HILLGROVE RESOURCES

ASX RELEASE

Monday, 31 August 2015

HILLGROVE MINING EQUIPMENT CONTRACTOR REDUCES RATES

Hillgrove Resources Limited (ASX:HGO) is pleased to advise the market it has signed a letter of intent to lower costs, exclude escalation and extend life of the supply, maintain and repair contract with Andy's Earthmovers (Asia Pacific) Pty Ltd (AEM) at its fully owned Kanmantoo Copper Mine.

The intent agreed includes:

- Discounted rates in year one during cutback with reductions for Hillgrove subject to clawback by AEM in year two (capped to those reductions);
- Escalation clauses will be removed immediately lowering rates to those at contract commencement and extended payment terms; and
- Two year extension of contract to AEM (NB subject to mine life extension approvals from the Department of State Development).

Steven McClare, Managing Director and CEO, said, "The relationship with Andy's Earthmovers (Asia Pacific) has been very beneficial for both parties. The combined knowledge and passion to succeed has seen a step change in the mining performance at Kanmantoo. An example of this has been tyre life which historically sat at three to four thousand hours; it is now tracking at over ten thousand hours with all of the savings flowing back to Hillgrove. This agreement is about committing to the long term success of the Kanmantoo Copper Mine by continually improving productivity, quality and costs."

For more information contact:

Mr Steve McClare
CEO & Managing Director
Tel: +61 (0)2 8247 9300

Mr Paul Kiley
Interim CFO and Company Secretary
Tel: +61 (0)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 55 kilometres from Adelaide in South Australia. With construction completed in late 2011, Kanmantoo is an open-cut mine with a throughput of 3.0 - 3.5Mt p.a., to produce up to 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.

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 Reserve >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 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.