HILLGROVE
RESOURCES

Q1 AND COMPANY UPDATE

GREG HALL IIIII CEO & MANAGING DIRECTOR
RUSSELL MIDDLETON IIIII CHIEF FINANCIAL OFFICER

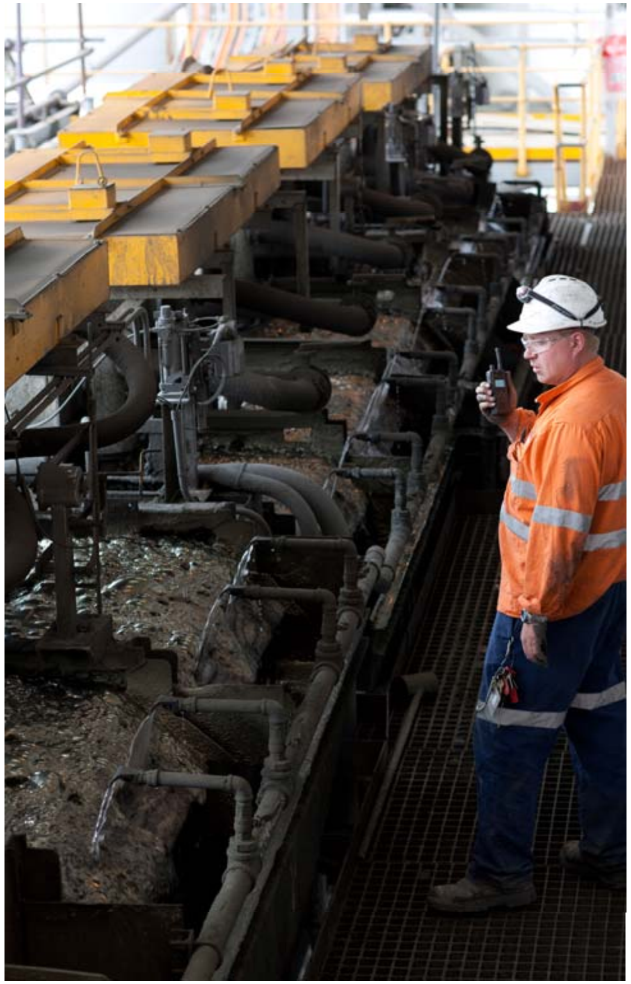
22 MAY 2014

HILLGROVE RESOURCES

COMPANY UPDATE

CORPORATE SNAPSHOT – AS AT 30 APRIL 2014

- ASX listed: HGO
- Shares on issue: 1,180.9 million
- Share price: $0.078 (21 May 2014)
- Market capitalisation: $92.1 million (21 May 2014)
- Cash and cash equivalents $14.1 million
- Debt $33.4 million
- Net Debt $19.3 million
- Tax losses carried forward circa $69 million
- Franking Account Credit $21.3 million

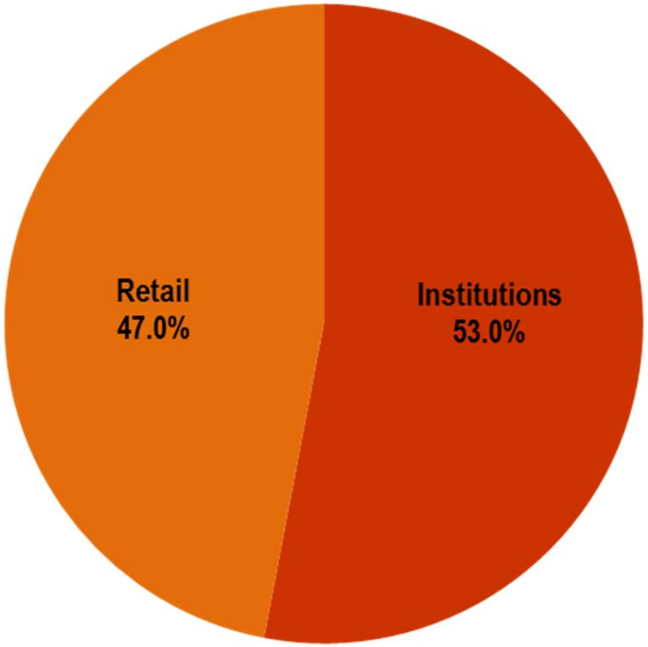


Note: all references to quarters in this presentation relate to Hillgrove financial year quarters. Hillgrove FY15 is 1 February 2014 to 31 January 2015

COMPANY OVERVIEW
TOP SHAREHOLDERS – 30 APRIL 2014

Top Shareholders	% of isc
Perennial Value Management	12.5%
Platinum Partners	8.4%
Renaissance Smaller Companies	7.4%
Colonial First State – Growth Australian Equities	5.5%
Freepoint Metals & Concentrates	4.7%
Aedos Advisers	4.3%
Dimensional Fund Advisors	3.9%
Ariadne Australia	3.9%
Total	**50.6%**

SHAREHOLDER DISTRIBUTION

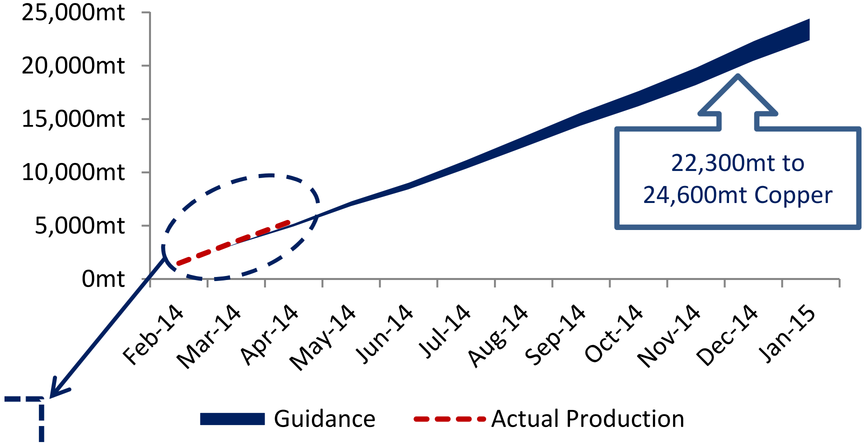


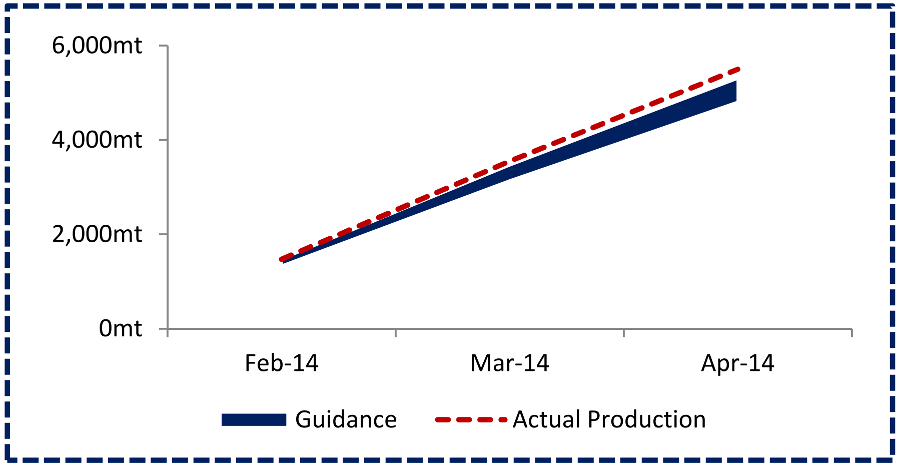
Source: HGO Register

HILLGROVE QUARTERLY PRODUCTION UPDATE

Q1 HIGHLIGHTS – MINING OPERATIONS AND PRODUCTION

- 5,554 tonnes of copper in concentrate produced for the quarter, tracking above the guidance range for year





HILLGROVE RESOURCES

HILLGROVE QUARTERLY PRODUCTION UPDATE

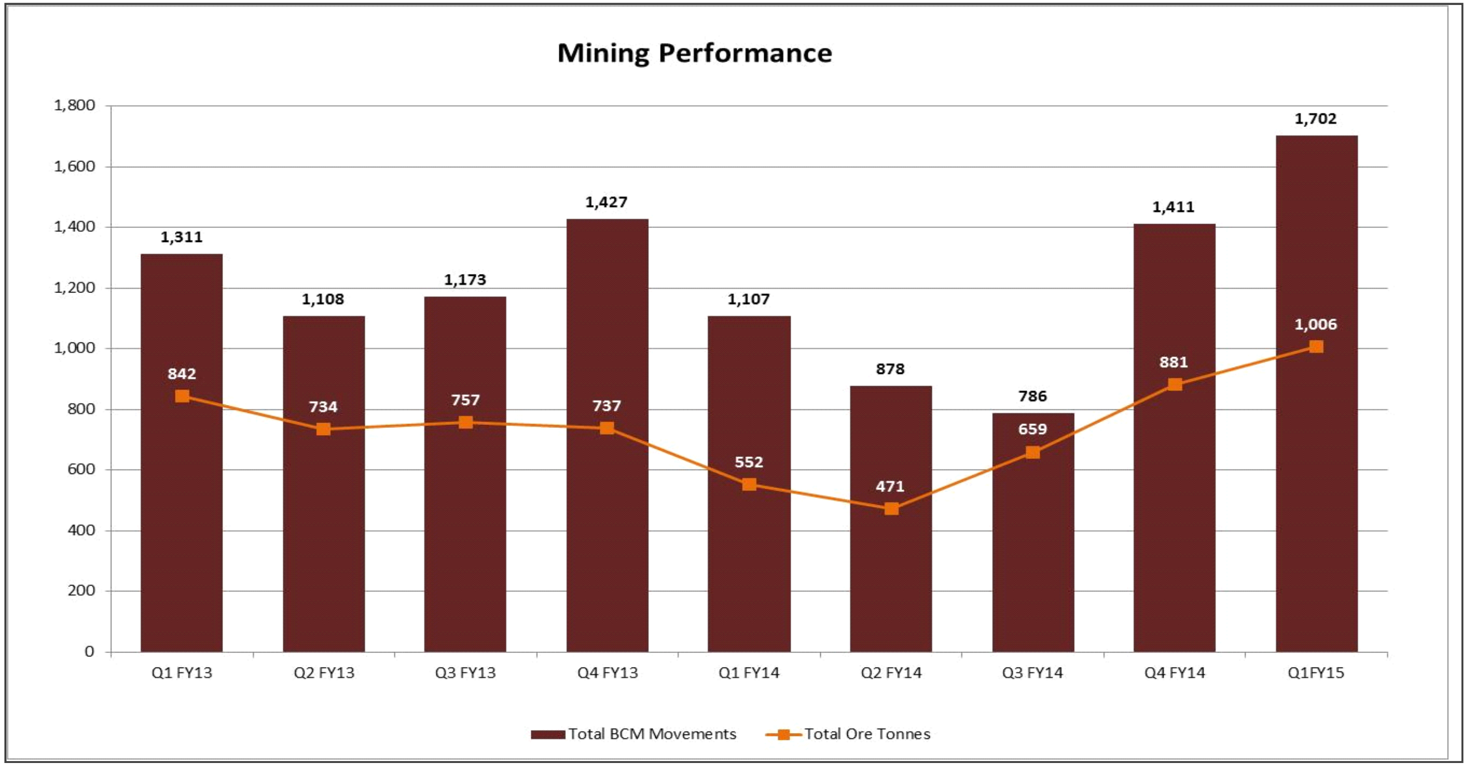
PRODUCTION OUTPUT

Period		FY 2013 to Jan 2013	FY2014 to Jan 2014	Jan-14 QTR	Apr-14 QTR
Ore to ROM from Pit	kt	2,221	2,633	733	**812**
Ore to/(from) long term stockpiles	kt	849	(70)	148	**169**
Mined Waste	kt	11,777	10,027	3,483	**4,164**
Total Tonnes Mined	kt	14,847	12,922	4,362	**5,259**
Mining Grade to ROM	%	0.76	0.71	0.85	**0.87***
Ore Milled	kt	2,303	2,944	760	**757**
Milled Grade - Cu	%	0.66	0.64	0.83	**0.80***
- Au	g/t	0.16	0.12	0.11	**0.10**
- Ag	g/t	2.96	2.86	3.12	**2.83**
Recovery - Cu	**%**	89.9	90.7	92.4	**92.1**
- Au	**%**	54.7	52.9	48.5	**52.0**
- Ag	**%**	55.4	49.0	58.0	**56.5**
Cu Concentrate Produced	Dry mt	56,431	75,423	25,053	**24,335**
Concentrate Grade - Cu	%	24.4	22.8	23.3	**22.8**
- Au	g/t	3.6	2.5	1.6	**1.7**
- Ag	g/t	67.0	54.8	54.8	**49.7**
Contained Metal in Concentrate - Cu	t	13,744	17,184	5,838	**5,554**
- Au	oz	6,570	5,962	1,279	**1,327**
- Ag	oz	121,656	132,854	44,151	**38,864**
Total Concentrate Sold	Dry mt	56,526	74,051	24,814	**24,425**

**Ore grade to ROM is undiluted based on the blockout model within pit (calculated after blast hole samples and after grade control have blocked out ore to be mined). Ore dilution from blockout to Rom was 10.2% for the quarter. Ore grade milled includes the quarter dilution, with a slight variation due to opening and closing ROM calculations.*

- Record quarter for total tonnes mined
- Record quarter for ore to ROM mining production
- Record quarter for mined grade
- Continued consistent copper recovery of 92.1%
- Consistent mill throughput and performance

HILLGROVE QUARTERLY PRODUCTION UPDATE
IMPROVED MINING PRODUCTION OUTPUT



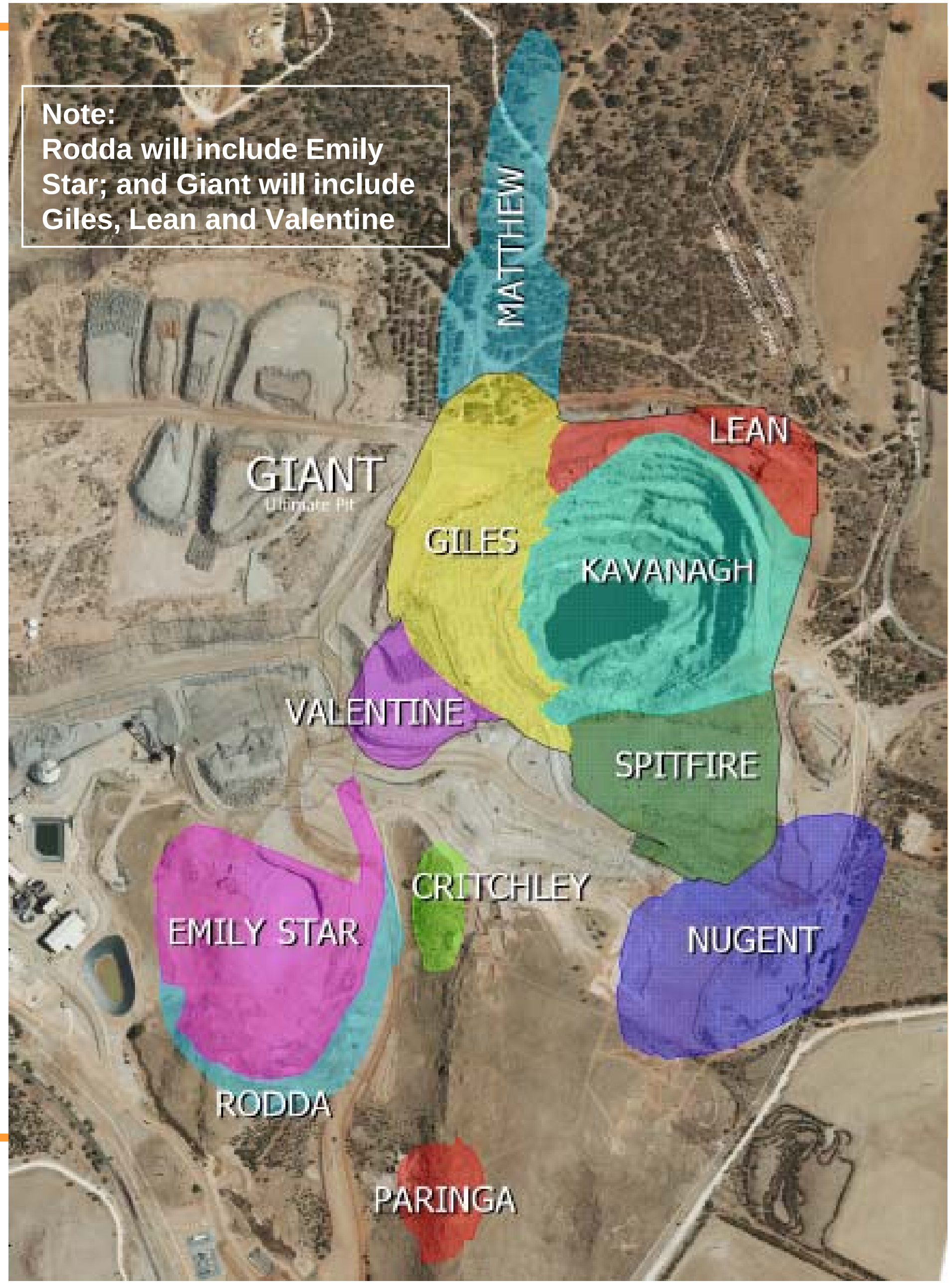
Note: The chart above includes total Bank Cubic Metres (BCM) mined, and total ore tonnes (kt) mined. Total BCM mined of 1,702k is equivalent to 5,259kt

- New Liebherr excavators, multiple pits, and other productivity improvements lifting mining rates to planned level up to ~600k bcm per month

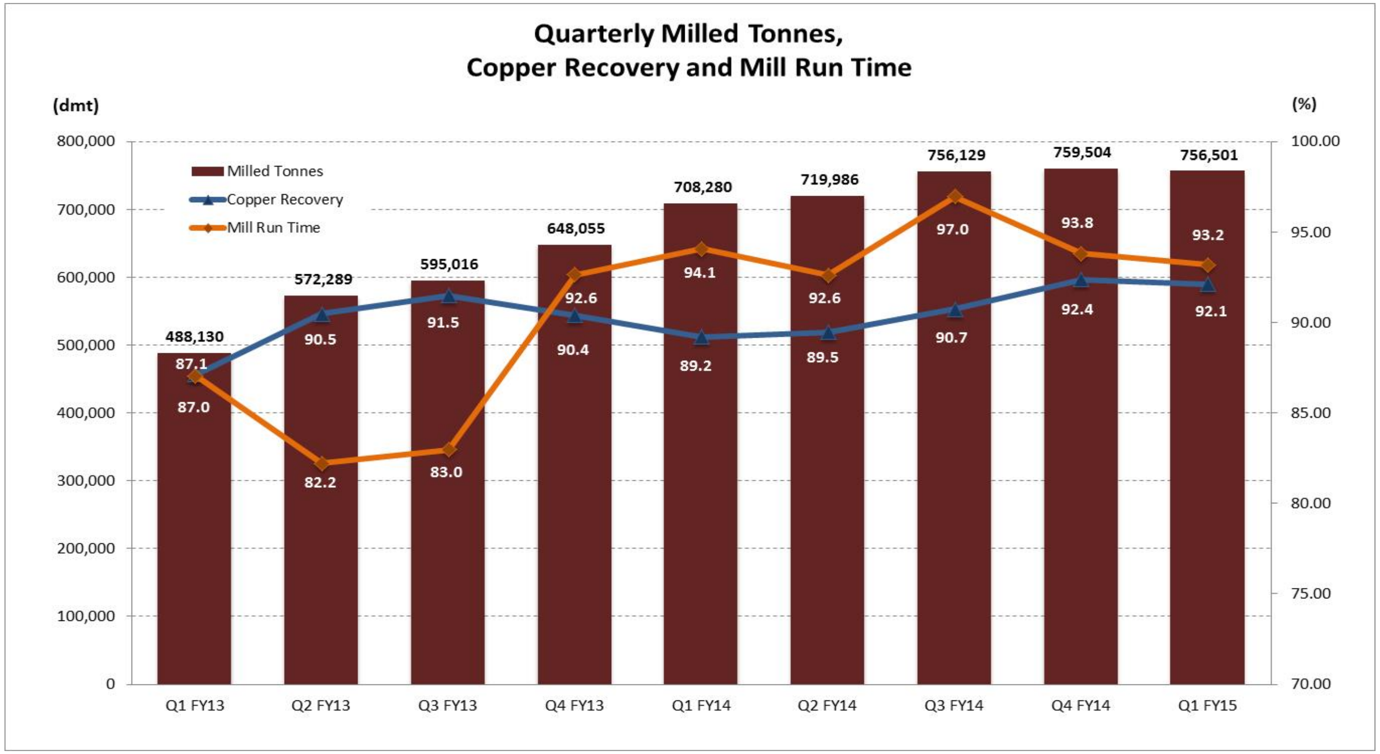
HILLGROVE RESOURCES

HILLGROVE QUARTERLY PRODUCTION UPDATE

MINING OPERATIONS AND PRODUCTION



HILLGROVE QUARTERLY PRODUCTION UPDATE
ORE MILLED AND FEED GRADE



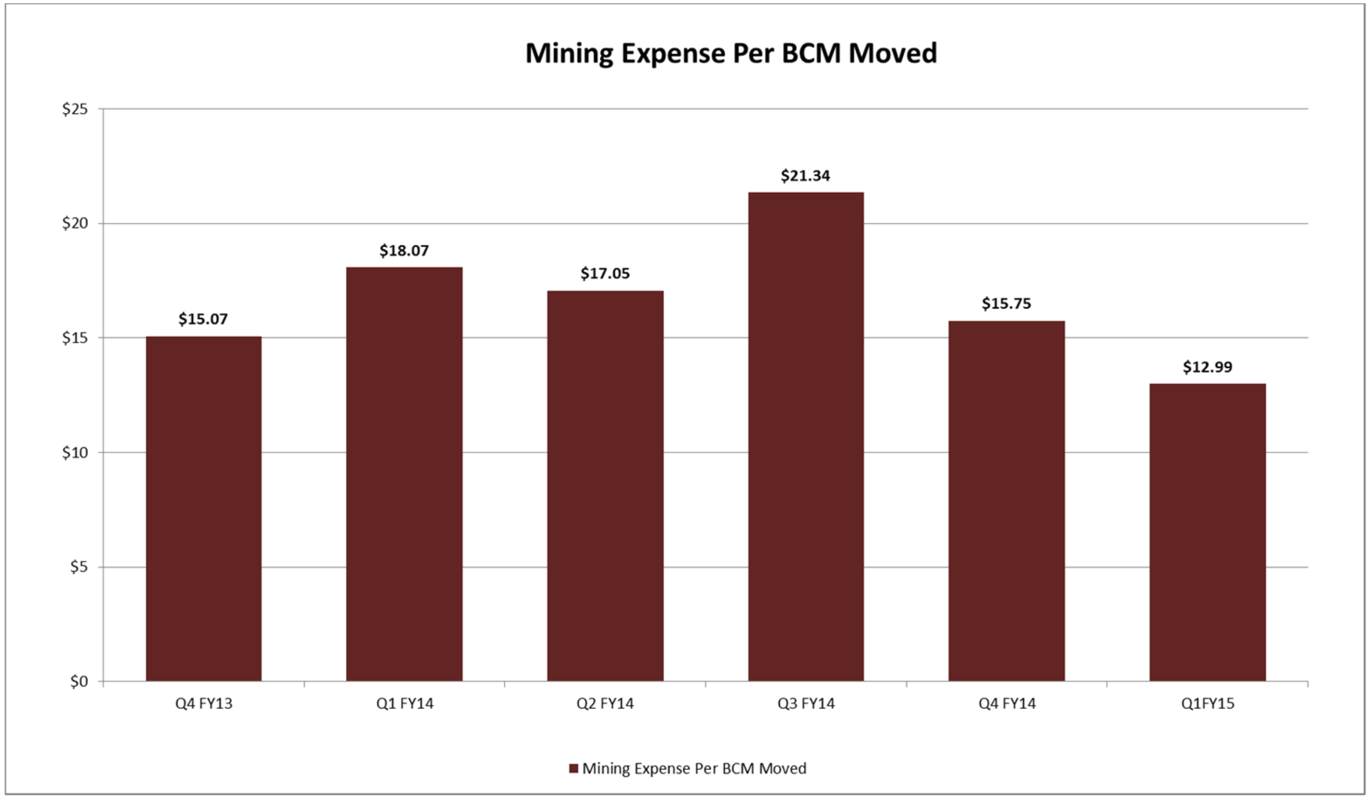
- Mill and wet plant continued to perform well during the quarter
- Mill throughput above nameplate capacity, with 757kt of ore milled for the quarter
- Mined ore fed directly to mill with only minor additions of low grade due to high milling rate

HILLGROVE QUARTERLY FINANCIAL UPDATE
Q1 HIGHLIGHTS – REVENUE AND COSTS

Period US cents per lb	FY 2013 to JAN 13	FY 2014 to JAN 14	JAN-14 QTR	APR-14 QTR
Mining Costs	92	117	98	**111**
Processing Costs	97	72	50	**47**
Other Direct Cash Costs	23	22	15	**16**
Total Onsite Costs	212	211	163	**174**
Transport & Shipping	18	17	16	**16**
Treatment, Refining & Smelter Charges	36	41	39	**42**
Total Offsite Costs	54	58	55	**58**
Precious Metals Credits	-46	-30	-18	**-21**
Total Direct Operating Costs (C1 Cash Costs)	220	239	200	**211**
Royalties	5	4	3	**4**
D&A	96	74	68	**71**
TOTAL	321	317	272	**286**

- Revenue for the quarter was AUD45.5M at an average realised price for copper of AUD3.71/lb (USD3.34/lb)
- C1 unit costs for the quarter were USD2.11/lb (AUD2.32/lb)

HILLGROVE QUARTERLY FINANCIAL UPDATE
IMPROVED MINING COSTS



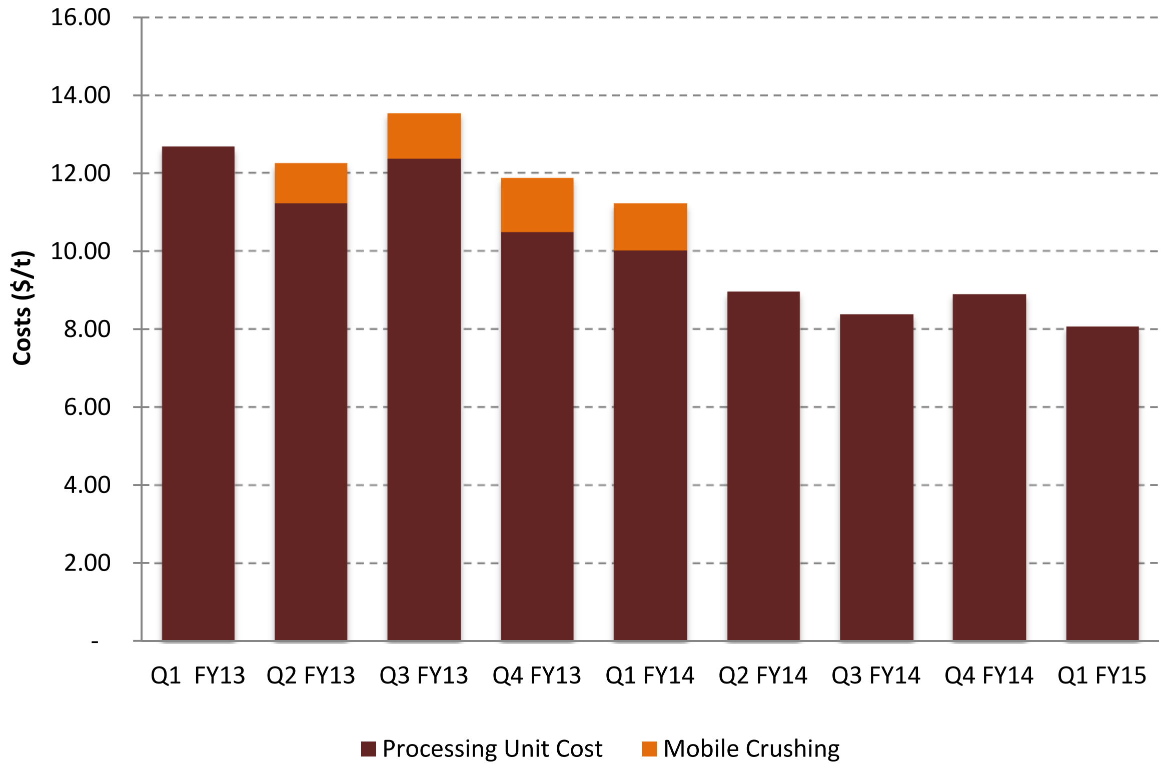
- Consistent reductions in mining unit costs over the last three quarters

HILLGROVE RESOURCES

HILLGROVE QUARTERLY FINANCIAL UPDATE

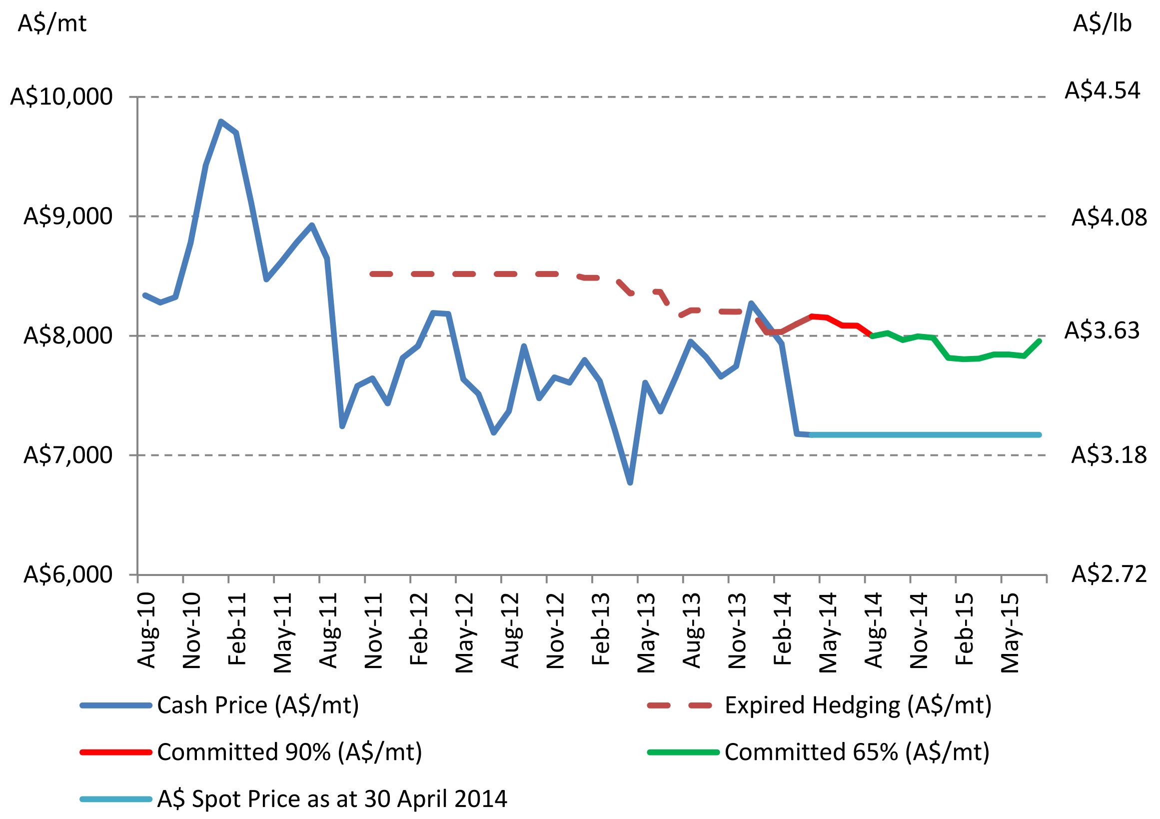
LOWER PROCESSING COSTS MAINTAINED

Quarterly Processing Unit Costs
Including Mobile Crushing ($/t Milled)



- Record low processing unit costs achieved in the quarter, due to optimisation work and a focus on saving initiatives
- Ongoing maintenance optimisation work will further improve reliability and reduce costs

HILLGROVE QUARTERLY FINANCIAL UPDATE
STRONG HEDGE BOOK



- Strong hedge book provides certainty for cash flows and revenue during the debt repayment period
- Approximately 10,200t of copper hedged in first half of the year (90% of payable copper) at an average price of AUD8,107 per tonne (AUD3.68/lb)
- Overall average hedge price of A$7,900/t or A$3.56/lb to March 2016

CORPORATE UPDATE AND GUIDANCE

SENSITIVITIES AND GUIDANCE

Based on current performance and planned operational improvements, Hillgrove maintains the following guidance for financial year 2015

Guidance For FY15

Ore mined	3,000kt to 3,250kt
Ore processed	2,900kt to 3,000kt
Ore grade processed	0.83% to 0.88% Copper
Copper recovery	92.5% to 93.5%
Copper produced	22,300t to 24,600t copper contained in concentrates
Gold produced	7,000oz to 9,000oz gold contained in concentrates
C1 Costs	USD2.10 to USD2.40 per lb at 0.90 exchange rate

Forecast Capex For FY15

Tailings Storage Facility	AUD5.3M
Controlled Potential Sulphidisation	AUD2.0M
Dust mitigation	AUD1.0M
Other sustaining capital	AUD2.3M

CORPORATE UPDATE AND GUIDANCE

DEBT REDUCTION

- Hillgrove again made a significant reduction to its debt balance during the quarter
- Total debt reduced from AUD40.8M to AUD33.4M at 30 April 2014
- A Gold Loan repayment of AUD1.3M (866oz) was made in addition to the repayment of AUD6.0M Senior Debt principal repayment
- Debt will be reduced by circa AUD14.0M over the next six months

CORPORATE UPDATE AND GUIDANCE

CONTINUOUS IMPROVEMENT INITIATIVES

- Multi stream analyser to further optimise recoveries and costs
- Load and haul productivity improvements
- Larger blast hole diameters as well as reconfigured burden and spacing
- Multiple pit sources for ore supply
- Continued maintenance optimisation in the processing plant

CORPORATE UPDATE AND GUIDANCE
FINANCIAL YEAR END CHANGE

Background

- Hillgrove has historically had a Financial Year Reporting period of 31 January

Proposed Change

- Board has resolved to change year end for reporting purposes to 31 December

Implementation and Transition periods

The company will move to the new year end cycle by

- Preparing half year report for the 6 months ended 31 July 2014
- Reporting the third quarter of 2014 as a two month period – i.e. August and September 2014 only
- Reporting the fourth quarter as the three months ended 31 December 2014
- Preparing the full year financial report for the 11 months ended 31 December

CORPORATE UPDATE AND GUIDANCE

STRATEGIC FOCUS

The strategic focus of the Company is on further improvements in performance of the Kanmantoo Mine, expansion of the Kanmantoo region Resource through exploration, realisation of value from the Indonesian assets and creation of value for shareholders

- Achieve FY15 budget targets and implementation of operational improvements
- Achieve current two year life extension PEPR approval
- Continued payment of debt facilities from operational cashflow
- Evaluate future capital management alternatives to enable return of value to shareholders
- Evaluate resource extension potential at Kanmantoo beyond current target life
- Options for extraction of value from Indonesian exploration assets through joint venture or external investment

HILLGROVE RESOURCES

CORPORATE UPDATE AND GUIDANCE

SUMMARY

- Revenue for the quarter was AUD45.5M at an average realised price for copper of AUD3.71/lb (USD3.34/lb)
- Production guidance for FY15 of 22,300t to 24,600t Cu in concentrate, with first quarter production exceeding the upper end of the guidance
- Strong positive operating cash generation in FY15, with copper price certainty as a result of strong copper hedge book
- Continued ramp up of mining production with new employee training and culture achieving targeted mining rates and quality
- Change of financial year end

HILLGROVE QUARTERLY UPDATE

KEY CONTACTS

For further information please contact:

- Greg Hall, CEO and Managing Director

  Russell Middleton, Chief Financial Officer

- 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 Resources 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 with exploration projects 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 up to 3.0Mtpa, to produce approximately 90,000 dry metric tonnes of copper concentrate, containing approximately 20,000t copper and associated gold and silver per annum over the current life of mine.

Kanmantoo Global Mineral Resource Estimate at End February 2013

	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**

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

Kanmantoo Global Ore Reserve Estimate at End February 2013

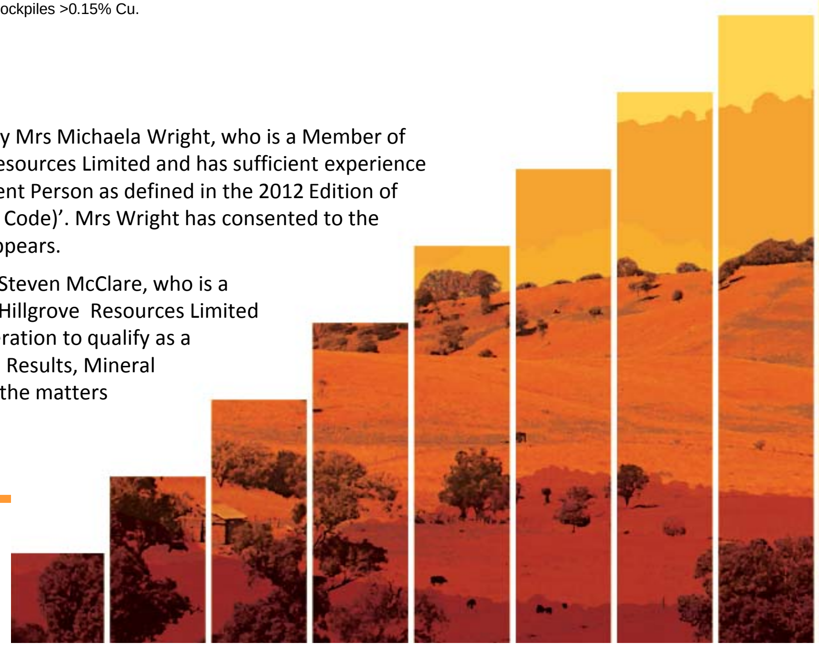
	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
In Situ Reserve	Proven	2.5	0.77	0.08	1.7
	Probable	18.2	0.72	0.20	2.0
		20.7	**0.73**	**0.18**	**1.9**
Long Term Stockpiles	Proven	1.4	0.46	N/A	N/A
		1.4	**0.46**	**-**	**-**
	Total	**22.1**	**0.71**	**0.18**	**1.9**

Note: In Situ Reserve >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.

The information in this release that relates to Ore Reserves 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'. Mr McClare has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.



HILLGROVE QUARTERLY UPDATE
DISCLAIMER – IMPORTANT NOTICE

No representation or warranty is or will be made by any person (including Hillgrove Resources Limited ACN 004 297 116 (“Hillgrove”, “HGO”, or the “Company”) and its officers, directors, employees, advisers and agents) in relation to the accuracy or completeness of all or part of this document (the “Document”), or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, this Document or any part of it. This Document includes information derived from third party sources that has not been independently verified.

This Document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Hillgrove and certain plans and objectives of the management of Hillgrove. Forward-looking statements can generally be identified by the use of words such as ‘project’, ‘foresee’, ‘plan’, ‘expect’, ‘aim’, ‘intend’, ‘anticipate’, ‘believe’, ‘estimate’, ‘may’, ‘should’, ‘will’ or similar expressions. Indications of, and guidance on, production targets, targeted output, mine development or timelines, exploration or expansion timelines, infrastructure alternatives and financial position and performance are also forward-looking statements. Any forecast or other forward-looking statement contained in this Document involves known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Hillgrove, and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Various factors may cause actual results or performance to differ materially. These include without limitation the following: risks specific to Hillgrove’s operations; credit risk; levels of supply and demand and market prices; legislation or regulations throughout the world that affect Hillgrove's business; insurance expenses; the risk of an adverse decision or other outcome relating to governmental investigations; class actions or other claims; growth in costs and expenses; and risk of adverse or unanticipated market, financial or political developments (including without limitation in relation to commodity markets).

You are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are based on information available to us as of the date of this Document. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

This Document is provided for informational purposes only and is subject to change without notice. Subject to any obligations under applicable laws, regulations or securities exchange listing rules, Hillgrove disclaims any obligation or undertaking to release any updates or revisions to this Document to reflect any change in expectations or assumptions. Nothing in this Document should be interpreted to mean that future earnings per share of Hillgrove will necessarily match or exceed its historical published earnings per share, or that there has been no change in the affairs of Hillgrove since the date of this Document.

Nothing contained in this Document constitutes investment, legal, tax or other advice. The information in this Document does not take into account the investment objectives, financial situation or particular needs of any recipient. Before making an investment decision, each recipient of this Document should make its own assessment and take independent professional advice in relation to this Document and any action taken on the basis of this Document.

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.