

HILLGROVE RESOURCES

KANMANTOO MINE: MINING WITHIN OUR COMMUNITY

GREG HALL ||||| CEO & MANAGING DIRECTOR

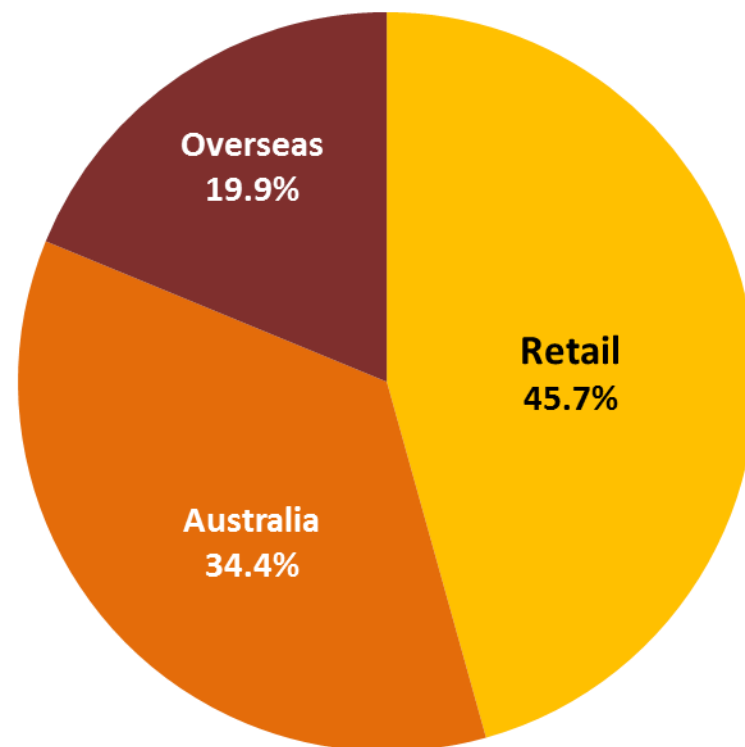
13 APRIL 2015





- ASX listed: HGO
- Shares on issue: 147.8 million
- Share price: \$0.37 at 31 March 2015*
- Market capitalisation: \$54.7 million*
- Cash \$8.8 million
- Debt \$18.0 million
- Net Debt \$9.2 million
- Tax losses carried forward circa \$58 million
- Franking Account Credit \$21.3 million

SHAREHOLDER DISTRIBUTION



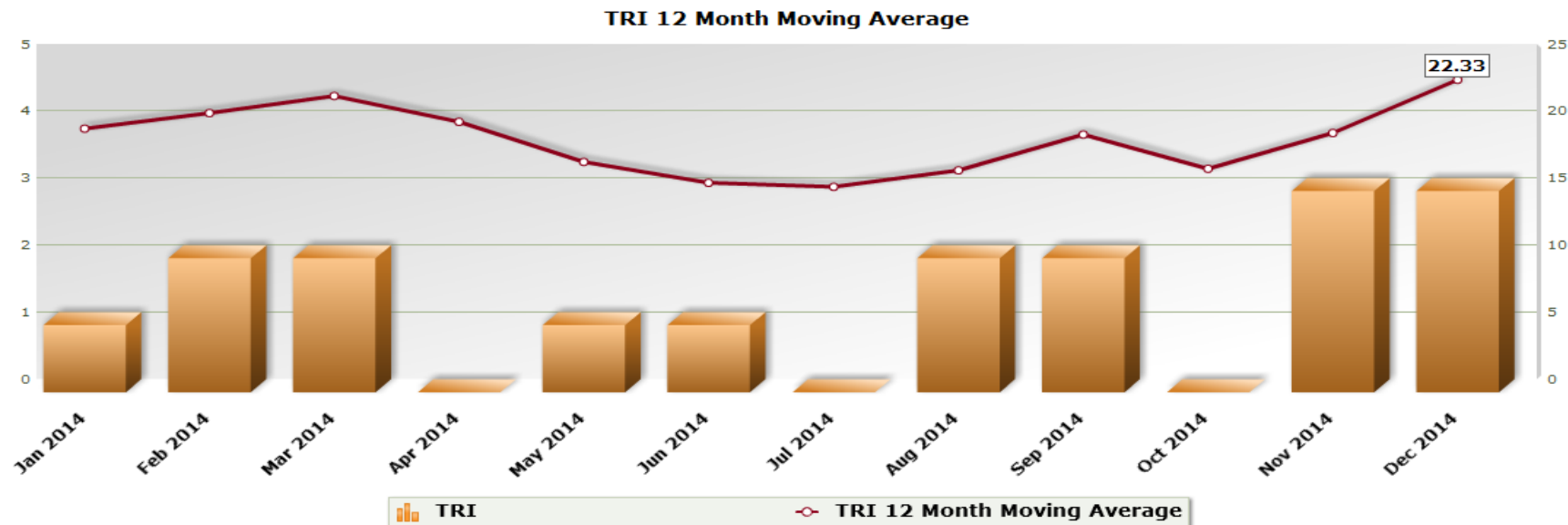
Source: Orient Capital

Note: HGO has recently moved from a 31 January to 31 December year end, so references to 2014 are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (**CY14**). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.



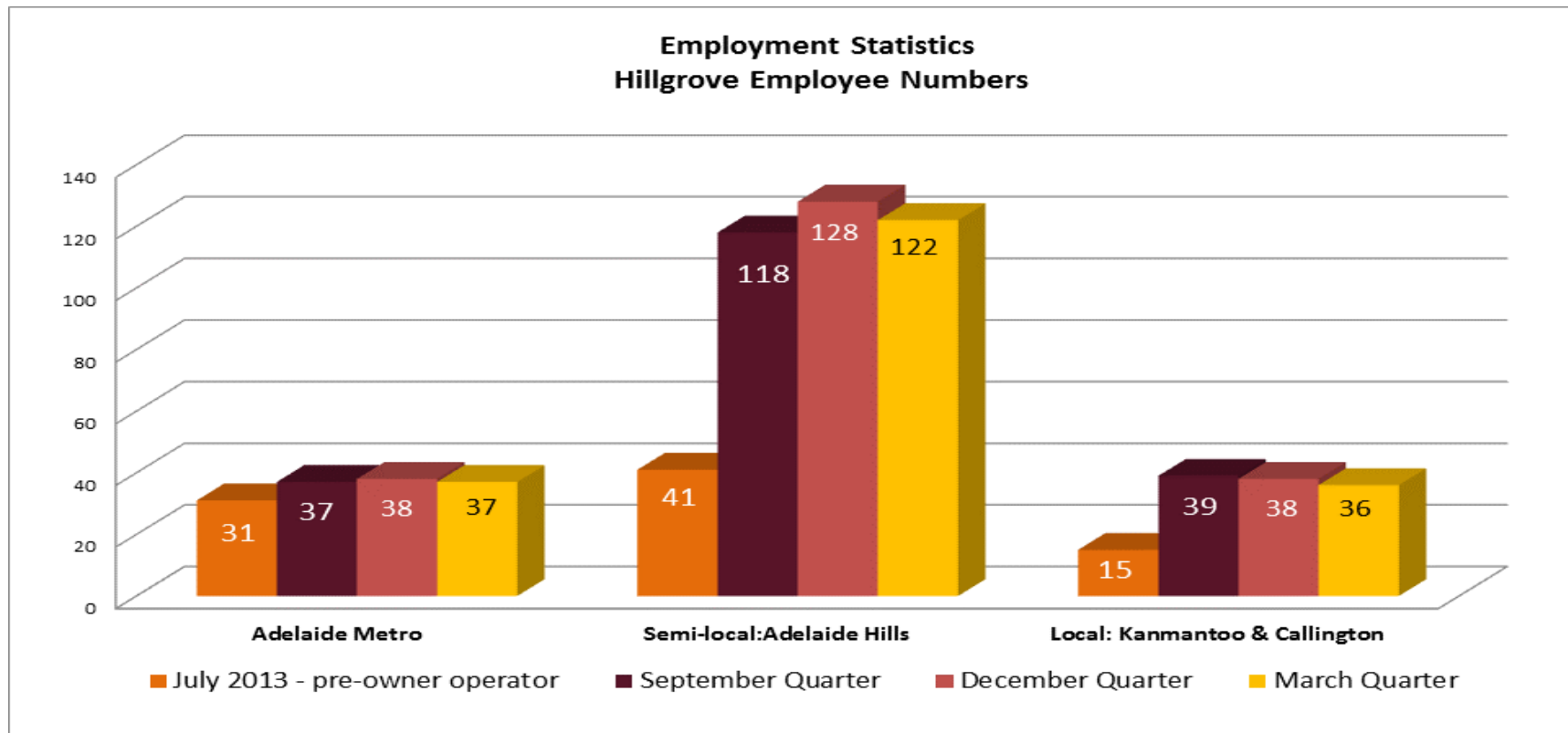


- A record 20,693t Cu within concentrates produced
- EBITDA of \$42.7M with underlying EBITDA of \$53.4M
- Statutory Profit after tax of \$3.8M with Underlying Profit after tax of \$10.1M
- Increase in inventories due to increase in oxide, transition and low grade ore (\$7.7M), ROM (\$1.8M) offset by reduction to Deferred Mining (\$3.5M)
- Reduction in bank debt from \$40.8M to \$18.0M - Gearing reduced from 17.5% to 7.5%
- Revenue up 20% to \$166.8M at average realised price of \$3.62/lb (US\$3.31/lb) Cu
- Copper hedging strategy significantly supports revenue with 78% of production now hedged through to March 2016 at \$7,723/Mt (\$3.50/lb)
- C1 for CY14 was US\$1.97/lb (\$2.18/lb) which has come in below guidance
- Nugent and Emily pits in primary ore, with Giant pit cut-back over main orebody well advanced - \$5.4M of pre-strip undertaken in 2014 with ~\$17M planned for 2015
- Continuous improvements in Kanmantoo productivity and cost structures continue to support the current target mine life to 2021 (adjusted for increased production)



- Total Recordable Injury Frequency Rate increased, with most injuries of low severity – initiatives are underway in order to reduce this as well as to enhance compliance with integrated risk management system and focus on frontline risk awareness





- Employment remains consistent with a strong focus on those who live in the region
- 158 (81%) local and Adelaide Hills region based employees





SUSTAINABLE OPERATIONS





Productivity and cost improvements assist to create a sustainable operation, and hence ongoing employment, through:

- Enabling profitable operations through low price cycles
- Potentially enabling lower cut-off grades and hence increased resources

Productivity improvements over the last 17 months by the Mining team at Kanmantoo include:

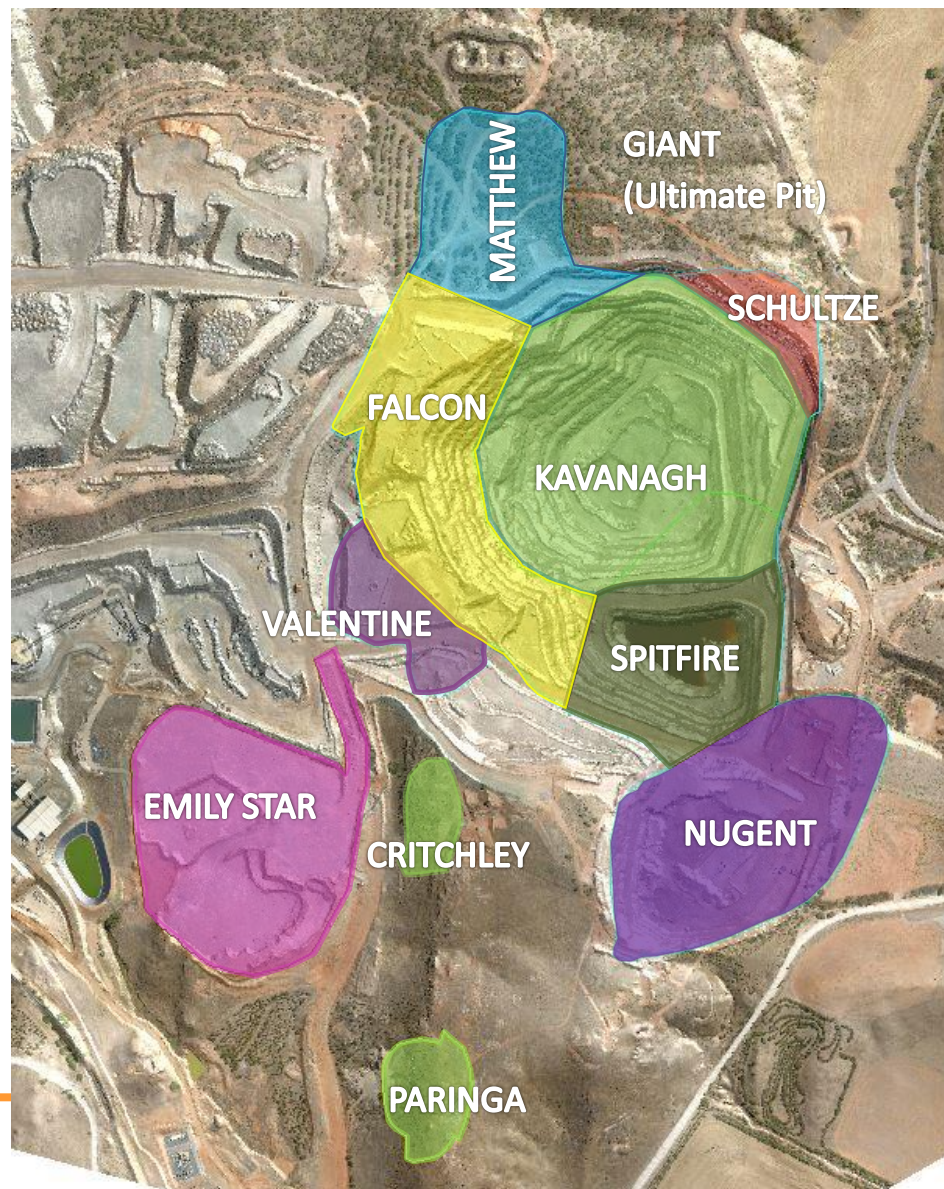
- 48% reduction in mining unit costs
- 81% increase in mining production
- 24% increase in truck efficiency
- 17% increase in drilling efficiency
- 17% decrease in blasting powder factor
- 24% decrease in fuel consumption
- 75% decrease in dilution.

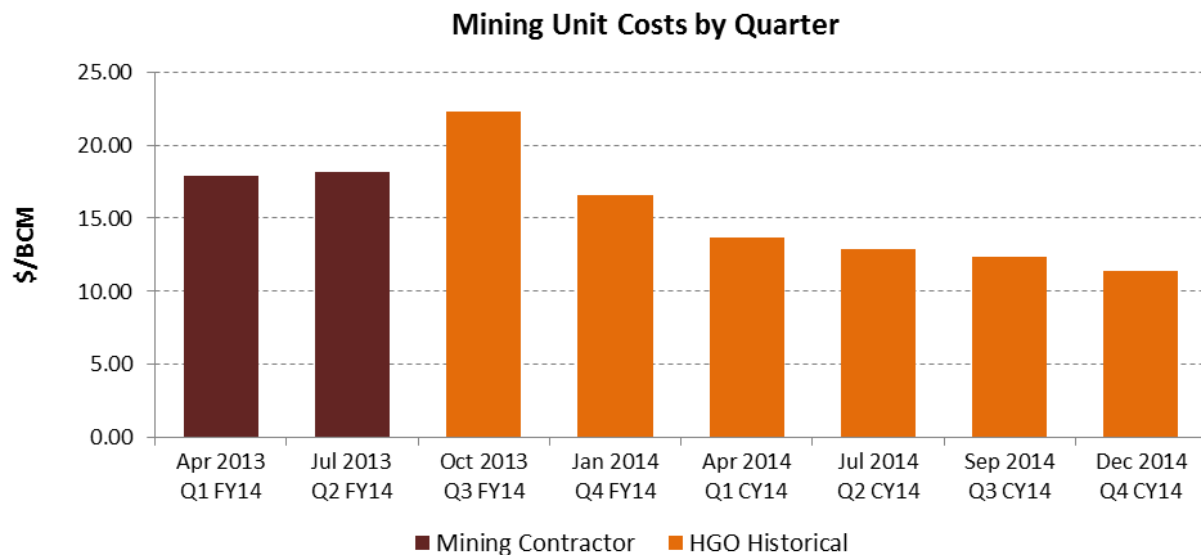
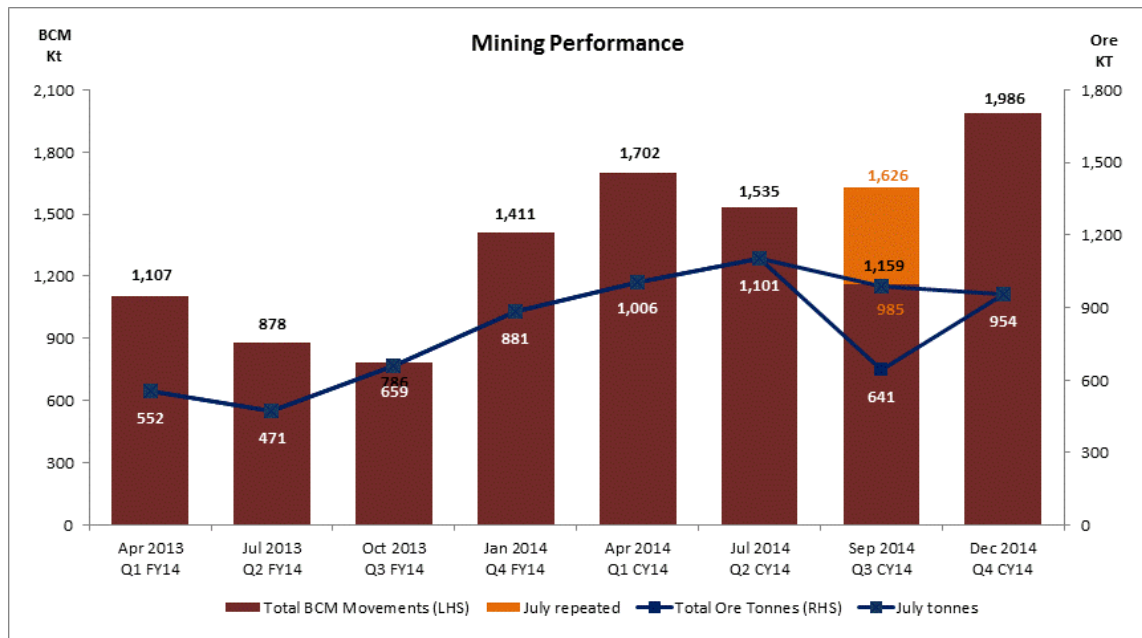




Productivity and cost improvements in the process plant have been brought about through:

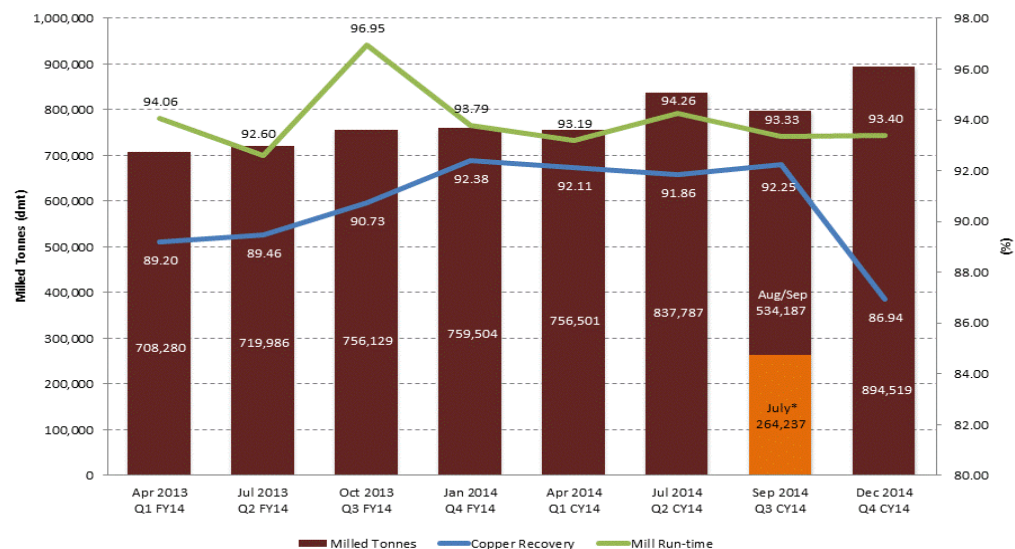
- Multi-stream analyser for on-line rapid monitoring and process control
- new rougher cell has increased float capacity and hence residence time by 40%
- new screen between primary and secondary crushers has increased throughput from 2.8MTPA nameplate to over 3.3MTPA – 4th Quarter 2014 @ 3.5 MTPA rate
- new CPS plant for effective oxide ore treatment



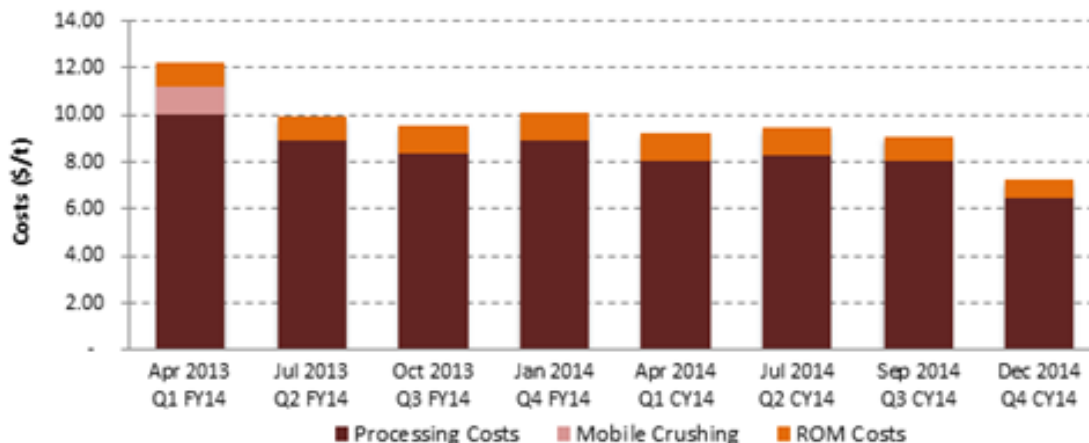


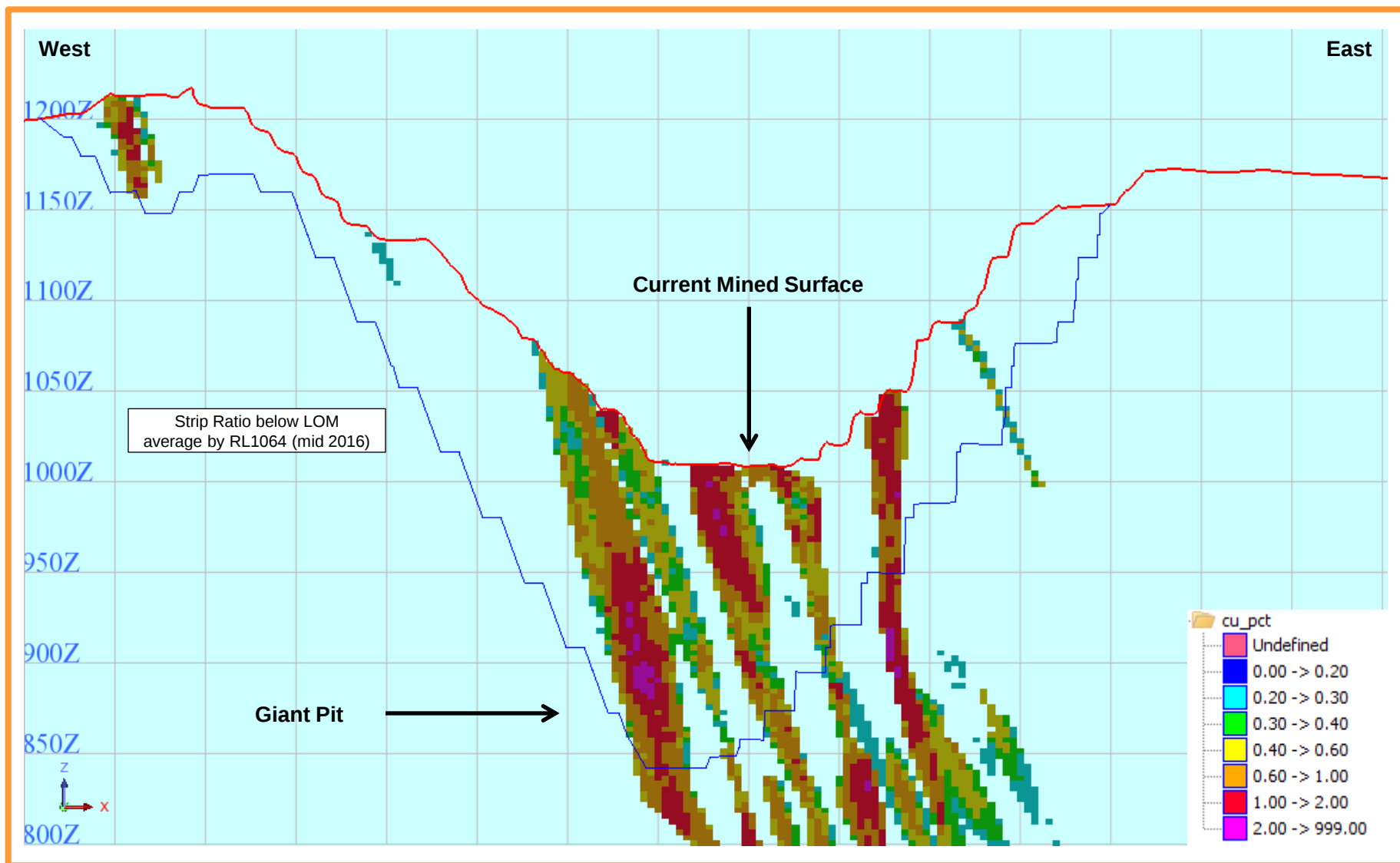


Quarterly Milled Tonnes, Copper Recovery and Mill Run Time



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







ENVIRONMENT AND COMMUNITY







CURRENT VIEW



1250 TSF



FINAL LANDFORM

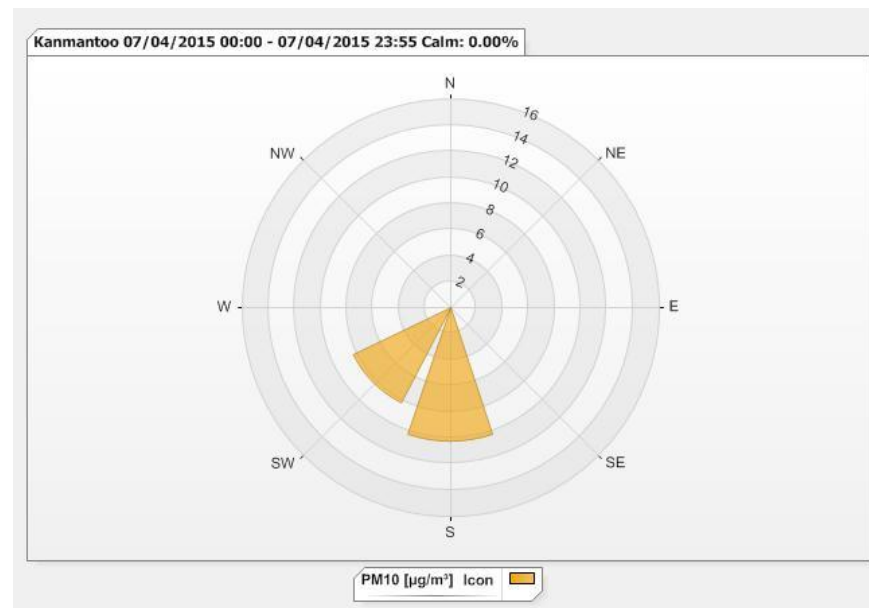
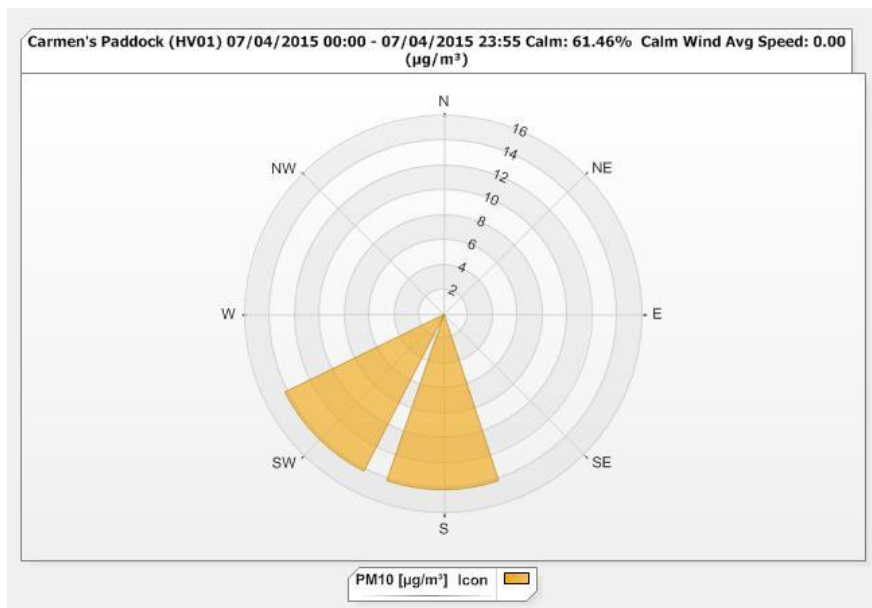




- Meetings and engagement continues with the local community through the Kanmantoo Callington Community Consultative Committee (KCCCC), with key areas discussed including dust, noise, lights and the environmental rehabilitation program
- A Dust Working Party was formed in April 2014 to promote a greater understanding of dust issues and facilitate community input to Company decision making, aimed at reducing the impact of dust on the community and particularly residents living nearby
- As a part of Hillgrove's continued wish to meet the needs of the community, a series of state-of-the-art dust monitoring stations around the perimeter of the mine were commissioned and linked to pro-active control methods during the last quarter
- A revised Community Engagement Plan was developed as part of the Program for Environmental Protection and Rehabilitation (PEPR) submission for the extension of mine life approved for two years to 2019. The plan identifies how the Company will engage with the community over matters related to mining activities
- In September 2014 the KCCCC formed a Master Plan Working Party to liaise on the latter stages of development at the Kanmantoo Copper Mine and give consideration to the Mine Closure Plan, rehabilitation and the future for the area after mining







- More detailed dust monitoring of air quality both coming onto the site and downstream of the site
- This has enabled local communities to understand that, while Kanmantoo mine can have an impact, it does not disproportionately add to dust levels in the district
- Trigger and response system allows rapid response to high winds and potential dust – including the temporary halt of mining operations





Over \$20 million has been directed to local businesses since operations commenced with up to 85 local and regional suppliers and contractors utilised.

- Whittam Transport
- Civil Mining Solutions
- District Council of Mount Barker
- Ackmac Irrigation & Trenching
- Australian Custom Engineering
- Albern Slate
- P Cotter & Son
- LC Personnel
- Frank Walsh Drilling (SA)
- Lamshed Group/RG Engineering
- COOE
- Southern Steel Supplies (Adsteel)
- W.E. & S.L. Filmer
- APE Contractors
- AHS Office Supplies
- TS Welding Services
- Adelaide Hills Toyota
- Print City
- Wildy Airconditioning and Electrical
- All Hills/Mt Barker Locksmiths
- Iseek Computing
- Harbor Block Slashing & Contracting





- In December 2013 the mine was called on to assist CFS Fire Units, including six fire-fighting aircraft and 200 CFS volunteers, to a bush fire in Rockleigh. The mine was able to provide a Caterpillar 773F Water Truck, a 16M Motor Grader for firebreaks, operators and supporting staff
- The equipment was driven under Mine Light Vehicle Escort along public roads under CFS instructions. A challenge in relation to establishing a safe route to ensure equipment and operators were safe from overhead power lines
- The 45,000 litre water truck was used as the 'Mother Ship' to supply the CFS Fire Trucks saving some 30 minutes each time they needed to refill. Whilst the water cart was off site, we also slowed the production rate to reduce the speed of all equipment to minimise dust lift on site





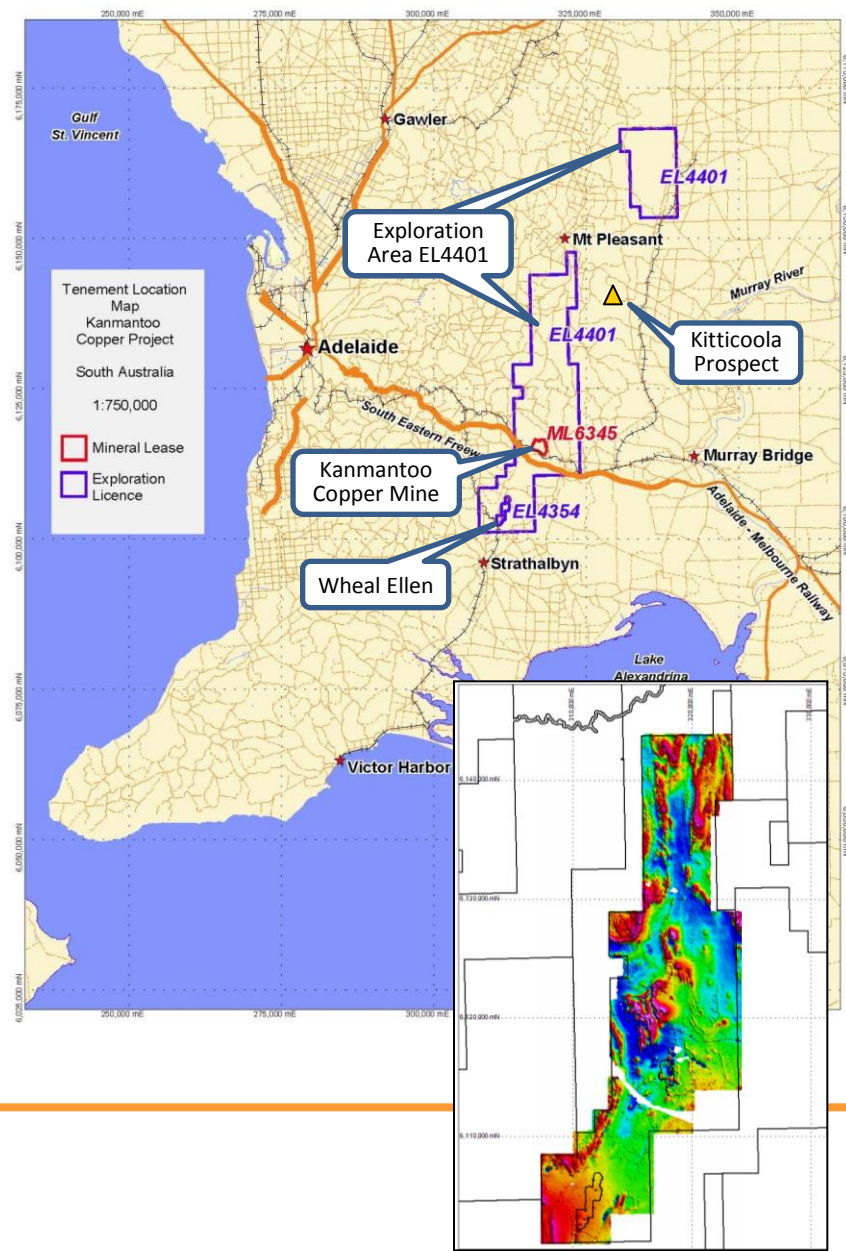
EXPLORATION AND MINE LIFE EXTENSION





Progress made on Kanmantoo lease and regional exploration

- Initial drill results for the Wheal Ellen Cu-AU-Zn drilling received
- Detailed gravity surveys to north of Kavanagh / Giant have indicated potential sulphide extensions
- Initial results from RC drilling to north of the Kavanagh / Giant pit are promising
- Detailed planning underway for heli-borne EM survey
- Community liaison will be the key to any and all exploration



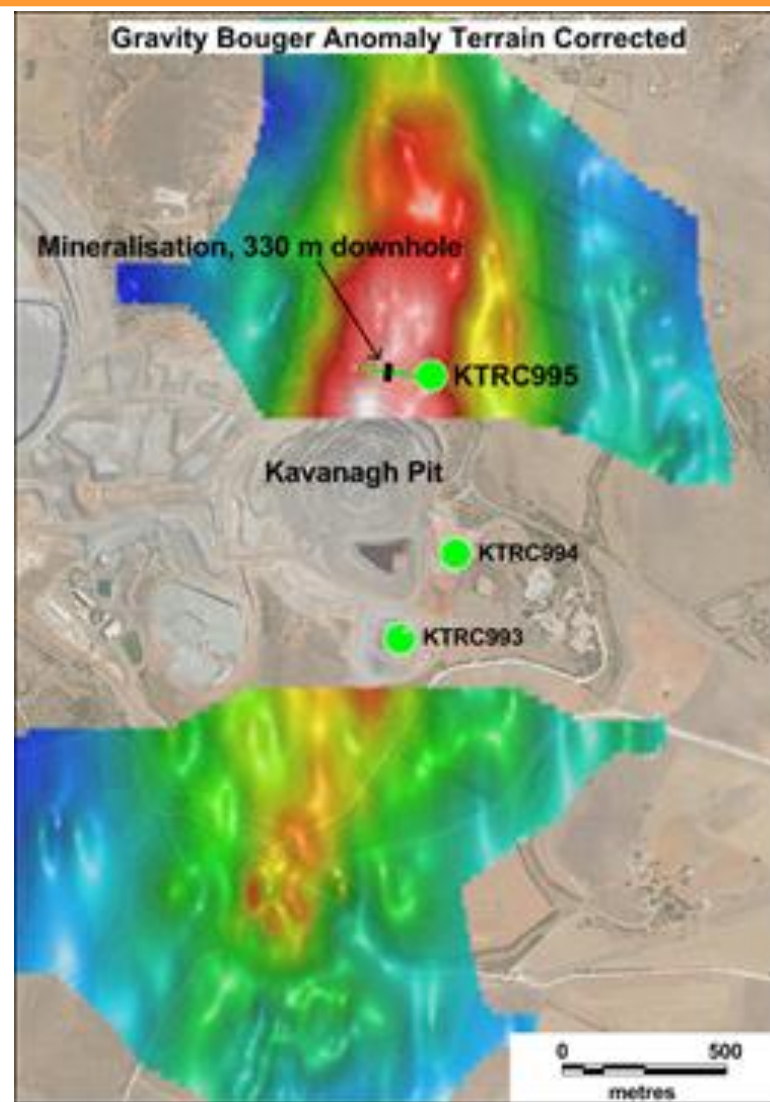


Hillgrove today reported initial exploration success in a deep RC hole on the Mining Lease, 200 metres to the north of the current resource profile. The 433 metre deep reverse circulation (RC) hole returned the following assays at a depth of 300 metres below surface:

- **28 metres @ 0.61% Cu**, 0.14g/t Au and 2.6g/t Ag at a 0.2% Cu cut off – within a broader mineralised zone of;
- 39 metres @ 0.47% Cu, 0.11g/t Au and 2.1g/t Ag at a 0.1% Cu cut off, from 324 m downhole

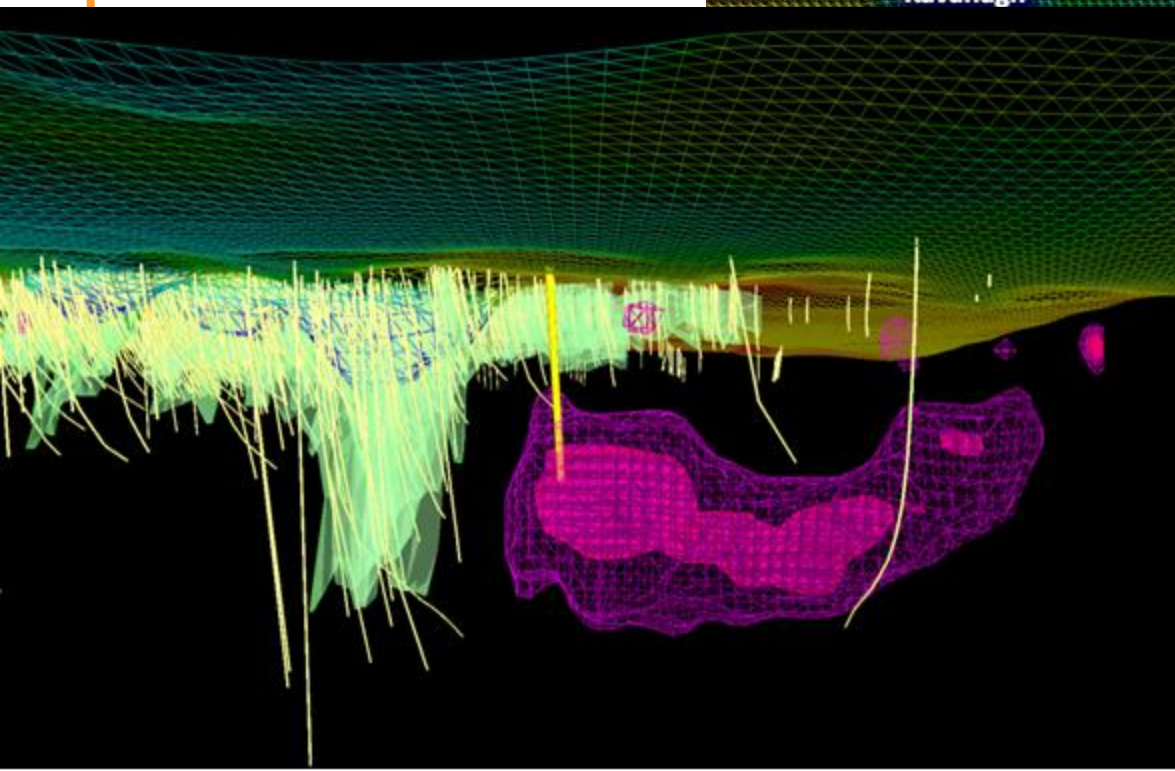
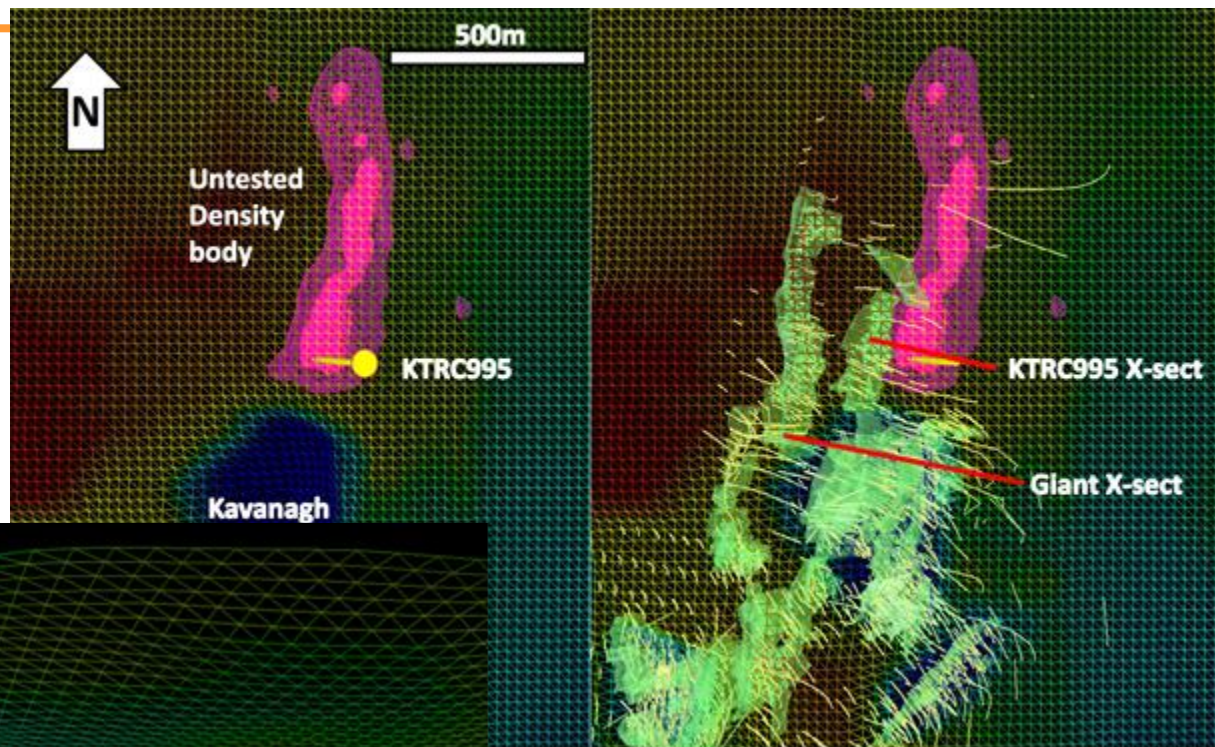
Included within the 28 metre intersection are:

- a higher grade zone of **10 metres @ 0.88% Cu**, 0.18g/t Au and 3.2 g/t Ag; and
- a peak one metre interval of 2.86% Cu, 0.8g/t Au and 9.4 g/t Ag





Two density inversion shells that may cause the observed surface gravity signature, and the location of KTRC995 exploration hole



Conceptual 3D model of the two potential density shells. Note that the shells terminate just north of the pit due to limitations of data collection around the existing pit

2015 OUTLOOK





Kanmantoo guidance levels, based on current performance and planned improvements

Guidance For FY15

Total Ore Mined	2,800kt to 3,000kt
Primary Ore Processed	2,300kt to 2,600kt
Primary Ore Grade Processed	0.68% to 0.72% Copper
Primary Ore Copper Recovery	91.0% to 93.0%
Oxide Ore Processed (~stockpiles)	500kt to 600kt
Oxide Ore Grade Processed	0.85% to 0.95%
Oxide Ore Recovery	65% to 70%
Copper Produced	18,500t to 20,500t copper contained in concentrates
Gold Produced	5,000oz to 6,000oz gold contained in concentrates
C1 Costs	USD2.00 to USD2.25 per lb
Capital Projects	AUD5.0M to AUD6.0M
Pre Strip	AUD16.0M to AUD17.0M

Continuous improvements in performance at Kanmantoo in operating and cost structures continue to support the target mine life to 2021 (adjusted for increased production)





Through the next 12 months, Hillgrove will undertake the following key activities:

- Produce the targeted copper contained within concentrates
- Continue to manage the copper price through an active hedging program for metals
- Continuously drive unit costs lower through productivity initiatives
- Advance the Giant pit cutback at the required mining rate to access the higher grade ore in the main Kanmantoo orebody by early 2016
- Continue with capital management initiatives, including finalising debt re-structure to align capital structure with LOM plan for Kanmantoo operations
- Install and commission the Controlled Potential Sulphidisation (CPS) plant to process stockpiled oxide and transition ore
- Evaluate resource extension potential at Kanmantoo beyond current target life, and advance regional work
- Evaluate options for extraction of value from Indonesian exploration assets through joint venture or external investment



For further information please contact:

- Greg Hall, CEO and Managing Director
- Ground Floor
5 – 7 King William Road
Unley SA 5061
- 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 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 with a throughput of 3.0Mtpa, to produce approximately 100,000 dry metric tonnes of copper concentrate per annum, containing approximately 20,000t copper and associated gold and silver per annum over the current life of mine.

Competent Person's Statement

The information in this release that relates to Mineral Resources is based upon information compiled by Ms Michaela Wright, who is a Member of The Australasian Institute of Mining and Metallurgy. Ms 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)'. Ms 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.

The information in this release that relates to Exploration Results is based on information compiled by Dr David Rawlings, who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Rawlings consults independently as the Kanmantoo Project Exploration Manager for Hillgrove Resources Limited and has sufficient relevant experience 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)'. Dr Rawlings consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Kanmantoo Global Mineral Resource Estimate at End February 2013

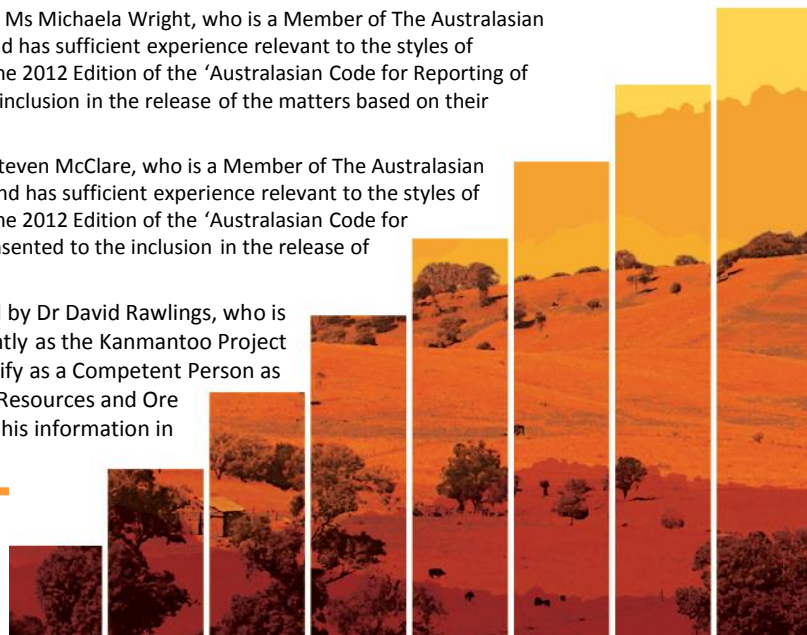
	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
In Situ Resource	Measured	2.63	0.88	0.10	1.95
	Indicated	21.77	0.82	0.23	2.21
	Inferred	5.0	0.67	0.13	1.79
		29.46	0.80	0.20	2.11
Long Term Stockpiles	Measured	1.39	0.46	N/A	N/A
	Indicated	0.50	0.18	N/A	N/A
		1.89	0.39	-	-
	Total	31.30	0.78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





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 (\$) unless otherwise indicated (e.g. US\$).

Hillgrove moved from a 31 January to 31 December year end in 2014, so 2014 references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (CY14) and in 2015 Q1 Jan-Mar and Q2 Apr-Jun...

