

HILLGROVE **RESOURCES**



PUMPED HYDRO ENERGY STORAGE - KANMANTOO PROJECT

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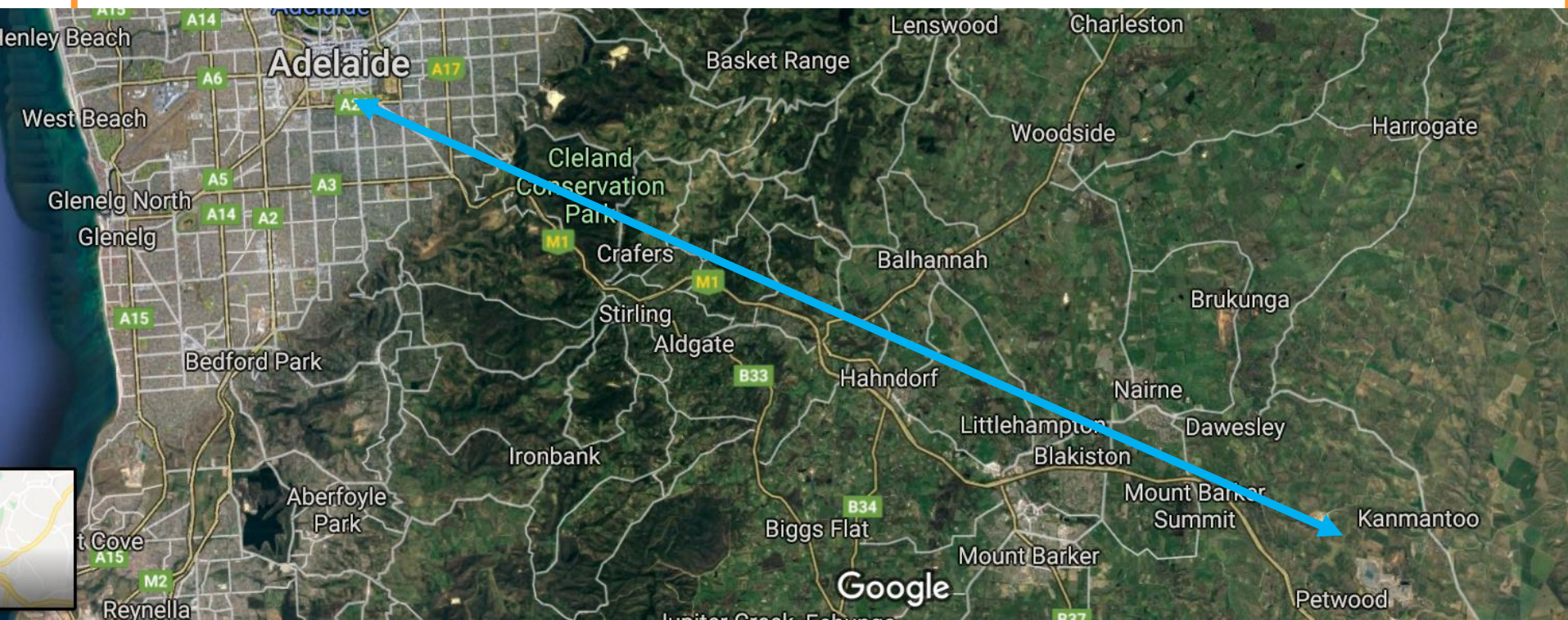
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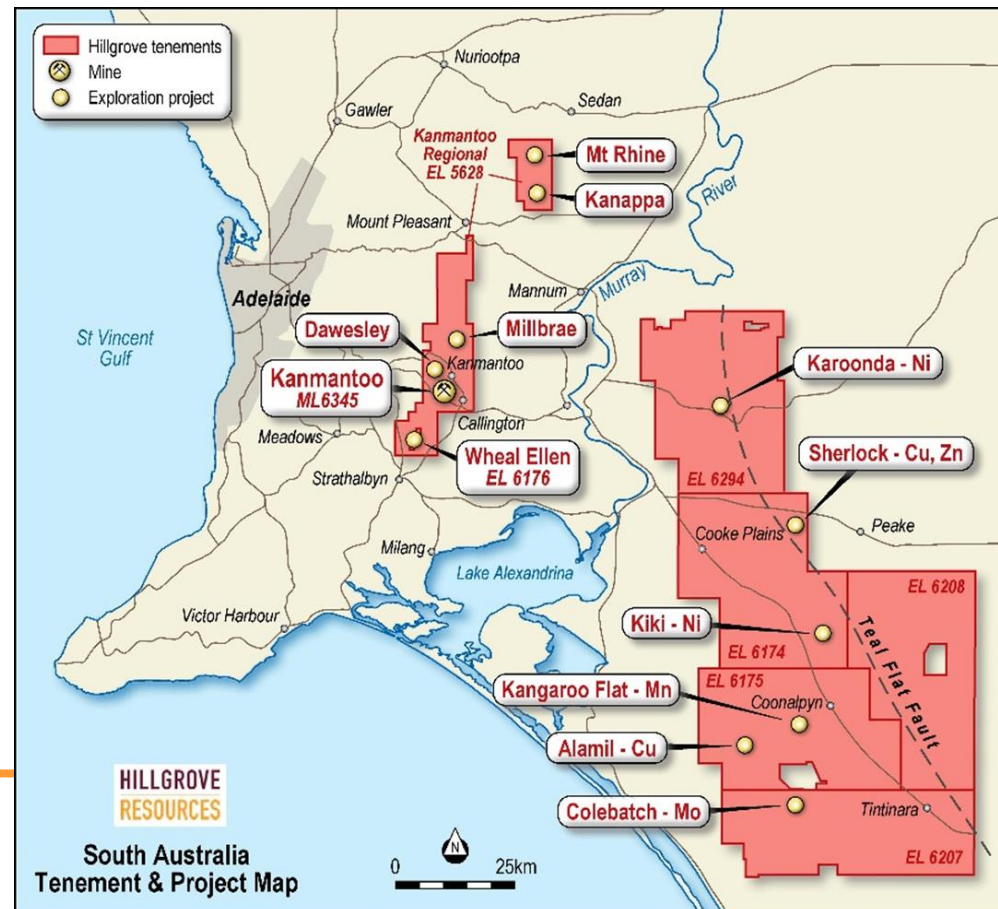
55 kilometres from Adelaide CBD



Hillgrove Resources is a copper / gold producer with production and exploration assets in South Australia.

The intent remains to maximise the value from the existing mining operation (including progressive rehabilitation), progress the sale of the Pumped Hydro site and evaluate options to unlock the regional exploration potential.

PHES IS NOT CORE BUSINESS



- At last years conference we stated Kanmantoo was one of the best sites for PHES in Australia:
 - ☐ Very low capital cost at < \$1M / MW
 - ☐ Fast to market;
 - ☐ Infrastructure already in place
 - ☐ Proximity to grid
 - ☐ Existing studies and knowledge (environmental, geotechnical, geology, hydrogeology)
 - ☐ Long established social licence to operate
 - ☐ Project site 100% owned freehold land
 - ☐ Responsive

- Speed to market potential due to infrastructure and site knowledge, with low capital cost to develop, and access to various revenue streams making Kanmantoo one of the best sites for PHES development in Australia.

GHD were engaged to independently verify HGO statements, study confirmed:

- Very low capital cost at \$1M / MW.
 - Lower pond (open pit) already constructed.
 - Upper pond in a natural valley.
 - All options are less than 1.5km between ponds.
 - High head in stable geological conditions minimises cavern size.
 - Close proximity to grid.
 - Ample cost effective water from multiple sources.
- Storage size options.
- Horizontal transfer between ponds at low pressure.
- Favourable timeline to build.
- Electrical infrastructure in close proximity.
- Project site 100% owned freehold land.
- Responsive.

- Key Pacific Advisory Partners appointed to conduct sale process.
- Indicative bid stage generated broad interest.
- Shortlist developed after binding bid phase.
- Negotiations with preferred bidder are progressing but are incomplete.

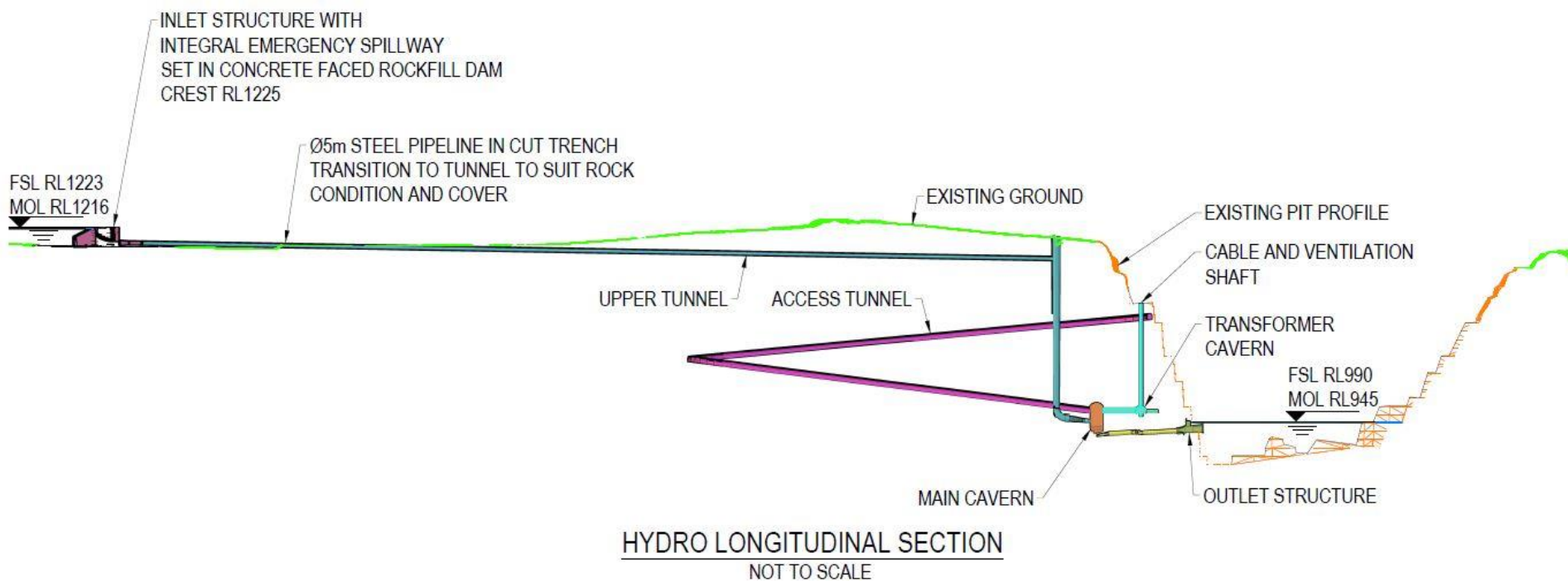






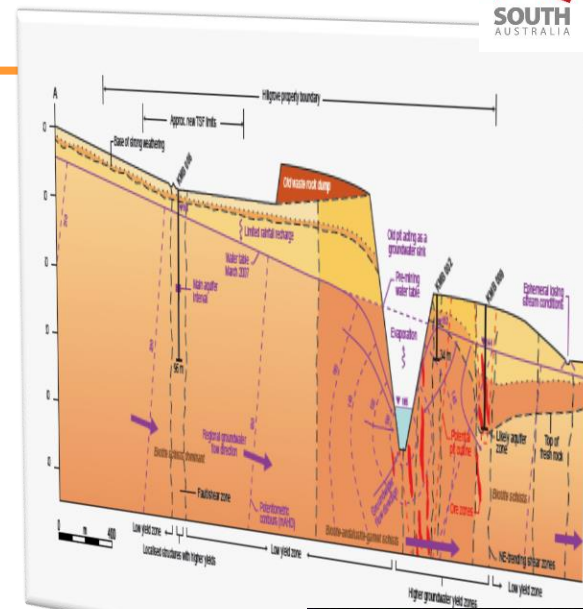
- Mining of the lower pond is imminent.



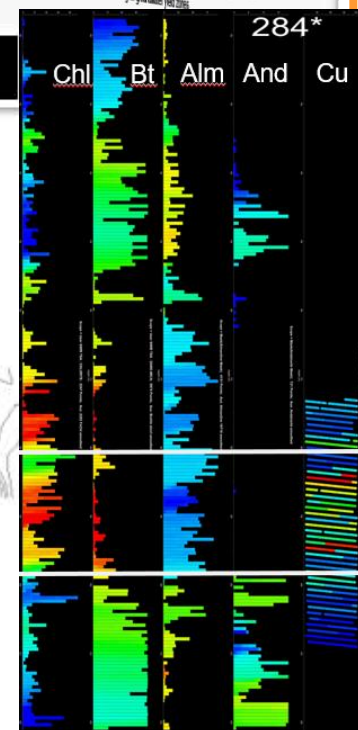
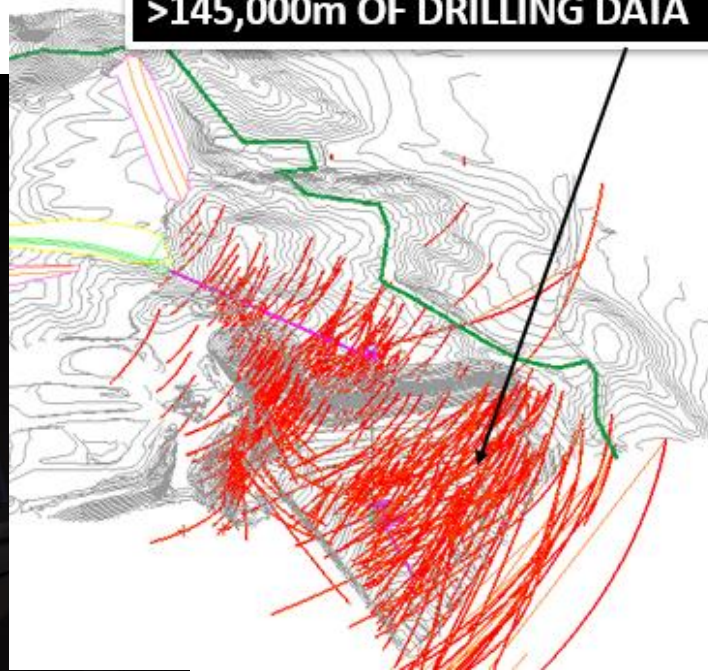


Mining has resulted in a significant data source:

- Geological and geotechnical
- Hydrology
- Environmental
- Community
- Network Proximity



>145,000m OF DRILLING DATA



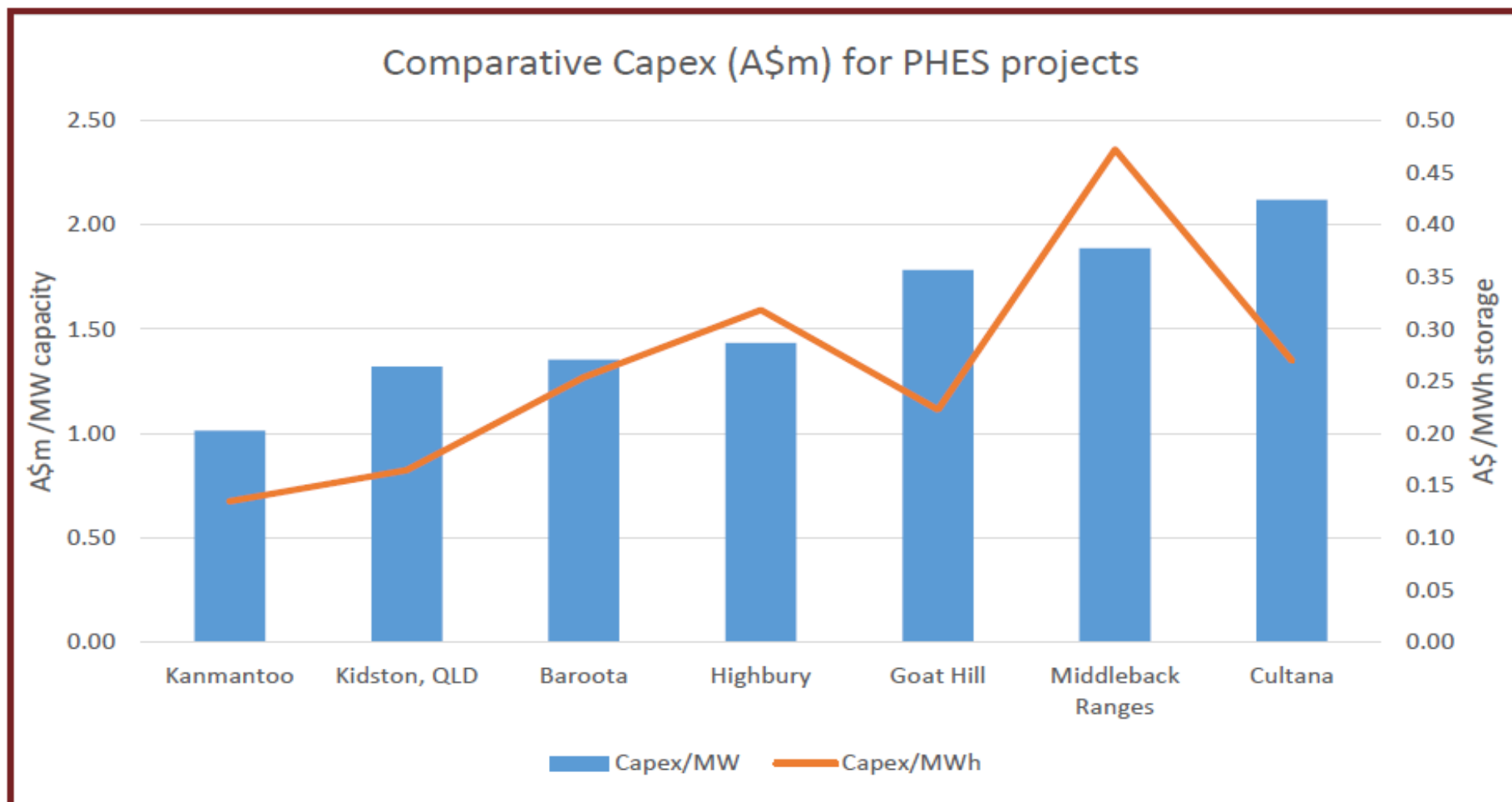
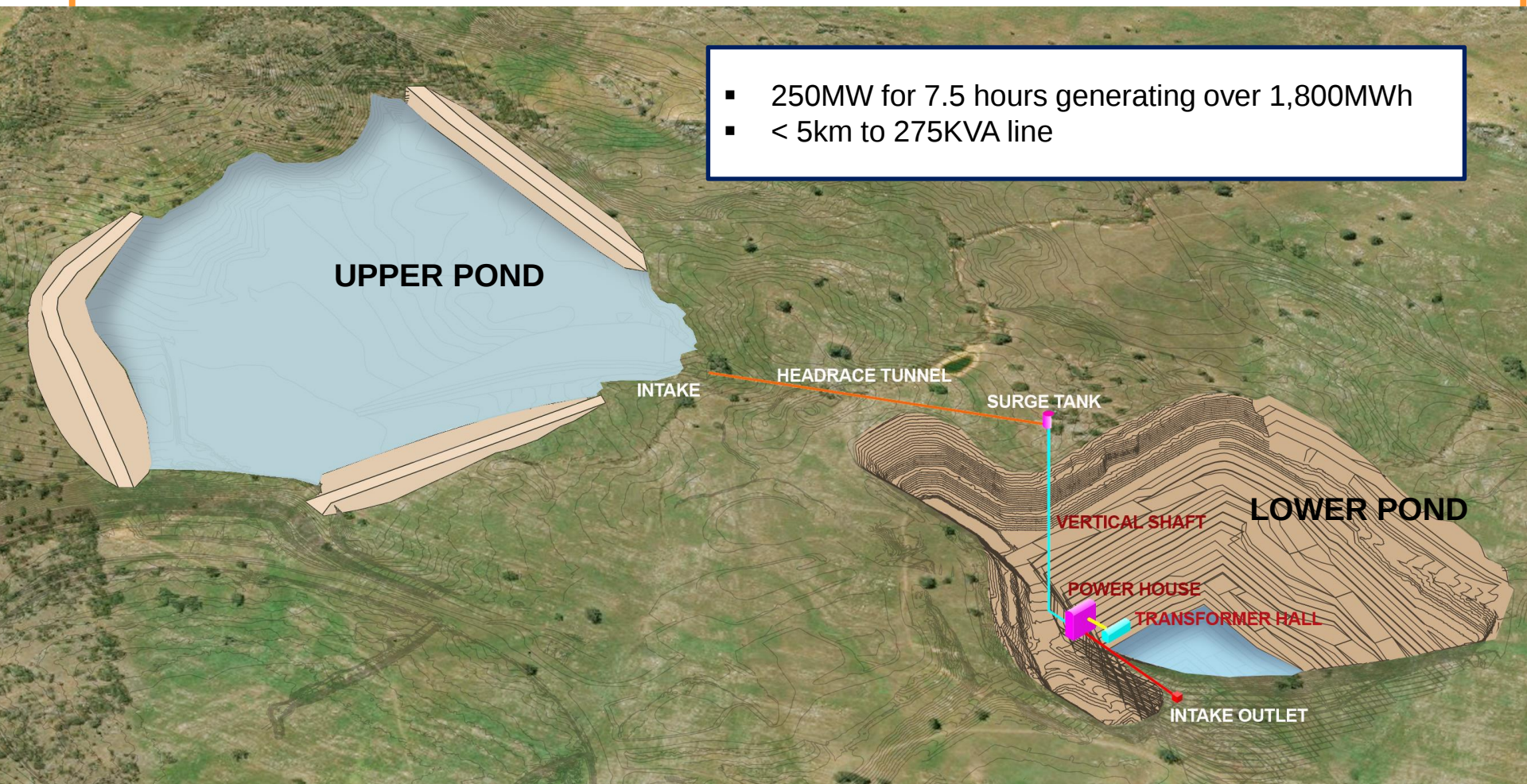
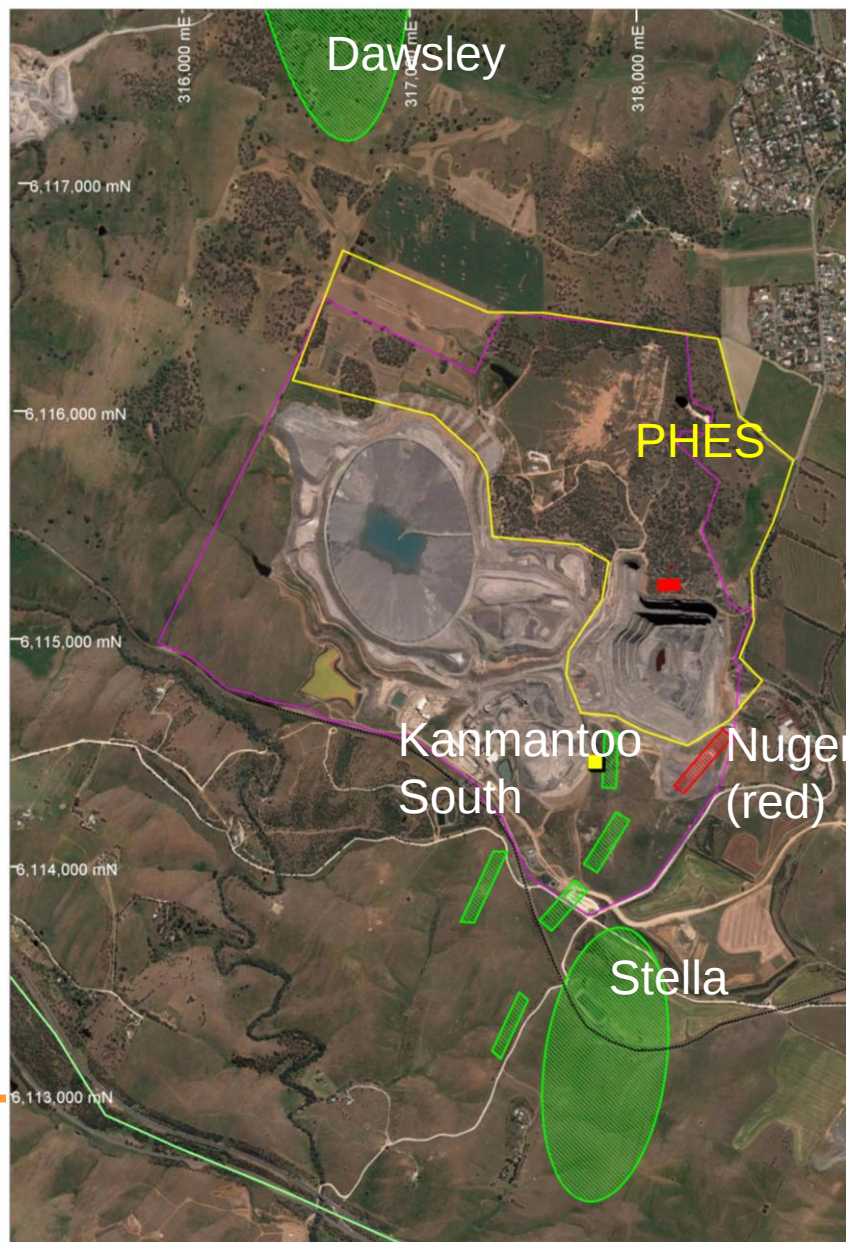


Figure 3: Comparative Capex for PHES Projects.

Source: Table in section 3.3.10, "Comparison of Other Projects", details information sources of South Australia based projects. Queensland project information source is Genex: October 2017 TFS Optimization press release, where capex estimate is \$330m.





Assuming the PHES proceeds, the indicative area in yellow will not be available for mining, which includes the Kavanagh underground.

The Nugent, Dawsley, Stella and Kanmantoo South targets remain accessible as exploration targets regardless of PHES development.





Whilst governments can steer or even mandate direction, the majority of the PHES market is driven by commercially attractive projects.

Synchronous generators are often the best partners of PHES.

The Australian environment has many hills, mining creates artificial mountain gradients which significantly lower capital costs due to:

- Geology plays a significant role in both the cost and viability of sites.
- Distance between ponds should be minimised and kept at low pressure.
- An active mine may offer significantly lower contract rates than traditional civil projects.