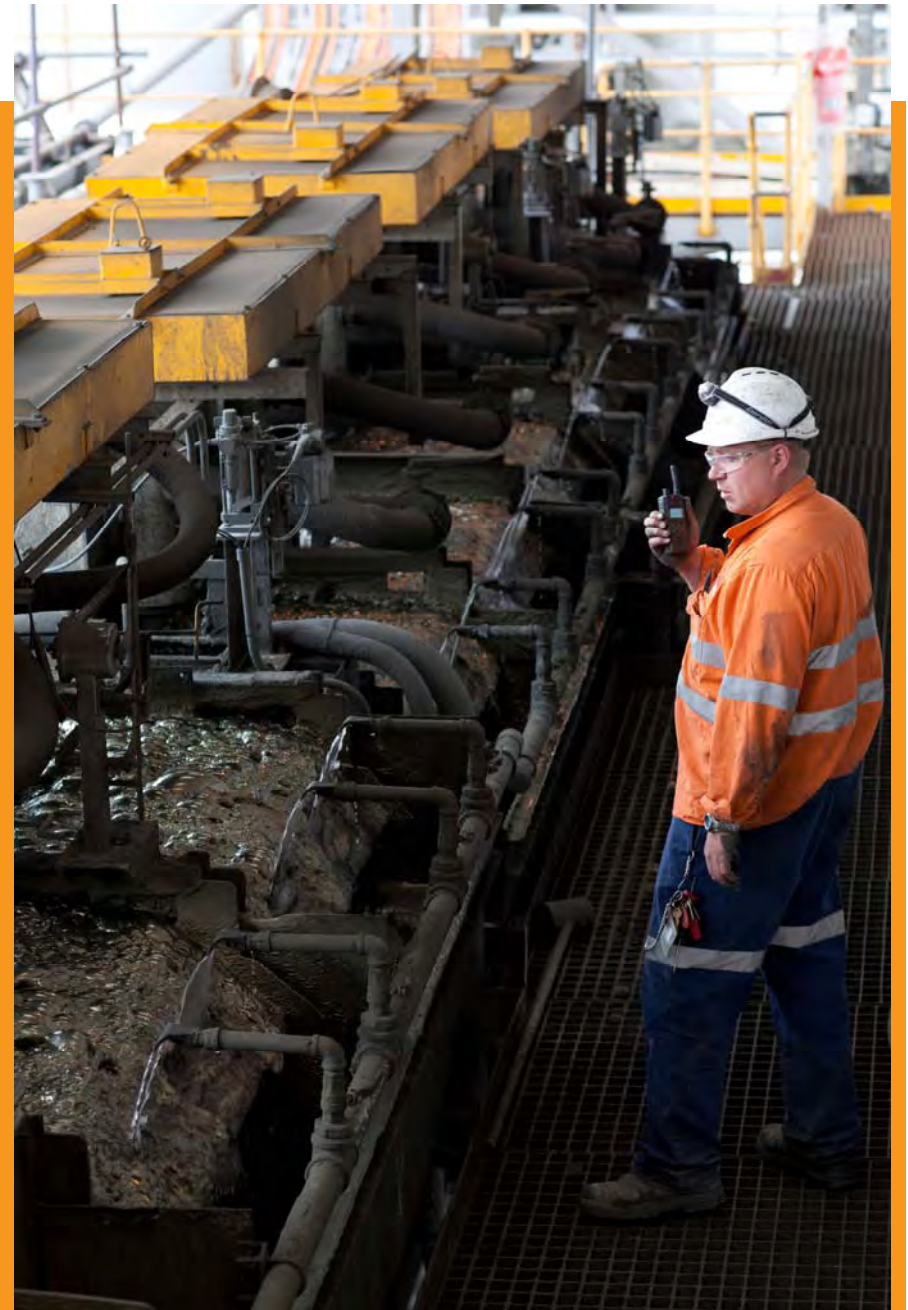
SHAREHOLDER DISTRIBUTION



Source: Orient Capital



- Revenue for the quarter was AUD29.6M at an average realised price for copper of USD3.62/lb
- Revised finance arrangements completed with new LOM implemented
- Kanmantoo is tracking as forecast through crusher changeover and remains set to meet guidance for FY14
- Positive cash generation in FY14, with copper price certainty as a result of strong copper hedge book
- New Resource and Reserve on track



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All currency referred to is Australian Dollars (AUD) unless otherwise indicated.

Hillgrove has a 31 January Year End, therefore quarter references are Q1 February-April, Q2 May-July, Q3 August-October and Q4 November-January.



The information in this release that relates to Exploration Results and Exploration Targets for the Kanmantoo Copper Mine is based upon information compiled by Mr Steven McClare, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr McClare is a full-time employee of Hillgrove Resources Limited and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'.

The information in this report that relates to Indonesian Exploration Results and Exploration Targets is based on information compiled by Mr Adam Freeman, who is a Member of The Australian Institute of Mining and Metallurgy. Mr Freeman is the Geology Manager for Hillgrove Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'.

The Competent Persons have consented to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Information that relates to Mineral Resources and Ore Reserves is based on previously released reports:

- 2012 Resource Statement by AMC Consultants Pty Ltd compiled by Mr Aaron Meakin as released to the ASX on 31 May 2012;
- 2010 Ore Reserve estimates by Mining and Cost Engineering Pty Ltd compiled by Mr Geoff Davidson as released to the ASX on 4 May 2010.

Hillgrove Resources Limited confirms in this announcement that it is not aware of any new information or data that materially affects the information included in the previously released reports. In the case of estimates of Mineral Resources or Ore Reserves, the company confirms that all material assumptions and technical parameters underpinning the estimates in the previously released reports continue to apply and have not materially changed.

