

HILLGROVE
RESOURCES



COMPANY UPDATE – MINING 2013 CONFERENCE

GREG HALL  **CEO & MANAGING DIRECTOR**
25 OCTOBER 2013  **BRISBANE**



■ Production and cash flow in Australia

Kanmantoo Copper Mine
(100% owned), South Australia

■ Rim-of-Fire exploration in Indonesia

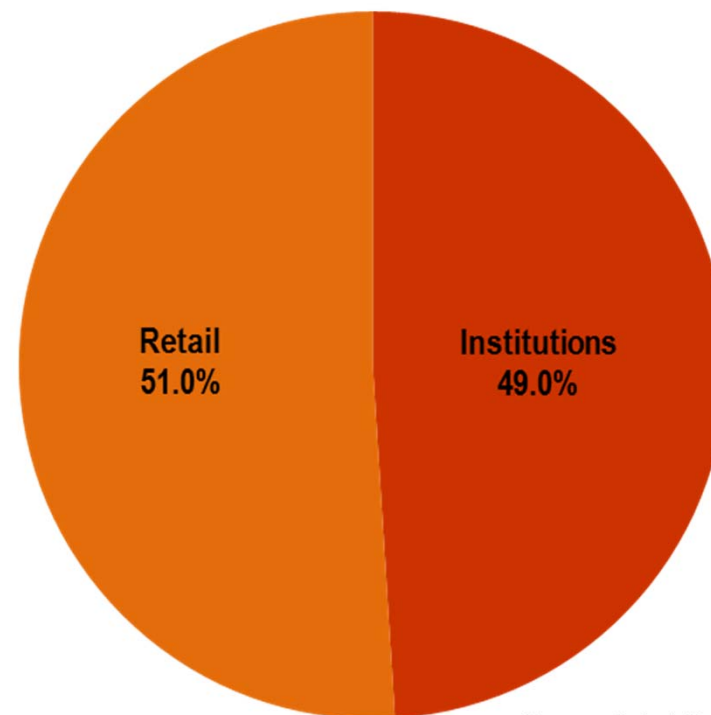
Sumba gold project (80% owned)

Bird's Head copper/gold project
(80% owned)



- ASX listed: HGO
- Shares on issue: 1,178.6 million*
- Share price: AUD0.087*
- Market capitalisation: AUD102.5 million*
- Cash and cash equivalents:
AUD17.1 million @ 31 July
- Debt AUD48.1 million @ 31 July
- 49% Institutional shareholders*
- Top 20 shareholders own ~51.6%*

SHAREHOLDER DISTRIBUTION



Source: Orient Capital

* As at 24 October 2013 unless specified above for the most recent reporting period

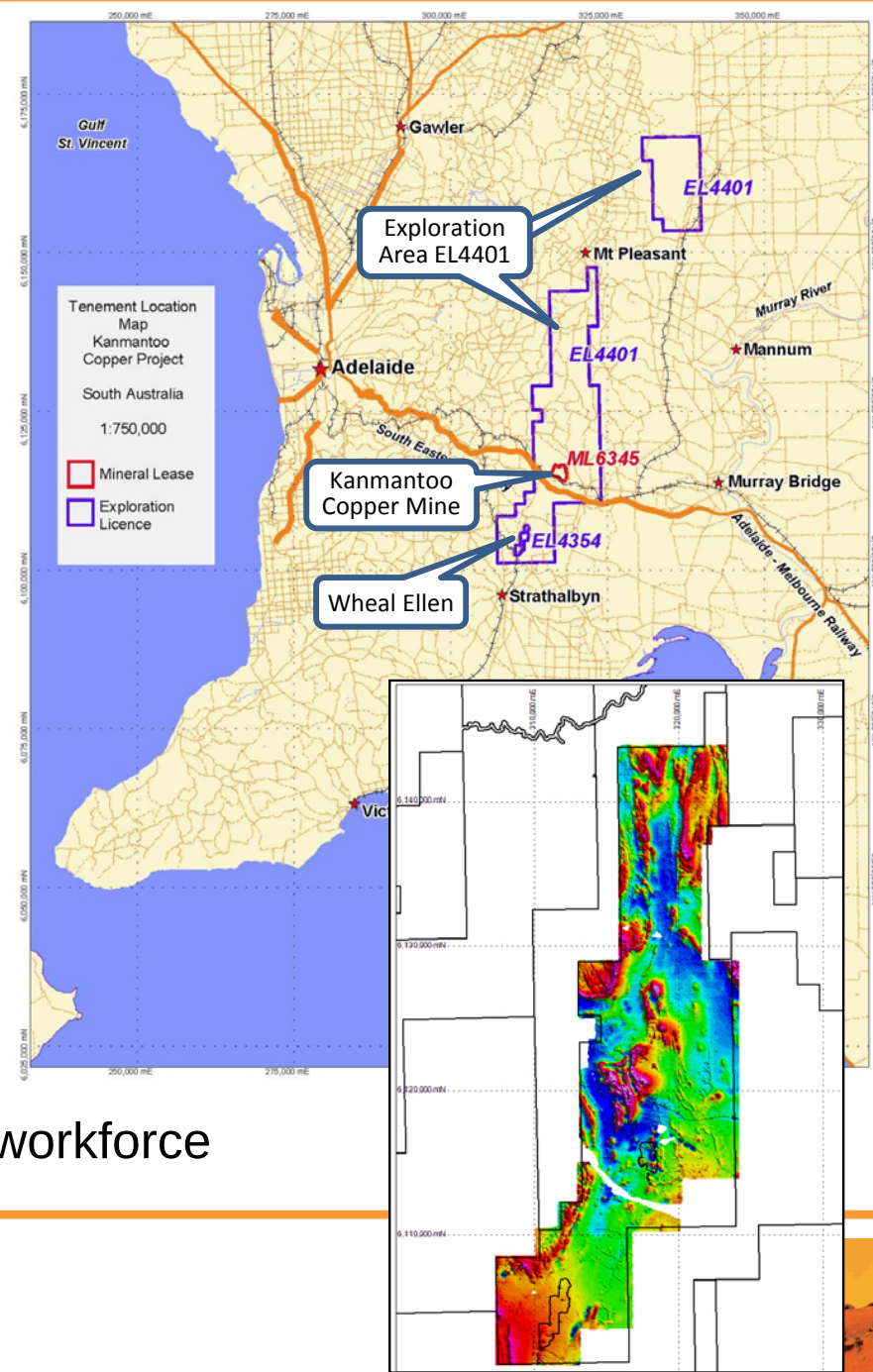


- New Life of Mine plan developed Nov 2012
- Second half profit of A\$2.9M announced March 2013
- Successful installation of new primary crusher in April 2013, improving reliability and throughput from 2.4Mt pa to above 2.8Mt pa
- Reduction in exploration and corporate costs
- Mutual termination of Kanmantoo Mining Services contract executed in late July 2013, with the support and approval of Hillgrove's finance partners
- Successful transition to combination owner operated and specialised contractors during Aug / Sept – rapid establishment of new mining team
- 7,040 tonnes of copper in concentrate in first half of financial year, with FY14* guidance of 16,500 to 18,000t of copper
- End July Half Year net profit after tax of \$4.0M and EBITDA of \$18.6M
- Kanmantoo Insitu Resource of 29.5Mt @ 0.80% Cu, including 4.1Mt added from 2012 drilling – mine life 10 years
- Successful \$10.8m capital raising to finalise contract payment and add working capital

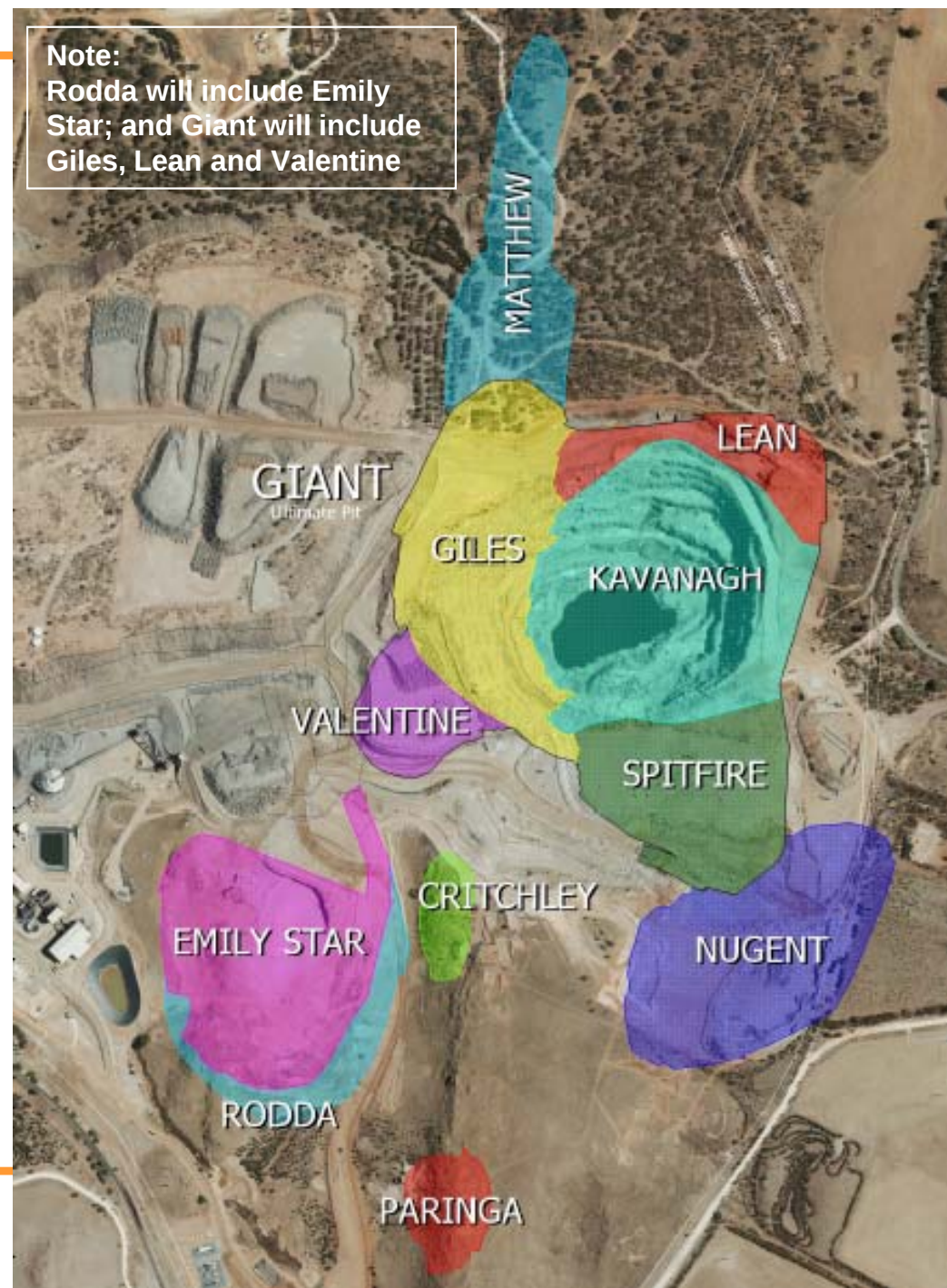
* Note: Hillgrove Financial Year refers to the period 1 Feb to 31 Jan

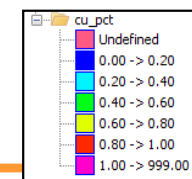


- 100% owned by Hillgrove
- 55km from Adelaide, South Australia
- Mining Lease is within 500km² Exploration License, and relatively unexplored
- Exploration potential considered high
- The project enjoys commensurate capital cost advantages
 - ❑ Close to power (National Grid)
 - ❑ Recycled water pipeline
 - ❑ 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

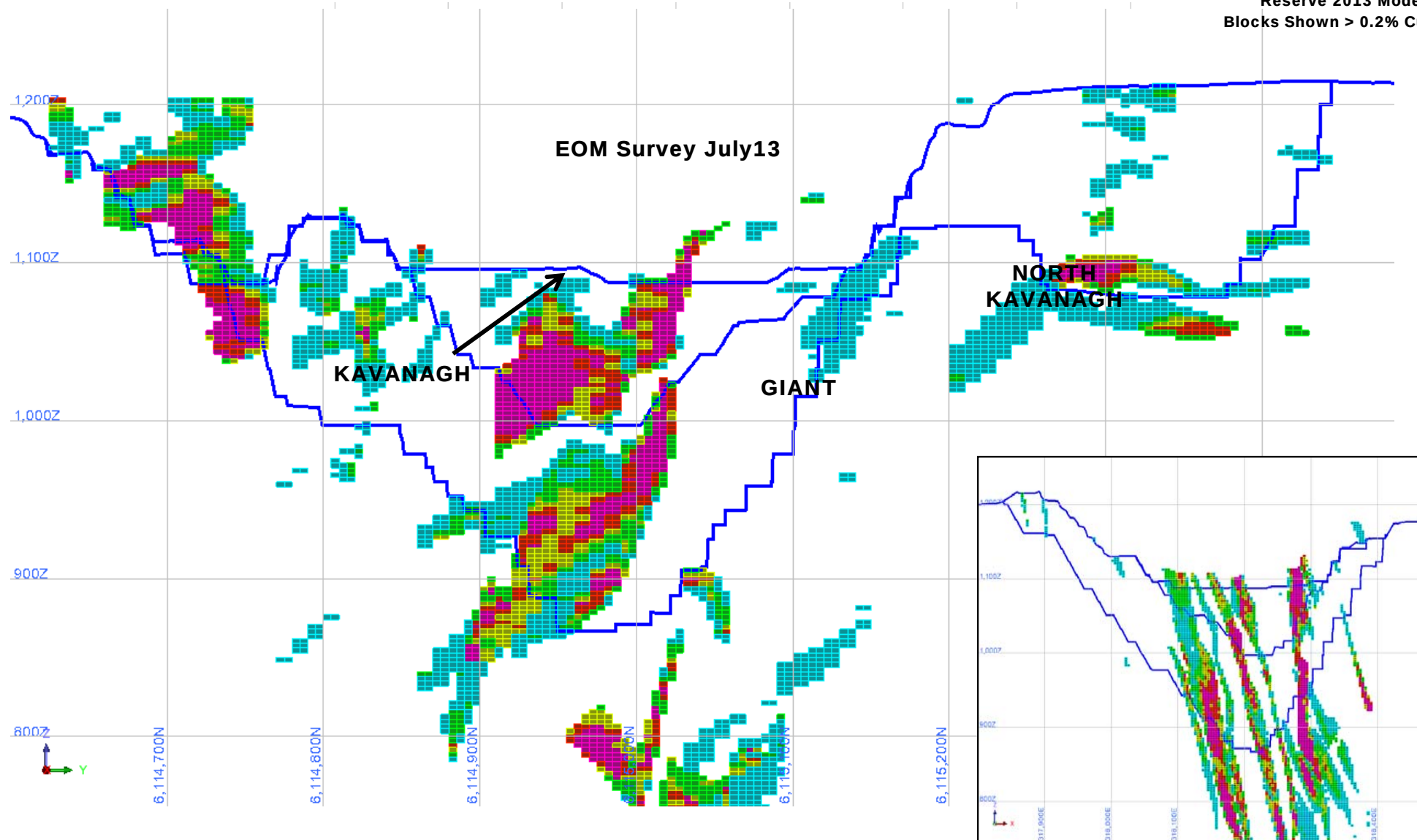


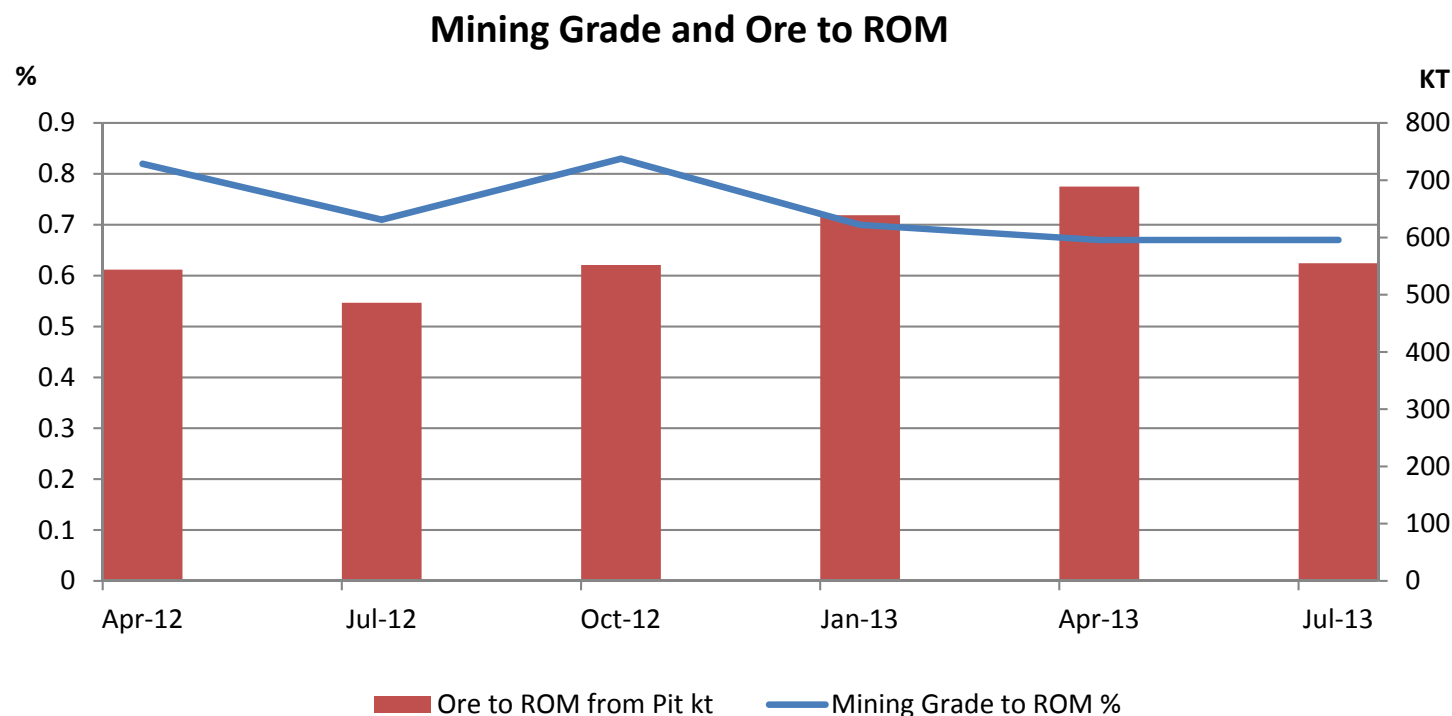
- LOM plan encompasses immediate resource areas – targeting 10 year life of operations
- Mining performance currently focussed on Kavanagh pit, with mining below old pit in main HG part of orebody
- Nugent under pre-strip operations, to be followed by Emily Star





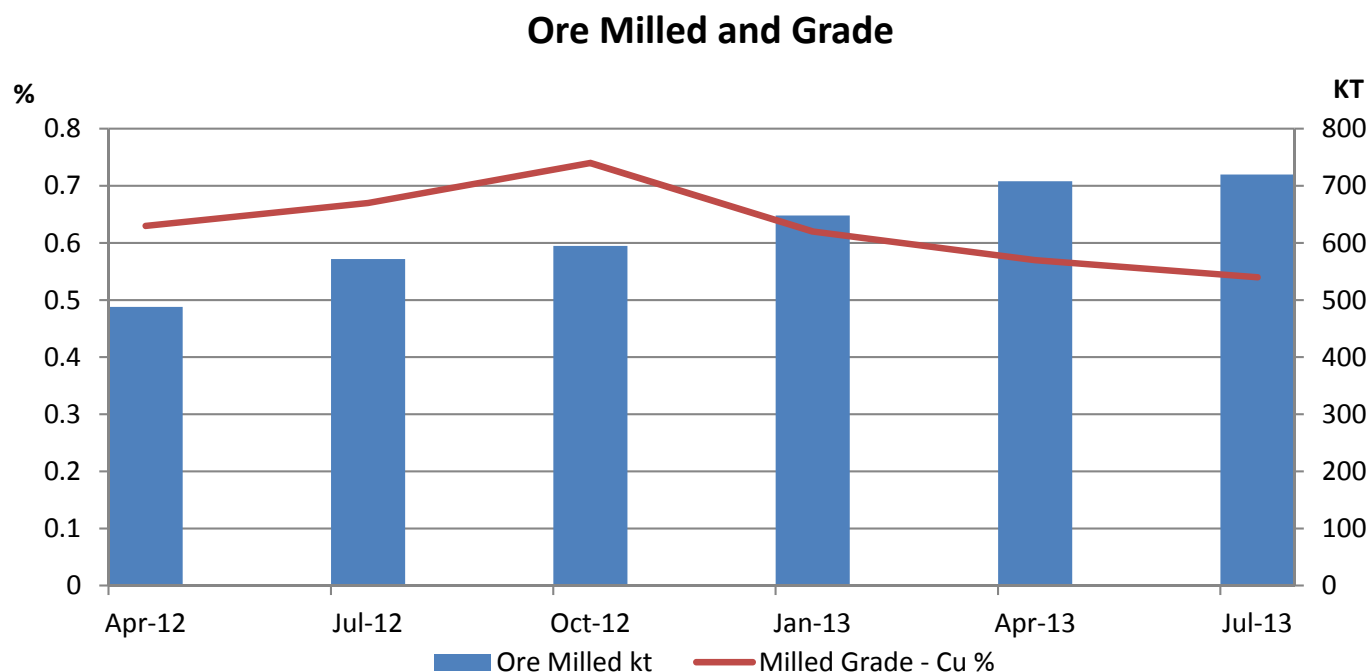
Reserve 2013 Model
Blocks Shown > 0.2% Cu





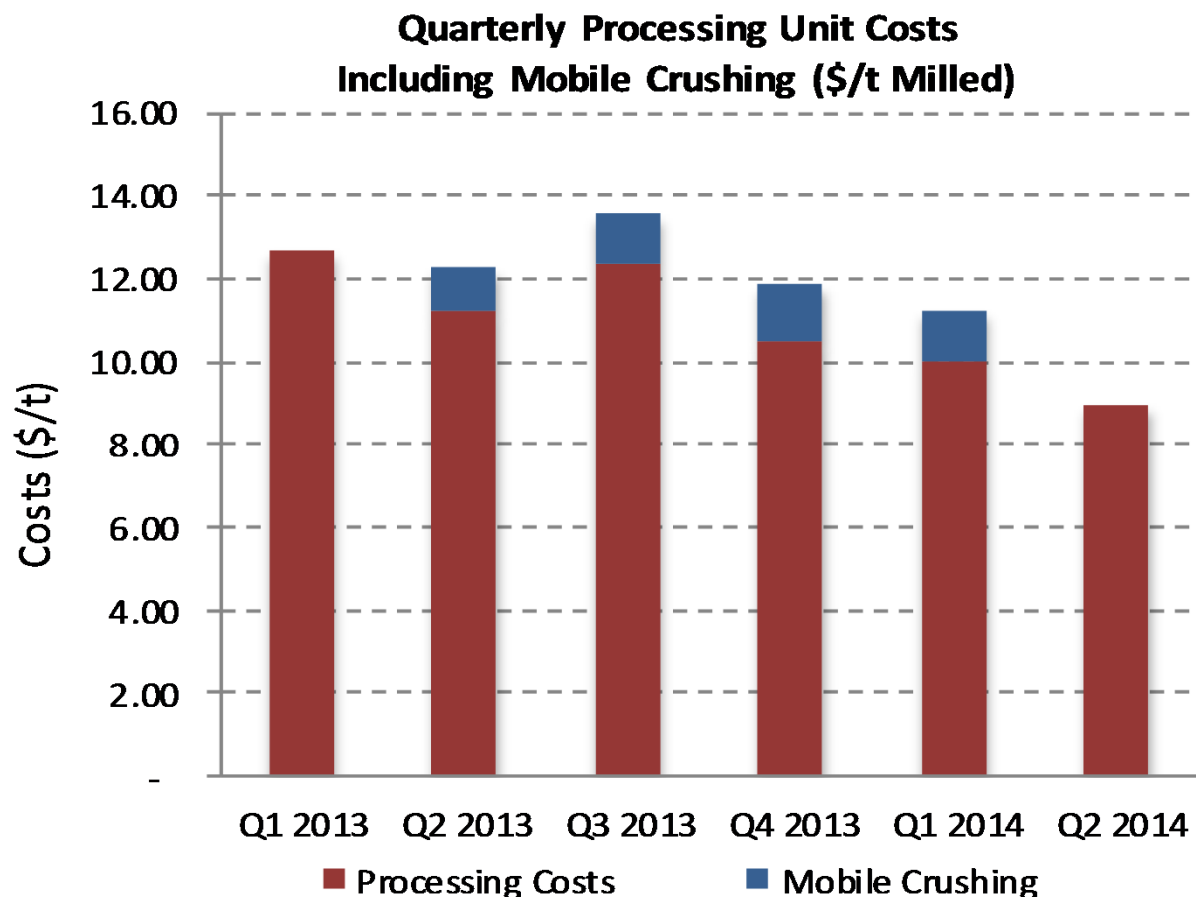
- ROM mill feed in most recent quarter was impacted by weather and the mining services changeover – copper grade of 0.67% in line with resource area mined
- New mining fleet ramp up commenced on 7 August 2013, with focus on quality mining to control dilution, and improving productivity rates
- Improving ore grades now flowing through this quarter





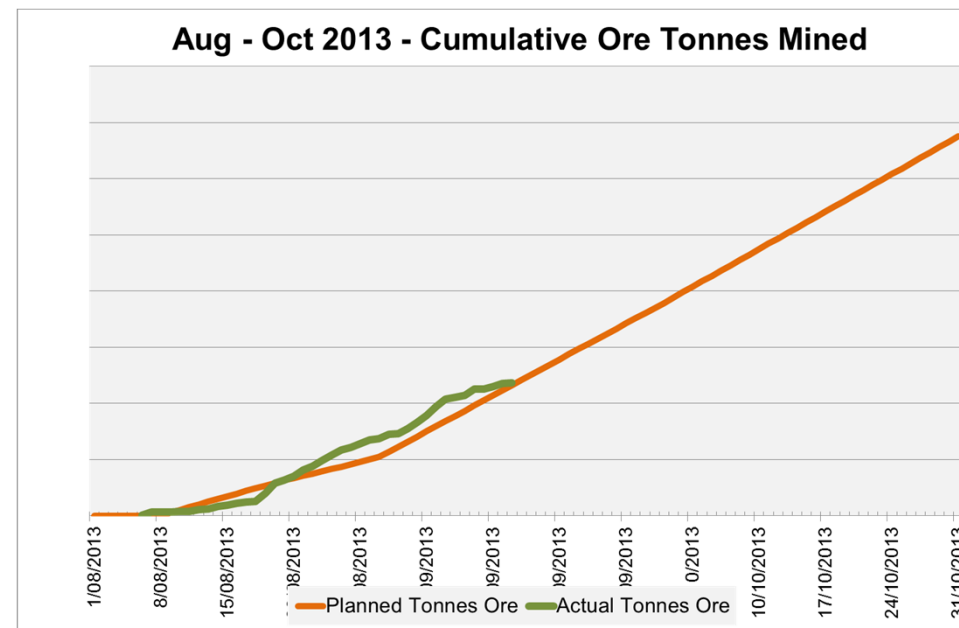
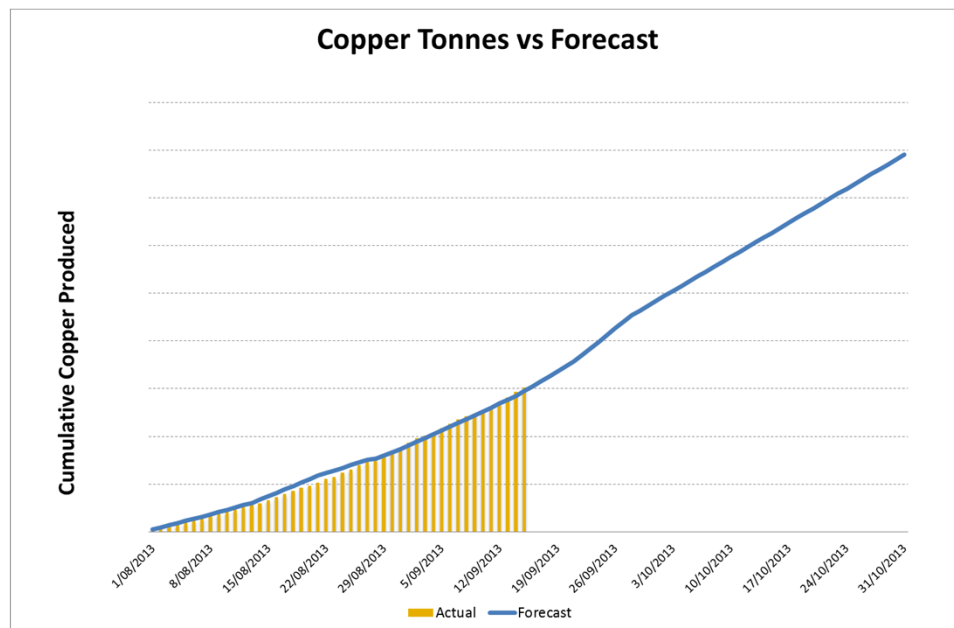
- Mill and wet plant continue to perform well
- Blended feed to mill (direct from pit and lower grade stockpiles) used to ensure maximum copper production in last quarter and during mining changeout, resulting in a milled copper grade of 0.54% previous quarter
- This month new daily records were achieved of +10,800 tonnes milled and ~89 tonnes copper in concentrate





- C1 cash costs of production were down to USD2.40/lb (using an average AUD/USD exchange rate of 0.95)
- Due to removal of additional equipment from ROM for much of the quarter and a reduction in operating costs, in particular processing
- Average exchange rate has continued to influence C1 costs positively on a USD basis with the C1 cost in AUD terms of \$2.53/lb





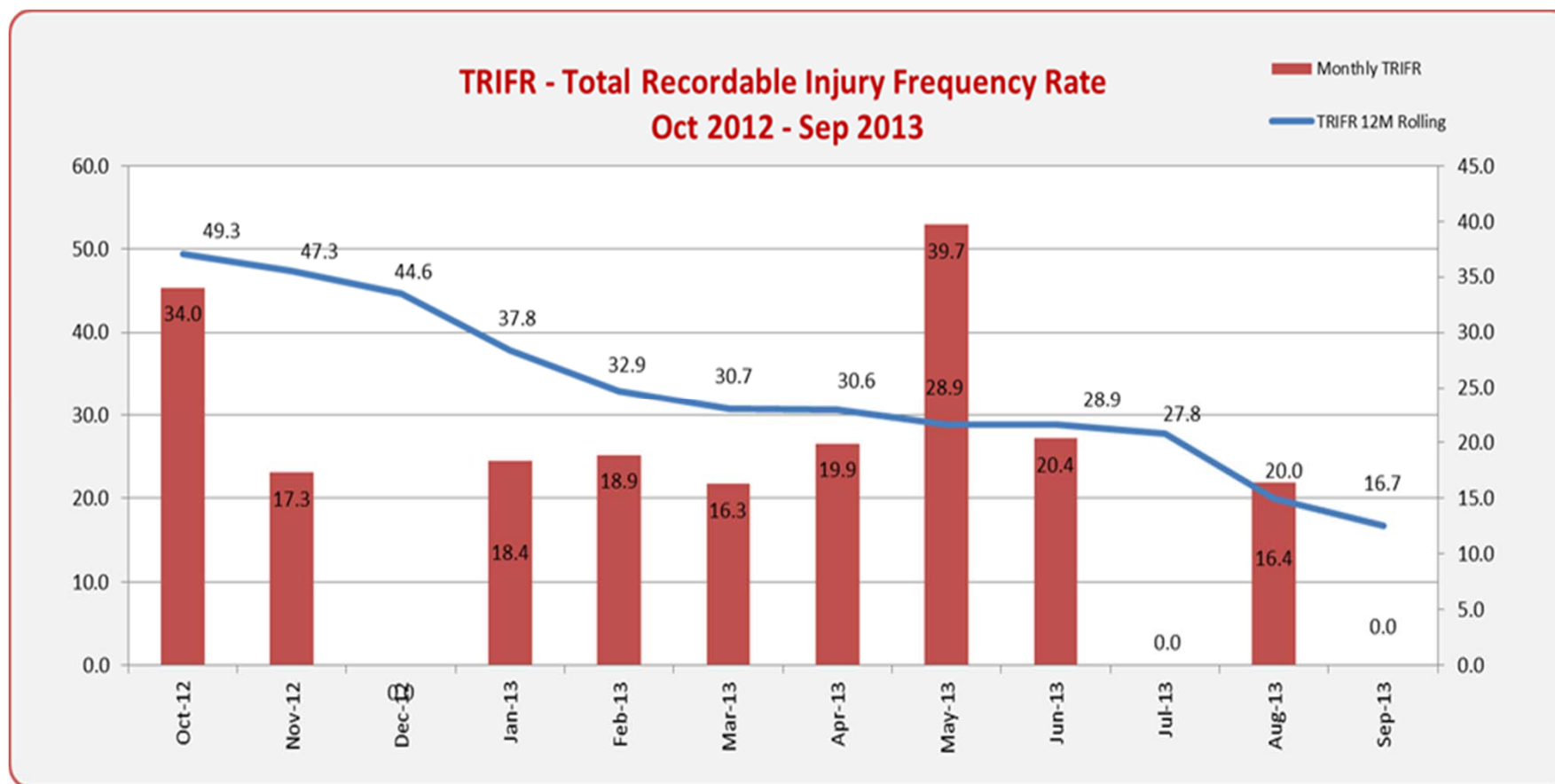
- Copper tonnes produced and ore tonnes mined during the transition period and continuing into October has been in line with guidance for FY14* production
- Combination of owner operated and specialised contractors provides mining quality control and productivity enhancements

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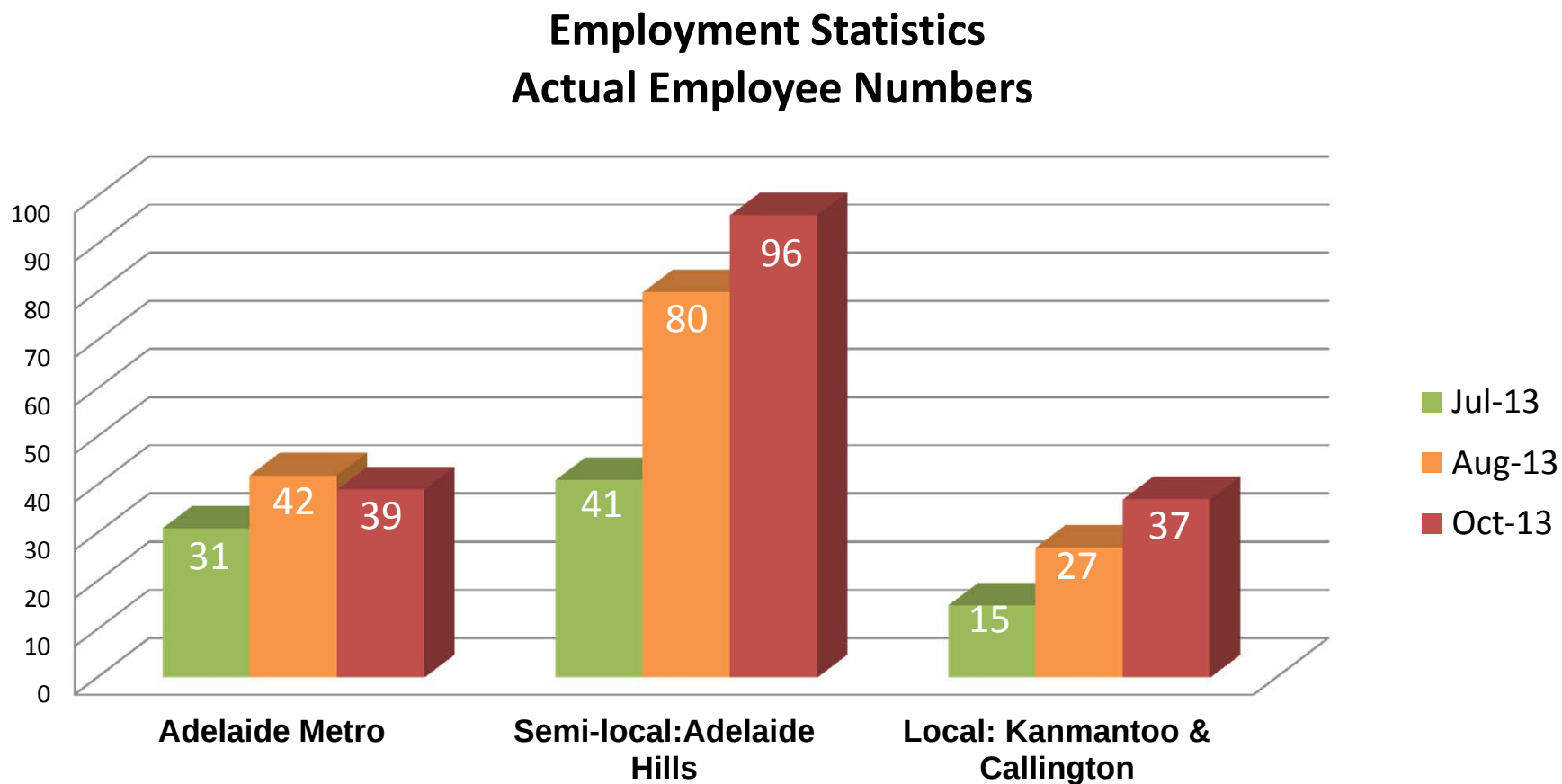
- Improvement in mining productivity and increased material movements (ramping up from 400k to ~600k BCM by February 2014)
- Reduction in mining cost per tonne of material moved through
 - ❑ Improvements to drilling accuracy
 - ❑ Increased blasting efficiency
 - ❑ Larger reliable excavators
 - ❑ Multiple working areas
 - ❑ Improvements to pit wall design
- Reduction in processing cost per tonne through
 - ❑ Refined engineering design and pump capability
 - ❑ Use of bulk delivery for concentrated lime
 - ❑ Installation of an instream analyser system
- Project engineering design for controlled potential sulphidisation (metallurgy testing to feasibility standard is complete) to allow profitable processing of 1Mt of oxide stockpile





- Enhanced focus on safety, inductions, training and skills assessment through the establishment of new mining operations
- A continuing trend of safety performance across the site





- 77% of staff have been recruited from the Adelaide hills and local townships
- Supports the region and OHS by reducing travel times for new employees



	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
In Situ Resource	Measured	2.63	0.88	0.10	1.95
	Indicated	21.77	0.82	0.23	2.21
	Inferred	5.0	0.67	0.13	1.79
		29.46	0.80	0.20	2.11
Long Term Stockpiles	Measured	1.39	0.46	N/A	N/A
	Indicated	0.50	0.18	N/A	N/A
		1.89	0.39	-	-
Total		31.30	0.78	0.20	2.11

- 2013 Mineral Resource Estimate is similar in tonnes to the 2012 Mineral Resource Estimate and slightly lower in grade due to the following key factors:
 - ❑ Additional 4.1Mt largely a result of new data from 141 drillholes drilled in 2012
 - ❑ 1.89Mt of stockpile
 - ❑ Depletion due to mining of 2.1Mt and reduction of 3.7Mt due to more conservative application of economic constraints being applied to the model
 - ❑ Slightly lower overall grade due mainly to lower operating costs allowing a reduced economic cut off, and the grade of additional Resource tonnes added



- Revenue for the half was AUD58.6 million at an average realised price for copper of AUD3.50/lb
- A revision of C1 costs for 12 months to 31 July 2013 was undertaken, resulting from an adjustment as a result of settlement with the previous mining contractor
- C1 costs for the quarter were USD2.40 per pound
- C3 costs for the quarter were USD3.19 per pound



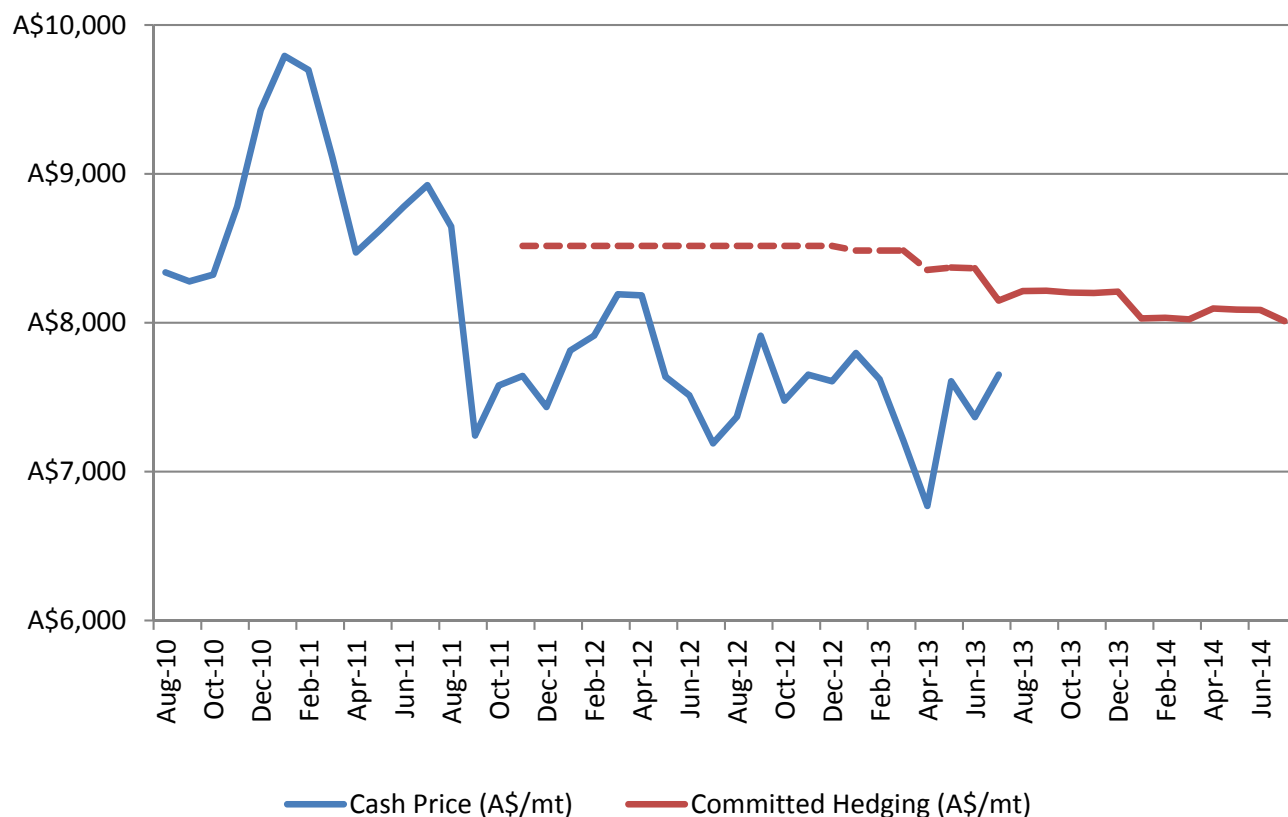
View of Kavanagh Pit showing base of old Kanmantoo Mine pit and the original Kanmantoo Pit wall .



- Strong copper prices realised and expected to continue due to improved AUD/USD exchange rate and Hillgrove's robust hedge book
- Guaranteed sales outlet through LOM off-take contract with Freeport Commodities
- Half year FY14 profit: net profit after tax of \$4.0M and EBITDA of \$18.6M
- Cash and cash equivalents of \$17.1M (31 July 2013)
- Debt Facilities of \$48.1M (31 July 2013)
 - Project finance of \$30.0M (Kanmantoo)
 - Gold loan of \$8.1M (Kanmantoo)
 - Mezzanine facility of \$10.0M (Corporate)
- Significant free cash flows generated will enable Debt Facilities to be paid down before end of calendar year 2015 as scheduled payments
- Capital raise provided prudent capital flexibility given (i) new mining operations, (ii) transition period reducing full production, (iii) adding back to cash at project level following settlement payments and (iv) continued maintenance of an appropriate buffer given Hillgrove's debt arrangements and restricted cash



Hillgrove AUD Copper Position



- Strong hedge book provides certainty for cashflows and revenue in future periods
- Approximately 38,000 tonnes of copper swaps
- 65-70% of forecast copper production hedged until March 2016 at an average price ~AUD7,950/tonne



Sensitivity (Annual)

- AUD/USD +/- 5% AUD 2.1 million
- Copper Price +/- 10% AUD 4.0 million
- Gold Price +/- 10% AUD 0.9 million

Production (Copper)

- FY14 16,500 – 18,000 tonnes
- FY15 20,000+ tonnes

Costs

- C1 Costs USD 2.25 – 2.50 per pound (at AUD/USD of 1.00)



- Strength of new owner-managed operation
 - Focus on input costs, dilution and mine to mill efficiency
 - Increasing grade to mill, and maximising plant throughput
- Focus on increased copper production, cost management, cashflow and profitability to enhance shareholder value
- Scheduled repayment of debt
- Step-up program for mining to match future stripping requirements
- Operational cost and productivity improvements through smart engineering and evaluation
- In time, organic growth at Kanmantoo, with potential for future exploration in region
- Extract value from well established Indonesian projects



For further information please contact:

- Greg Hall, CEO and Managing Director

Suite 1709 Australia Square
Level 17, 264 George Street
Sydney NSW 2000

- E: info@hillgroveresources.com.au

- T: 61 2 8247 9300



ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on the operation of the Kanmantoo Copper Mine in South Australia, and exploration on its Indonesian tenements. The Kanmantoo Copper Mine is located less than 55km from Adelaide in South Australia. With construction completed in late 2011, Kanmantoo is an open-cut mine which has now ramped up to a throughput of 2.8Mtpa, to produce approximately 80,000 dry metric tonnes of concentrate per annum.

Kanmantoo Global Mineral Resource Estimate at end February 2013

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	Total	31.30	0.78	0.20	2.11

Note: In Situ Resource > 0.20% Cu. Long Term Stockpiles > 0.15% Cu.

Competent Person's Statement

The information in this release that relates to Mineral Resources is based upon information compiled by Mrs Michaela Wright, who is a Member of The Australasian Institute of Mining and Metallurgy. Mrs Wright 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'. Mrs Wright has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

*Cautionary Statement

The Exploration Target is based on the assumption of a 50% conversion rate of the 2012 exploration drilling program on known near mine targets but is subject to future drilling success. It must be recognised that the potential tonnage and grade estimated is conceptual in nature as the target has not been drilled. It is uncertain whether further information will result in the estimation of a Mineral Resource.

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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.

