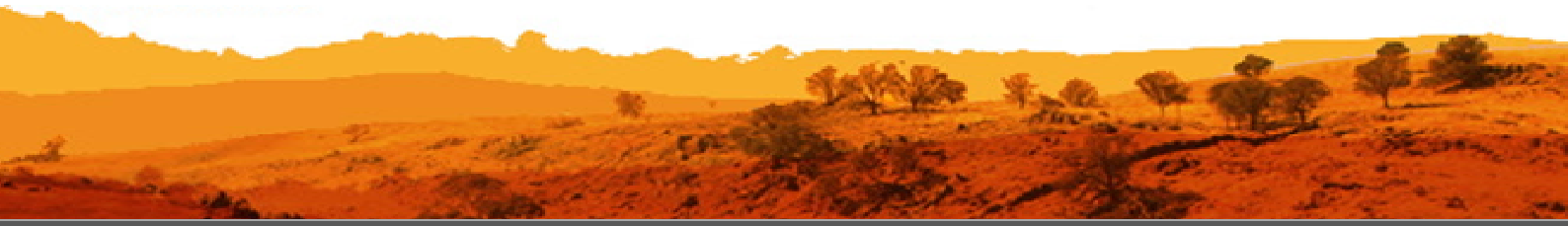
HILLGROVE RESOURCES

QUARTERLY REPORT

PERIOD ENDING 31 JULY 2014



Hillgrove Resources Limited (ASX: HGO) reports for the quarter ended 31 July 2014

HIGHLIGHTS

Kanmantoo Copper Mine, South Australia

- **A record production for Q2 of 5,884t contained copper in concentrates** was at the upper end of second quarter guidance and above guidance on a year to date basis.
- **Revenue** for the quarter from concentrate sales was AUD46.9 million at an average realised price for copper of AUD3.74/lb (USD3.47/lb), with the year to date revenue of AUD92.5 million.
- **C1 cost for the quarter of USD1.94 /lb (AUD2.07 /lb)** was at the lower end of guidance provided with year to date C1 of USD2.03 /lb.
- A total of **4,744k tonnes (1,535k bcm) of material was mined** with continuing productivity improvements offset by rain impacts.
- **Copper recovery consistent with the previous quarter at 91.9%,** with higher mill throughput and slightly lower feed grades due to increased low grade blending during rain impacts.
- **Additional short term copper hedging** of 1,487 tonnes secured from August to November 2014 at an average price of AUD7,642/mt (AUD3.47/lb).
- South Australian Government granted a **two year mine life extension** to 2019, allowing a 75% increase in processed ore over the original project approval.
- Rights to explore Private Mine No. 53 at Kitticoola were acquired and a broader **exploration program initiated** in and around the mining and exploration lease.

Indonesia

- Hillgrove has continued to pursue joint venture and investment interest into its advanced stage exploration projects. There is **continued interest in the projects** from major exploration and investment groups.

Corporate

- The Company has progressed **capital management initiatives**, subject to shareholder approval, to implement a one for eight share consolidation followed by an unmarketable parcel sale process.
- **Cash on hand** as at 31 July 2014 of AUD12.1 million, with total debt reducing from AUD33.4 million to AUD25.2 million at the end of the quarter. Net debt stands at AUD13.1 million as at 31 July 2014.

HILLGROVE RESOURCES LIMITED

Executive Summary

Hillgrove Resources (ASX: HGO) is pleased to report continued solid production and cost performance from its Kanmantoo Copper Mine in South Australia. Despite a heavily rain interrupted winter, the mine and processing plant produced a record copper production for the quarter and continued with systematic improvements to the business. While mining of ore was interrupted, the mined primary grade for June and July was greater than 1% copper. High process plant throughput required lower grade blending to maximise copper output.

The improving financial performance allowed further scheduled debt repayment, and the Company announced additional capital management initiatives with a one for eight share consolidation planned (subject to shareholder approval) and a plan being developed for an unmarketable share parcel sale process.

Kanmantoo operations re-commenced review and exploration work within the mining and exploration lease with a Consultant Exploration Geologist engaged. Exploration and mining rights were obtained over the historic Kitticoola private mine some 35km from Kanmantoo.

The Company continued discussions on a number of fronts with potential investors into the Indonesian projects at Sumba and Birds Head.

Updated 11 month financial year guidance (CY14 to 31 December 2014) is outlined further in the report. As previously advised, within CY14 the third quarter will be a two month quarter – August and September, followed by a three month fourth quarter.

KANMANTOO COPPER MINE, SOUTH AUSTRALIA

Mining Lease 6345 (Hillgrove 100%)

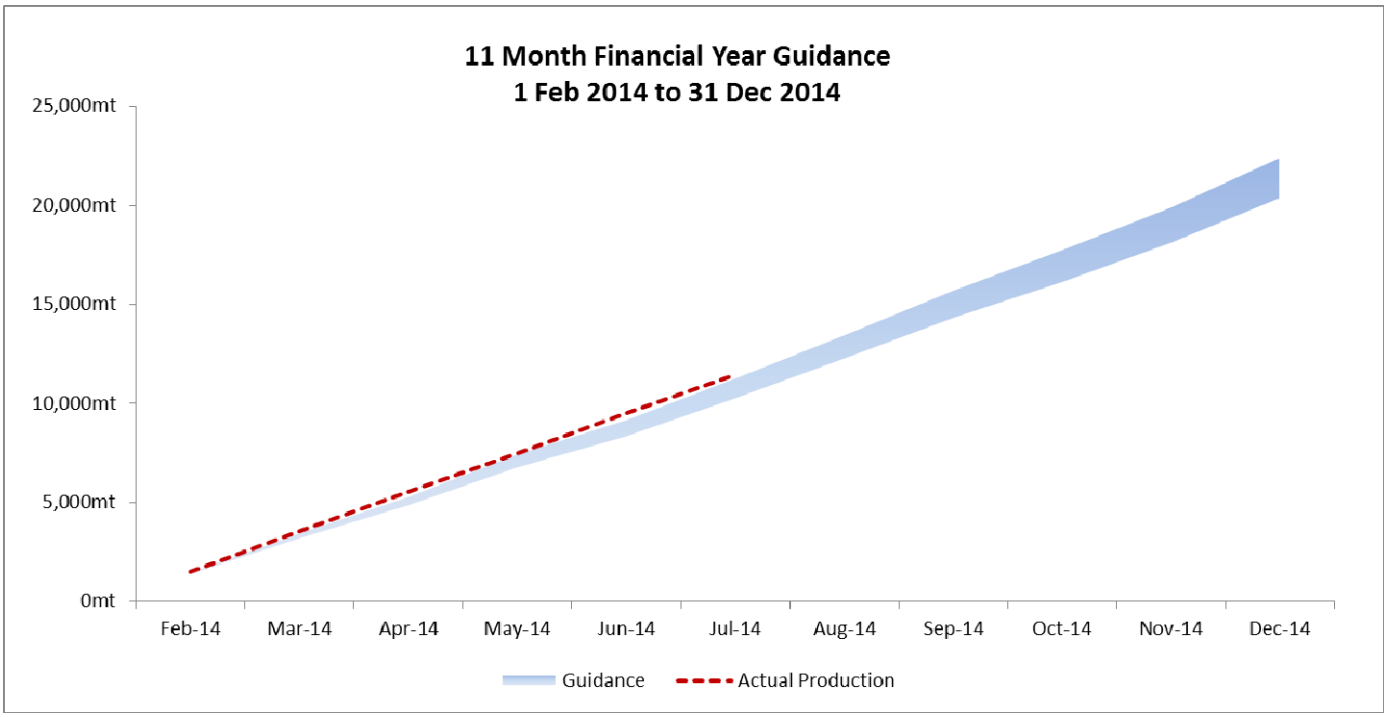
Overview

Mining operations continued in the Kavanagh, Nugent and Emily Star open pits. The Kavanagh pit is nearing full depth, and to date has been the dominant source of higher grades. The Nugent pit is now also accessing higher grades. It has a small cutback underway after receipt of the new mining lease; this will allow the expansion of the pit which will join up to the main pit floor during the coming quarter. The Emily Star pit will be moving from oxide/transitional ore into primary ore during the coming quarter. Rain impacted all pits, but particularly in the deeper Kavanagh pit.

The processing plant performed well, with a new screening system successfully installed between the primary and secondary crusher; this will reduce costs and improve reliability. Additional maintenance work planned around this installation resulted in some minor one-off increased maintenance costs, but this will ensure the higher throughput rate is sustainable. Mill throughput was above plan, with recovery and costs in line with plan.

An updated LOM plan was submitted to the Company's financiers and is under review. Kanmantoo received a two year life extension through its Program for Environment Protection and Rehabilitation (PEPR) approval from the South Australian Government, based upon the increased Ore Reserve announced last year. Planning has now commenced for additional Resource and exploration target range drilling around the existing ore zones, along with broader mining lease and exploration lease work.

FIGURE 1. KANMANTOO COPPER MINE PRODUCTION VS GUIDANCE – Refer to updated 11 month guidance further in report



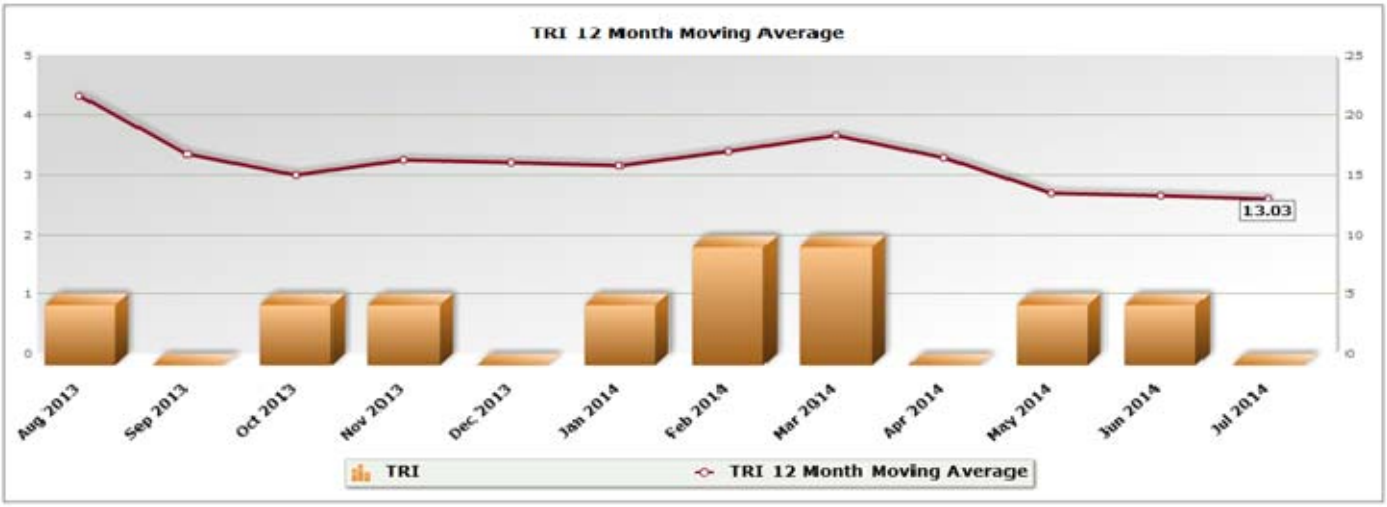
Note: HGO has recently moved from a 31 January to 31 December year end, so current references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (CY14). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.

Safety and Community

The quarter saw the 12 month Total Recordable Injury Frequency Rate (TRIFR) at a reduced 13.0, the lowest level since the site has been in operation. Two minor incidents were reported resulting in restricted work. While these results are pleasing, Kanmantoo continues to focus on employee training and education in quality and safety.

Meetings continued with the local community through the Kanmantoo Callington Community Consultative Committee (KCCCC), with key areas discussed including Kanmantoo region dust and impacts, KCM mine life extension approval, environmental rehabilitation program and local vehicle traffic issues.

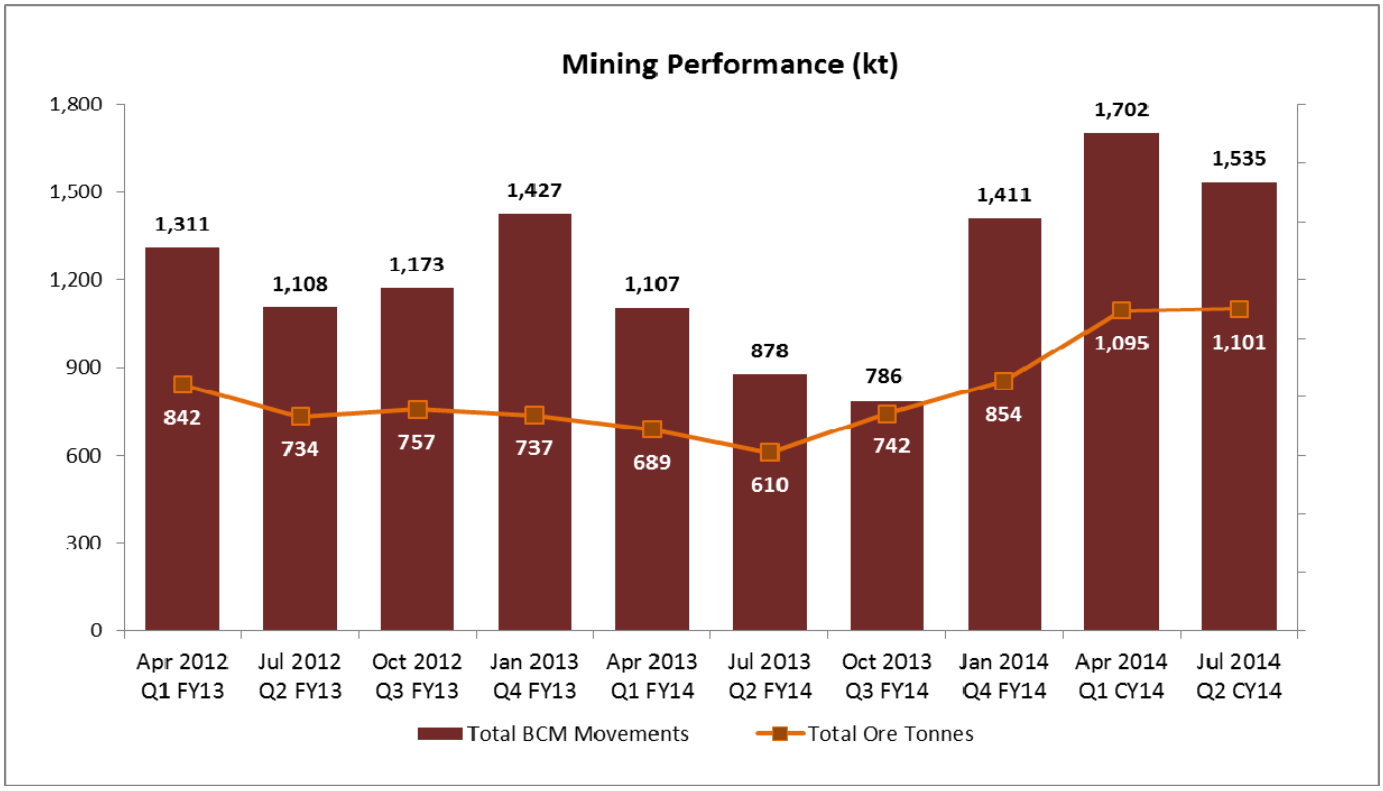
FIGURE 2. TOTAL RECORDABLE INJURY FREQUENCY RATE



Operations – Mine

Mining production from the open pits was 4,744kt (1,535k bcm) for the quarter ended July, with an additional 34kt from long term stockpiles. This slight decrease in total movements on the previous quarter was primarily due to a particularly rain affected winter that resulted in more rain days than budgetted. Total ore tonnes mined of 1,101kt included oxide and transitional ore from the Nugent and Emily pits.

FIGURE 3. KANMANTOO COPPER MINE BCM RATES



Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

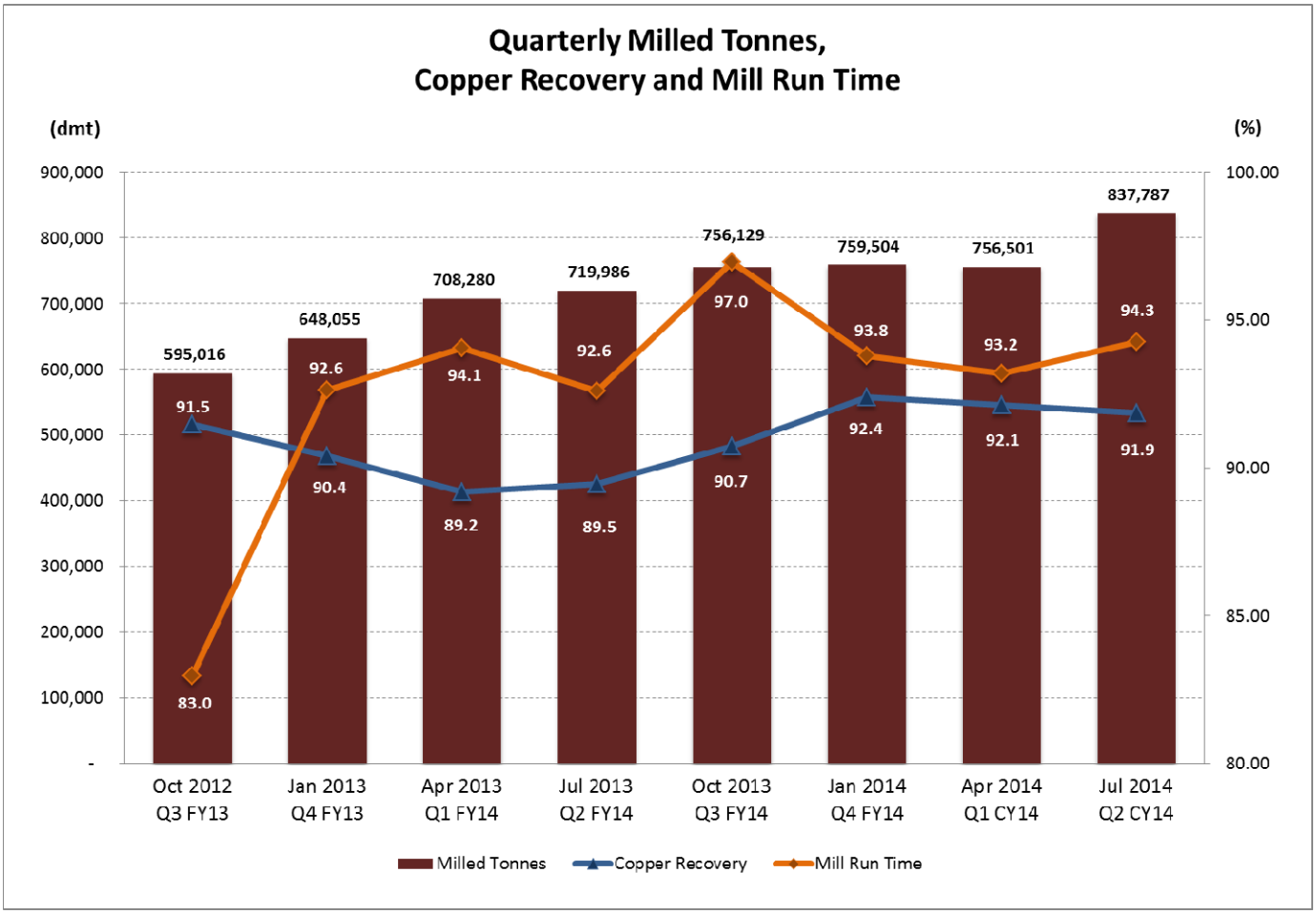
Resource reconciliation has continued to b positive with more metal per pit bench in Kavanagh than modelled. However since the start of this year two higher grade lenses truncated five metres shorter than modelled reducing the total amount of higher grade feed available. This was offset in metal terms by an increased halo of medium and lower grade material. Cost control and various process and productivity improvements have enabled C1 costs to be maintained at a low level.

FIGURE 4. KANMANTOO COPPER MINE – NUGENT AND EMILY STAR PITS PROGRESSING (20/06/14)

The Nugent pit is now mostly in primary ore, with high grades evident. Post the granting of the new mining lease at the side of Nugent, the cut-back at the side of the pit commenced and is expected to be at the depth of the current Nugent pit floor during the coming quarter. The Emily Star pit is transitioning from oxide/transitional ore into primary ore.

Operations – Crushing and Processing

FIGURE 5. KANMANTOO QUARTERLY MILL TONNES AND FEED GRADE



Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

Mill throughput and reliability were maintained at a high level during the quarter, with planned shuts for required maintenance completed. The copper recovery of 91.9% is in line with the previous quarter, and is being maintained at this level as higher throughput rates are offsetting slightly lower grades to maximise copper production. Process control with the multi-stream analyser is ensuring minimal loss of copper into tailings. Improvements through the quarter to maximise the re-grind mill capacity from flotation underflow streams has resulted in improved concentrate grade which will flow through in the coming months.

A new screening system was installed as part of capital improvements to the primary/secondary crushing circuit. While this task took four days, mill throughput was maintained with a pre-build up in the coarse ore stockpile (COS) which was drawn down during the project work. The new screening system is already providing maintenance cost savings and higher screening efficiency, which will increase output in the secondary crusher. As previously mentioned, significant other upgrades were completed during this outage to ensure sustainability at the increased mill rates.

The mill and wet plant continued to perform well. Mill throughput was 838kt of ore milled at an average grade of 0.76% copper, with ongoing process control and improvements continuing to provide excellent milling costs per tonne of feed ore.

TABLE 1. KANMANTOO COPPER MINE PRODUCTION STATISTICS

Period		FY13 to JAN 13	FY14 to JAN 14	APR-14 QTR	JUL-14 QTR	CY14 YTD
Ore to ROM from Pit	kt	2,221	2,633	812	**680**	1,492
Ore to long term stockpiles	kt	849	262	283	**421**	705
Mined Waste	kt	11,777	10,027	4,164	**3,643**	7,806
Total Tonnes Mined	kt	14,847	12,922	5,259	**4,744**	**10,003**
To ROM from LT Stockpiles	kt	-	332	114	**34**	148
Mining Grade to ROM	%	0.76	0.71	0.87	**0.93**	0.90
Ore Milled	kt	2,303	2,944	757	**838**	1,595
Milled Grade - Cu	%	0.66	0.64	0.80	**0.76**	0.78
- Au	g/t	0.16	0.12	0.10	**0.13**	0.12
- Ag	g/t	2.96	2.86	2.83	**2.50**	2.65
Recovery - Cu	%	89.9	90.7	92.1	**91.9**	92.0
- Au	%	54.7	52.9	52.0	**47.9**	49.7
- Ag	%	55.4	49.0	56.5	**54.5**	55.5
Cu Concentrate Produced	Dry mt	56,431	75,423	24,335	**25,621**	**49,956**
Concentrate Grade - Cu	%	24.4	22.8	22.8	**23.0**	22.9
- Au	g/t	3.6	2.5	1.7	**2.0**	1.8
- Ag	g/t	67.0	54.8	49.7	**44.5**	47.0
Contained Metal in Concentrate - Cu	t	13,744	17,184	5,554	**5,884**	**11,438**
- Au	oz	6,570	5,962	1,327	**1,639**	2,966
- Ag	oz	121,656	132,854	38,864	**36,647**	75,511
Total Concentrate Sold	Dry mt	56,526	74,051	24,425	**26,284**	**50,709**

Total copper produced was 5,884t contained copper in concentrates which was at the upper end of forecast guidance for the second quarter. Updated guidance for various production aspects has been provided below, based on the change to an 11 month financial year ending 31 December 2014 (CY14).

Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

Shipping

During the quarter, Hillgrove shipped its seventeenth, eighteenth, and nineteenth shipments of copper concentrate of 10,840WMT, 10,733WMT and 10,516WMT respectively.

Revenue

Revenue for the quarter was AUD46.9 million at an average realised price for copper of AUD3.74/lb (USD3.47/lb) with year to date revenue of AUD92.5 million.

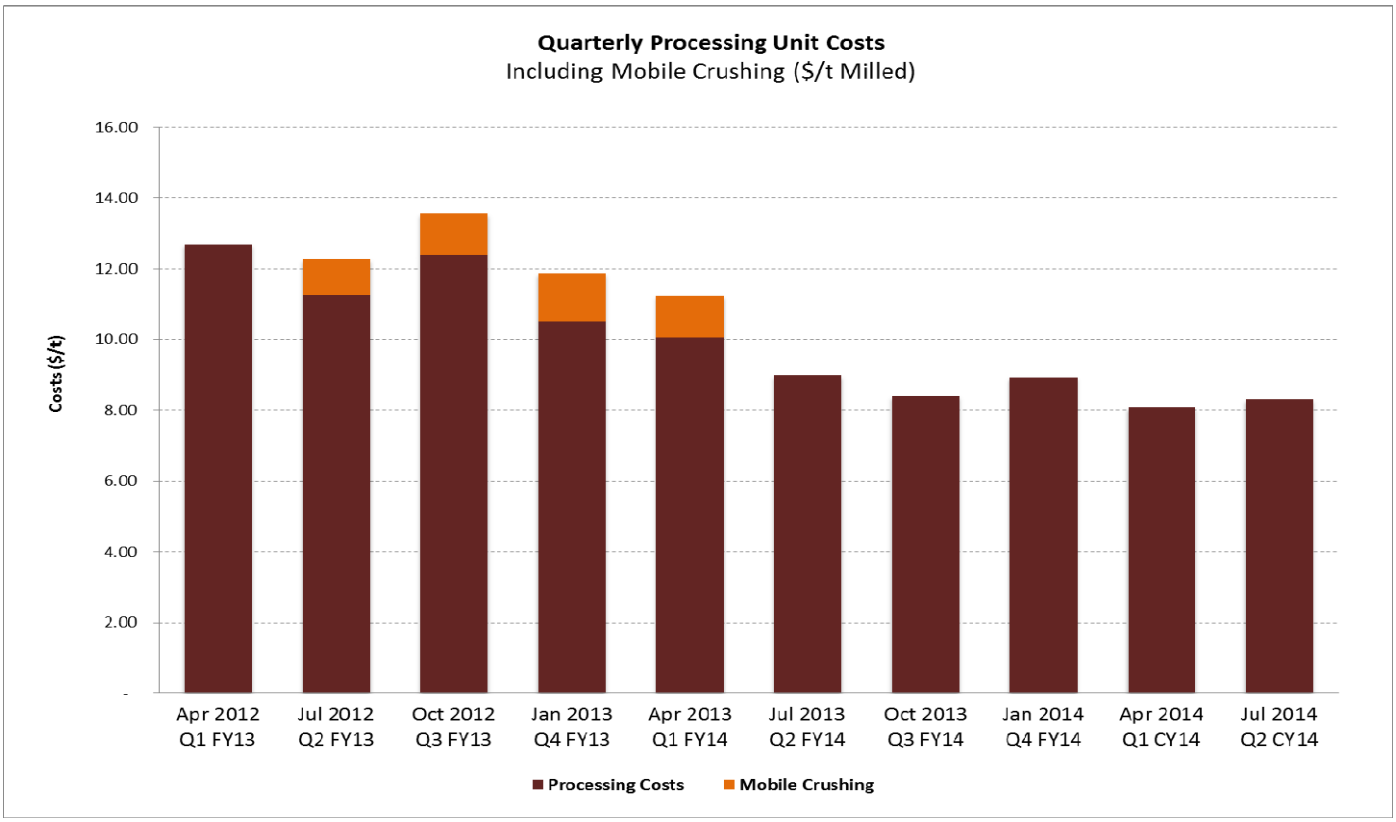
The Company's hedging strategy continues to provide strong support for Kanmantoo's production revenue. The additional hedging placed in January 2014 (for the July quarter) of 1,134 tonnes at an average price of AUD8,285 provided confidence in the copper pricing to support the total debt payment of $8.2 million during the quarter.

Along with the above, Hillgrove entered into additional copper hedging contracts in August to increase the hedge cover to 90% between August and November 2014. As per the previous hedge cover for the first half of the year, this was done at an opportune time of firmer copper prices to cover revenue streams required for upcoming debt repayments. These additional hedges were secured at an average price of AUD7,642/mt (AUD3.47/lb) for the additional 1,487 tonnes, which compares favourably to the current spot price of circa AUD7,400/mt.

Costs

The reduced C1 cash cost of USD1.94/lb (AUD 2.07/lb) for the quarter is a result of continued good copper production performance, along with well-maintained operating costs across the site.

FIGURE 6. KANMANTOO QUARTERLY PROCESSING UNIT COSTS



As mentioned, during the winter months there is some restriction on access to the mining pits, which impacts drilling rates, blasting operations and mining, and these lower quantities translate to lower overall costs. Some increase in these to re-build drilled and blasted stocks will occur during the upcoming quarter.

Processing unit costs were in line with plan, with some one off increased costs associated with additional maintenance work at the time of the new screen installation. Continued good management of process control and the improvement in re-grind capacity continues to improve performance.

Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

TABLE 2. KANMANTOO COPPER MINE COSTS

Period US cents per lb	FY13 to JAN 13	FY14 to JAN 14	APR-14 QTR	JUL-14 QTR	CY14 YTD
Total Mining Cost	229	165	178	**156**	167
Deferred Mining	0	-14	50	**-13**	18
Prestrip	-88	-33	-87	**-10**	-48
Ore Inventory Adjustment	-49	-1	-30	**-44**	-37
Mining Costs	**92**	**117**	**111**	**89**	**100**
Processing Costs	97	72	47	**52**	50
Other Direct Cash Costs	23	22	16	**19**	18
Total Onsite Costs	212	211	174	**160**	168
Transport & Shipping	18	17	16	**17**	16
Treatment, Refining & Smelter Charges	36	41	42	**41**	42
Total Offsite Costs	54	58	58	**58**	58
Precious Metals Credits	-46	-30	-21	**-24**	-23
Total Direct Operating Costs (C1 Cash Costs)	220	239	211	**194**	**203**
Royalties	5	4	4	**4**	4
D&A	96	74	71	**78**	74
TOTAL COSTS	321	317	286	**276**	281

Note:

Deferred Mining: *Within each pit, the cost of higher waste benches, proportional to the copper contained in the ore, is normalised for the impact of strip ratios and copper grades over the life of specific pits. Kavanagh pit deferred mining costs were fully amortised in Q1, and accumulation of deferred mining in Nugent and Emily occurred during Q2.*

Pre-Strip: *Upper levels of pits where the strip ratio is greater than 10:1 (waste:ore) are capitalised and amortised over the life of the mine based on metal.*

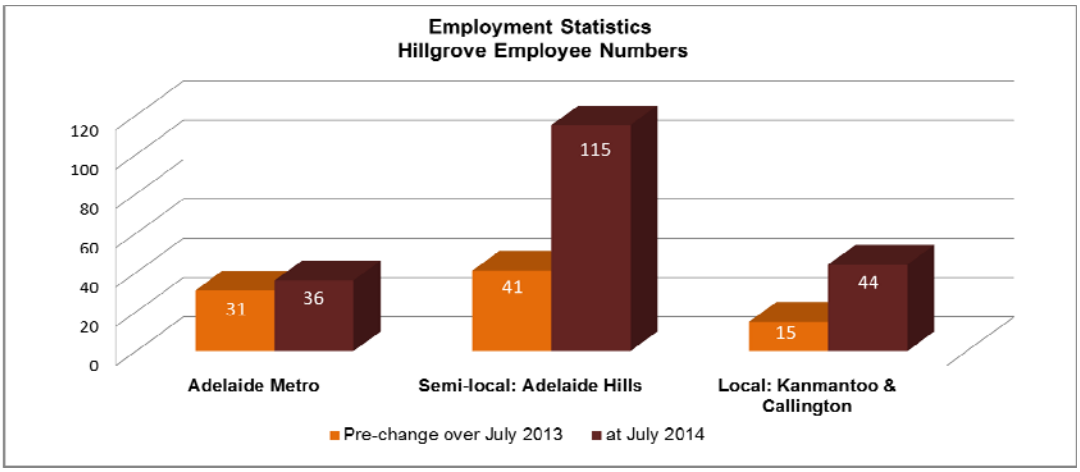
Ore Inventory Adjustment: *Mining costs per tonnes of ore added to (-'ve) or processed from (+'ve) long term stockpiles. In this quarter, significant oxide and transitional ore was added to long term stockpiles, partially offset by a small quantity of low grade primary ore processed.*

Staff

Hillgrove seeks to support the local community and reduce travel safety risks by focussing recruitment on employees who live within the region wherever possible. Currently our workforce is located as follows:

- 21% employees from the immediate Local Region (Callington/Kanmantoo)
- 60% employees from Adelaide Hills Region
- 19% employees from the Greater Adelaide Region

FIGURE 7. KANMANTOO COPPER MINE EMPLOYMENT GROWTH BY REGION



Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

Along with this direct employment, specialist contract services are being undertaken by Andy's Earthmovers (equipment supply and maintenance), Roc-Drill (blast hole drilling), and Maxam (in hole explosives supply and delivery), which have a combined permanent workforce of some 50 employees on site, with many of these employees also living locally. This represents a total of 241 permanent employees (Hillgrove and Contractors) on site at quarter end.

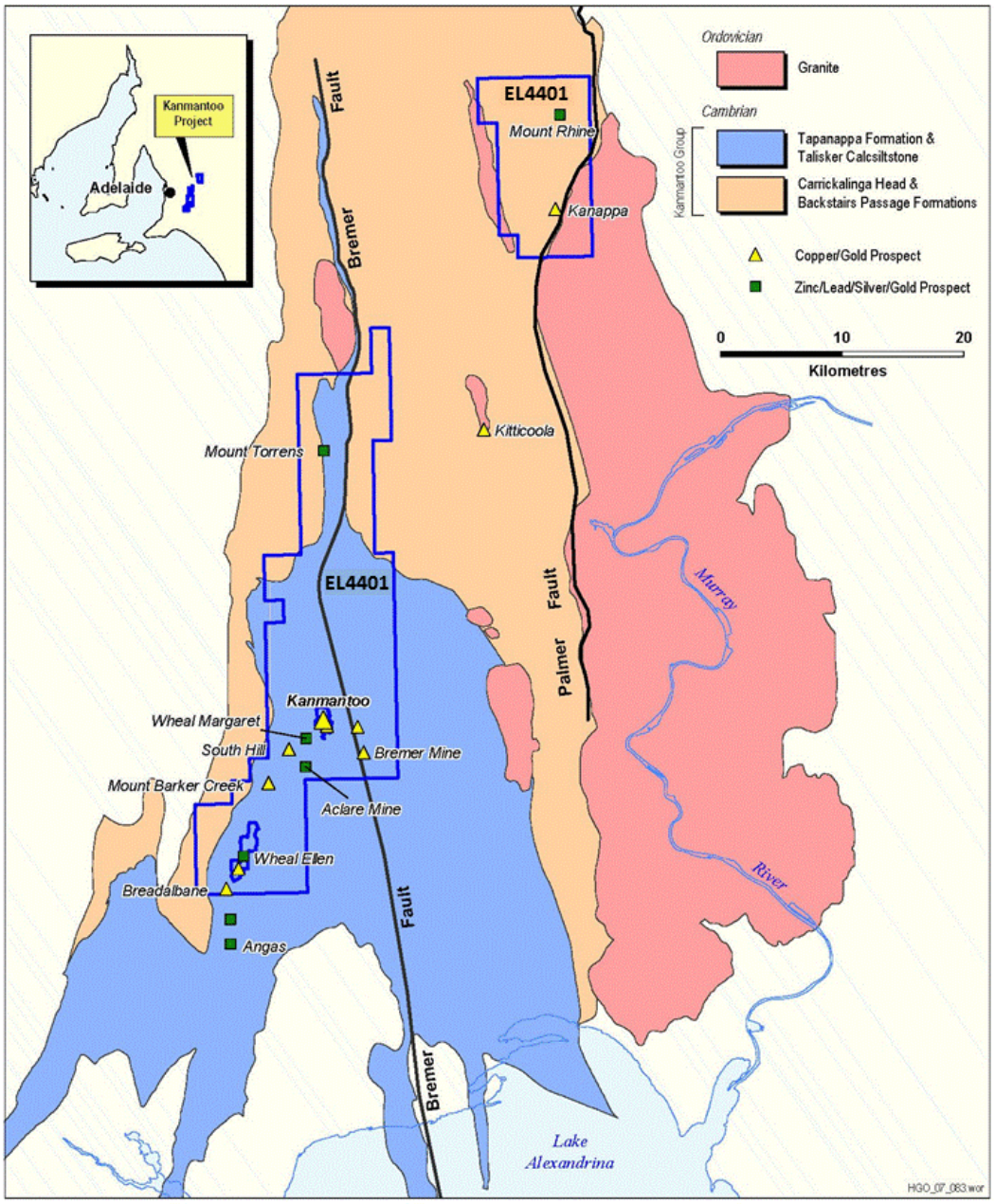
Mine Life Extension Approved

Hillgrove Copper's Program for Environment Protection and Rehabilitation (PEPR) in relation to the Life of Mine plan for ML6345 and ML6436 was approved by the Department of State Development (DSD - formerly Department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE)) on 24 July 2014. The approval provides a 75% increase in processed ore over the original project PEPR and a life extension to 2019, based on current mine Reserves, and allows access to additional copper Resources located within the Mining Lease.

To facilitate the extension, the Company continued its significant community engagement process and worked closely with various areas of the Local, State and Federal Government. As reported at the end of last quarter, the Federal Government (EPBC) component had been approved. The new mining lease required for expansion of the Nugent pit was recently granted, and the PEPR approval represents the final part of the approval process.

Kitticoola Mine Rights Acquired

FIGURE 8. LOCATION OF PRIVATE MINE NO. 53 – KITTICOOLA PROSPECT AND HILLGROVE'S KANMANTOO MINE



Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

Hillgrove signed a Deed of Assignment and Assumption to take over the Option Agreement over Private Mine No 53 (Kitticoola Mine) located near Palmer, South Australia, approximately 35km from the Kanmantoo Copper Mine (refer to Figure 8). The Option Agreement with the owner of Kitticoola provides Hillgrove with the exploration rights and any potential future mining rights, subject to certain conditions. Hillgrove paid a nominal cash amount to CN Resources for the Rights over the Prospect.

The Kitticoola Mine was operated at various times from 1846 up to 1971 as an underground gold and copper mine, producing approximately 30,000t gold ore and 7,000t copper ore. In 2007 Hillgrove exploration geologists undertook reconnaissance and due diligence work that confirmed available information and previously published results in surface workings and it was ranked as a priority target within the region. Hillgrove intends to carry out further initial exploration work over the next year or so to determine the possible extent and depth of the mineralisation.

Outlook for CY14

The Kanmantoo Copper Mine continues to perform according to our market guidance; however the guidance previously provided for the year required proportional adjustment by one month to account for the new financial year end of 31 December 2014.

The previous production guidance provided was for the 12 months to end Jan 2015. This updated guidance is for the 11 month financial year from 1 February to 31 December 2014 (CY14). Copper and gold production is proportionally in line with the previous guidance. Ore processed and ore grade have been adjusted based on increased mill throughput and slightly lower head grades. C1 cost guidance has been adjusted based on current and anticipated performance. The new guidance for the eleven months to December 2014 is as follows:

- Ore mined — 2,850kt to 3,000kt
- Ore processed — 2,900kt to 3,000kt
- Ore grade processed — 0.76% to 0.81% Copper
- Copper recovery — 91.5% to 92.5%
- Copper produced — 20,500t to 22,500t copper contained in concentrates
- Gold produced — 6,000oz to 7,800oz gold contained in concentrates
- C1 Costs — USD2.00 to USD2.20 per lb at 0.90 exchange rate.

The Company's continuous improvements in performance at Kanmantoo in the operating and cost structures continue to support the target mine life to 2023.

Exploration Program Reinitiated

Finalising the mine life extension process has provided a welcome degree of certainty for the current Kanmantoo Mine programs and targets, confirming the next stage in the planned mine life of the project. Kanmantoo Copper is now commencing a review of exploration potential on its mining lease and broader regional exploration tenement as part of possible future life extensions, with a Consulting Exploration Geologist engaged to initiate this work. Some of this will be based on conversion of Resources and exploration target ranges into Reserves within the mining lease, and some will be reviewing the potential for new mineralised zones both within the mining lease and on the surrounding exploration lease. Our recent acquisition of the exploration and mining option over the historical Kitticoola private mine is one step in this program.

Next Steps

The operating performance this quarter has further demonstrated the capability that is now established at Kanmantoo, with production outcomes being repeated and delivered as forecast and planned. We will continue to work on the improvements identified through the operating, planning and implementation processes. Focus will be on the continued optimisation of both ore mining and processing, and increases in mill capability to increase copper production and lower costs.

INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

Hillgrove continues to maintain care and maintenance teams at its advanced exploration projects at Bird's Head and Sumba Island.

Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

There are several parties continuing to express their interest in a potential joint venture for the Indonesian projects. This includes major exploration companies and private investment groups, including direct investment from within Indonesia. Hillgrove is continuing to work with these groups, including providing access under confidentiality to the exploration database.

With the status of the two projects in advanced exploration stage, the recent ban on mining exports does not have a direct impact on the value or the potential progress of the next stage works. Local landholder relationships are being maintained at the Projects.

FIGURE 9. INDONESIAN ARCHIPELAGO

BIRD'S HEAD COPPER/GOLD PROJECT, WEST PAPUA, INDONESIA
IUP40/2010 (Hillgrove 80%)

Hillgrove is an 80% shareholder in PT. Akram Resources which holds IUP40/2010 in the Bird's Head region of West Papua. Hillgrove is responsible for the management of exploration and development activities up to a decision to mine. The IUP covers 992.3km² and is valid until March 2017.

The IUP overlies a variety of forestry class designations, with exploration within the licence restricted to an Izin Pinjam Pakai area of ~8000ha, which covers the primary porphyry target of West Delta. As previously reported, a number of drill targets have now been generated and progress on these will be determined by successful alternate funding arrangements.

SUMBA GOLD PROJECT, INDONESIA
IUP 322/KEP/HK/2009 (Hillgrove 80%)

Hillgrove is an 80% shareholder in PT Fathi Resources which holds IUP 322 on the island of Sumba. Hillgrove is responsible for the management of exploration and development activities, up to a decision to mine. The IUP Explorasi (Exploration and Mining Business Licence) covers 750km² and is valid until December 2016.

At this stage there are a number of porphyry and epithermal targets which require drill testing. The timing for this work is dependent on the company's assessment of funding arrangements.

HILLGROVE CORPORATE

Change to Hillgrove Board

Mr Edwin Zemancheff tendered his resignation from the Board of Hillgrove Resources Limited and group companies on 29 May 2014. Over the past four years Mr Zemancheff brought significant commercial, corporate and legal experience to the Board having previously been an International partner of the global law firm, Baker & McKenzie.

Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

Annual General Meeting

The Annual General Meeting was held on 25 June 2014 at the Radisson Blu Hotel in Sydney, where we had a strong shareholder attendance. Our Chairman, The Hon. Dean Brown AO, was particularly pleased to report the increased successful interaction with the local communities during the year by Kanmantoo management, primarily through the Kanmantoo Callington Community Consultative Committee, addressing community concerns and ensuring a common understanding of the mine-life extension application that has just been completed with the State Government.

Capital Management Initiatives

At the end of the quarter Hillgrove announced its intention to undertake capital management initiatives, subject to shareholder approval at an Extraordinary General Meeting to be held on 10 September 2014, to implement a one for eight share consolidation followed by an unmarketable parcel sale process. Further information in relation to the proposed share consolidation, including the timetable, has been provided in the Notice of General Meeting which was issued on 8 August 2014.

Hillgrove has 1.18 billion shares on issue compared to a market capitalisation of approximately $95 million, which is disproportionate to its peers. Consolidating the Company's share capital will result in a more appropriate and effective capital structure, and would reduce the number of shares on issue to approximately 148 million.

Subject to shareholder approval of the share consolidation, Hillgrove intends to implement a share sale facility to provide eligible shareholders with an opportunity to sell their unmarketable parcels without incurring any brokerage costs. In addition to allowing holders of small shareholdings to sell their shares without brokerage, the sale facility will also reduce the expense to the Company of maintaining over 1,500 shareholders with unmarketable parcels.

Debt Reduction

Hillgrove made a significant reduction to its debt balance during the quarter. Total debt was reduced from AUD33.4M as at 30 April 2014 to AUD25.2M at 31 July 2014. During the period a Gold Loan repayment of AUD2.2M (1,328 ounces) was made in addition to a further repayment of AUD6.0M principal in relation to the Senior Debt.

The Gold Loan will be fully repaid during the third quarter, once again reducing Hillgrove's debt.

Cash and Investments

Cash on hand as at 31 July 2014 was AUD12.1M.

Debt as at 31 July 2014 was AUD25.2M.

The market value of Hillgrove's listed investment portfolio as at 31 July 2014 was approximately AUD0.3M.

CORPORATE INFORMATION	
Issued Share Capital at 31 July 2014	
Ordinary shares	1,181,679,771
Employee Performance Rights	35,700,000
Unlisted options	50,000,000
Share price activity for the Quarter	
High	0.082
Low	0.069
Last (31 July 2014)	0.077
Average Daily Volume	875,974

Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.

SHARE REGISTRY	REGISTERED OFFICE
Boardroom Limited GPO Box 3993 Sydney NSW 2001, Australia F: +61 2 9290 9655 T: (within Australia) 1300 737 760 T: (outside Australia) +61 2 9290 9600	Hillgrove Resources Limited Suite 1709, Level 17 Australia Square Tower 264-278 George Street Sydney NSW 2000, Australia E: info@hillgroveresources.com.au T: +61 2 8247 9300

For more information contact:

Greg Hall
Managing Director
Tel: +61 (0)2 8247 9300

Russell Middleton
CFO
Tel: +61 (0)2 8247 9300

Shanthi Smith
Company Secretary
Tel: +61 (0)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 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.

Note: HGO has recently moved from a 31 January to 31 December year end, so current references 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.