

HILLGROVE RESOURCES

HALF YEAR RESULTS 31 JULY 2014

GREG HALL ||||| CEO & MANAGING DIRECTOR

RUSSELL MIDDLETON ||||| CHIEF FINANCIAL OFFICER

24 SEPTEMBER 2014



- Net Profit After Tax of A\$5.8 million
- EBITDA of A\$27.0 million
- Sales Revenue of A\$92.5 million
- Mill throughput increased to over 3.0Mtpa, with record copper production of 11,438 tonnes for the half (above the guidance range for the year)
- First half C1 costs US\$2.03/lb (A\$2.16/lb), driven by efficiencies and cost reductions in mining and processing (below guidance)
- Strong hedge book provides certainty and materially positive for cash flows and revenue
- Strong project cash flow generation has led to the ability to aggressively repay debt, with total debt reducing from A\$41.7 million at 31 January 2014 to A\$26.3 million at 31 July 2014



OPERATING RESULTS

Period		FY13/14 1H	FY13/14 2H	CY14 1H
Ore to ROM from Pit	kt	1,244	1,389	1,492
Ore to long term stockpiles	kt	0	262	705
Mined Waste	kt	4,886	5,141	7,806
Total Tonnes Mined	kt	6,130	6,792	10,003
To ROM from LT Stockpiles	kt	221	111	148
Mining Grade to ROM	%	0.67	0.75	0.90
Ore Milled	kt	1,428	1,516	1,595
Milled Grade - Cu	%	0.55	0.73	0.78
- Au	g/t	0.14	0.10	0.12
- Ag	g/t	2.65	3.06	2.65
Recovery - Cu	%	89.3	91.7	92.0
- Au	%	55.2	49.9	49.7
- Ag	%	45.6	51.8	55.5
Cu Concentrate Produced	Dry mt	31,209	44,214	49,956
Concentrate Grade - Cu	%	22.6	22.9	22.9
- Au	g/t	3.5	1.7	1.8
- Ag	g/t	55.4	54.4	47.0
Contained Metal in Concentrate - Cu	t	7,040	10,144	11,438
- Au	oz	3,505	2,457	2,966
- Ag	oz	55,606	77,248	75,511
Total Concentrate Sold	Dry mt	30,318	43,733	50,709

- Record mill throughput and copper production achieved
- Record half for total tonnes mined, despite lower scheduled mining in Q2 due to winter rains
- Record half for mined grade
- Continued consistent copper recovery of 92.0%



FINANCIAL RESULTS



INCOME STATEMENT (A\$ million) 6 months to	31 July 2014	31 July 2013
Revenue	92.5	58.6
Cost of production	(63.6)	(29.4)
Changes in inventories of ore and concentrate	5.6	(1.2)
Employee benefits expense	(3.0)	(3.8)
Unrealised gains/ (losses) on financial derivatives	0.4	3.6
Depreciation and amortisation expenses	(19.9)	(12.4)
Corporate and other administration costs	(1.5)	(1.4)
Financing expenses	(1.8)	(3.0)
Other	(2.6)	(4.7)
Profit/(loss) before income tax benefit	6.1	6.3
Income tax (expense) / benefit	(0.3)	(2.3)
Net profit/(loss) attributable to ordinary equity holders of HGO	5.8	4.0
Basic EPS (cps)	0.5	0.4
Diluted EPS (cps)	0.5	0.4

- The statutory profit of A\$5.8 million has largely been driven by EBITDA of A\$27.0 million – increased revenue from copper production and reductions in cost

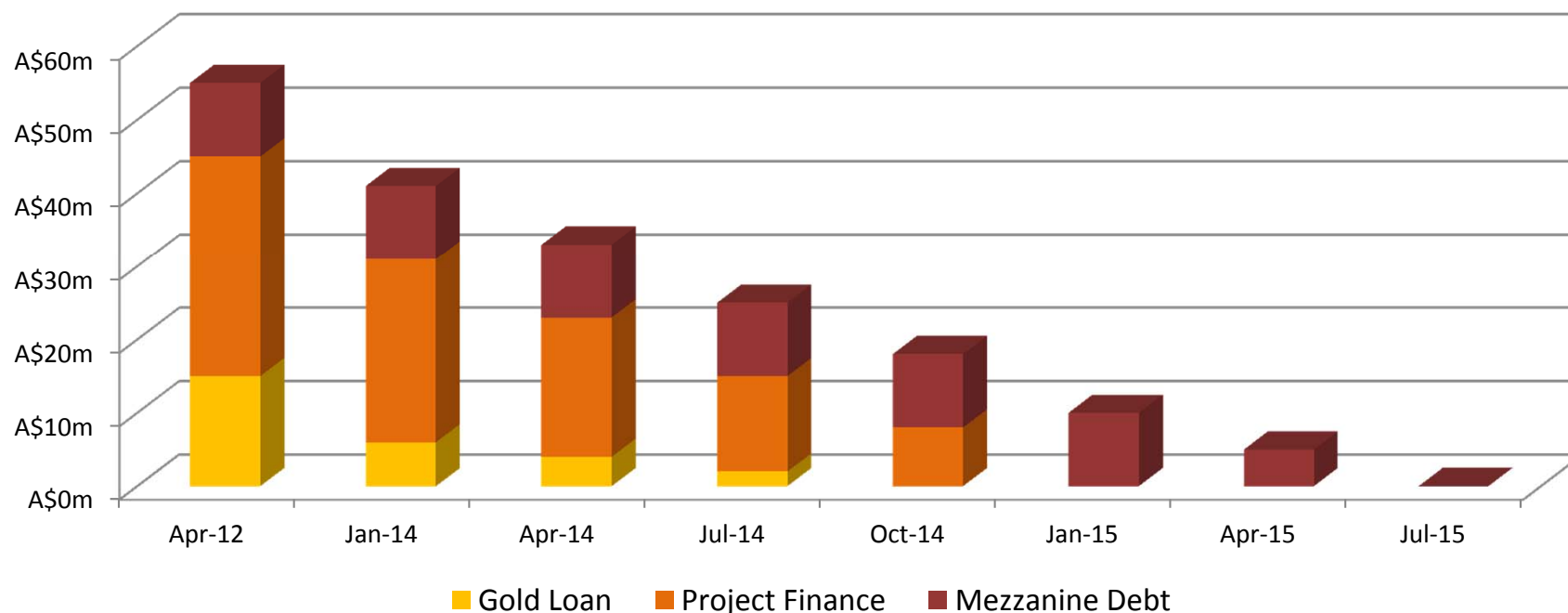


BALANCE SHEET

A\$ million	31 July 2014	31 January 2014
Current Assets	47,035	51,846
Cash	12,145	16,452
Receivables	3,243	5,024
Inventories	27,839	26,162
Financial Instruments	3,480	4,016
Other	328	192
Current Liabilities	55,664	62,467
Payables	24,025	23,936
Borrowings	25,405	30,619
Financial Instruments	2,761	4,491
Other	3,473	3,421
Current Ratio	0.84	0.83
Borrowings (Non Current)	883	11,050
Net Assets	242,610	228,539

- The reduction in cash is a direct result of continued investment in mine infrastructure and the aggressive repayment of debt
- Overall Borrowings have reduced due to continued aggressive repayments from cashflow, with remaining debt due within 12 months
- Net Assets have increased mainly due to continued investment from strong free cash flows generated from Kanmantoo





- Strong project cash flow generation has led to the ability to aggressively repay debt – gross debt reduced from A\$40.8 million at 31 January 2014 to A\$25.2 million at 31 July 2014
- Gold loan repayments will be completed by September 2014, project finance by January 2015 and mezzanine debt by July 2015



STRATEGY LEADING TO VALUE

THREE PILLARS FOR ENHANCING SHAREHOLDER VALUE

Kanmantoo

Productivity and cost focus in order to maximise the free cash flow generation of Kanmantoo

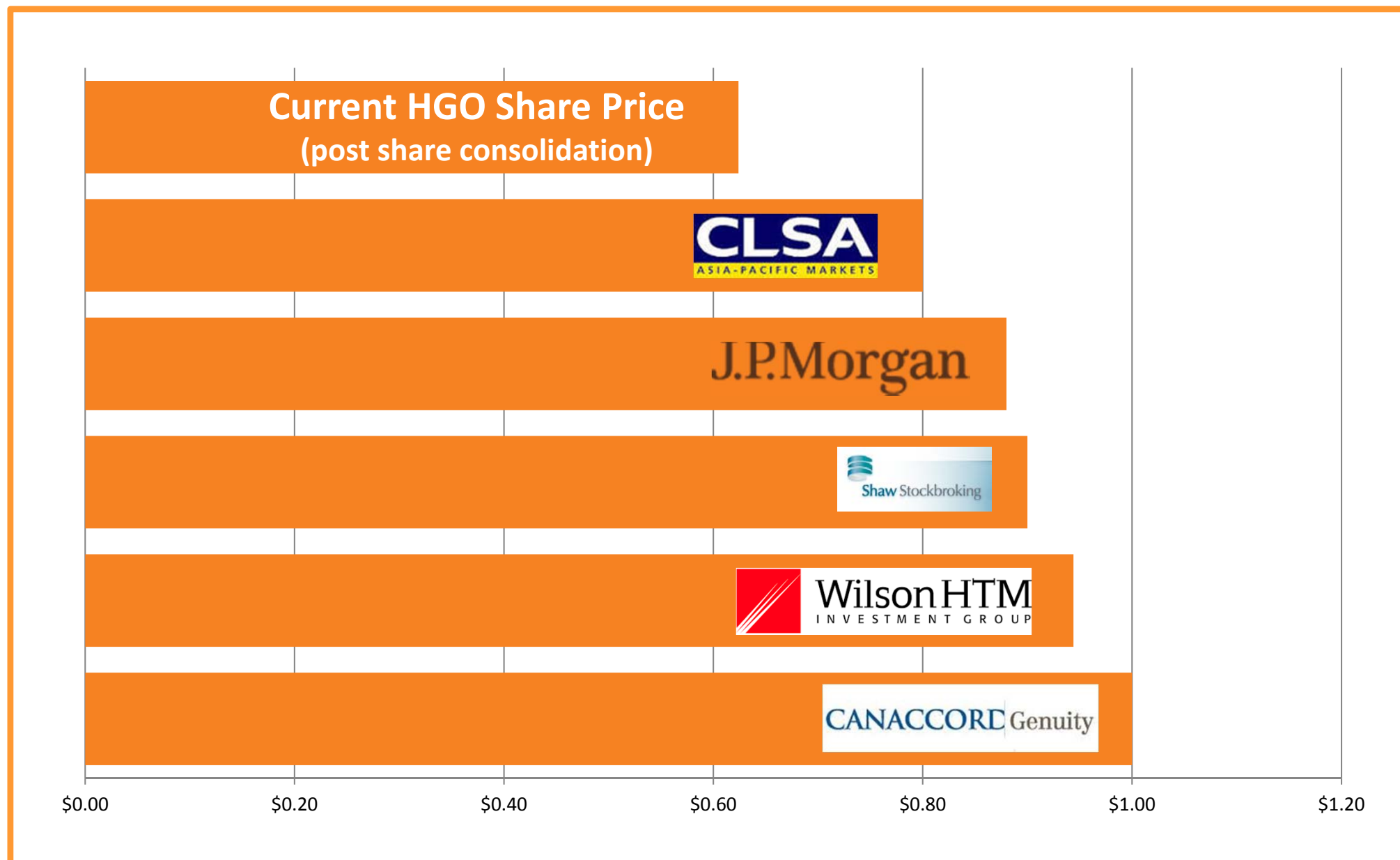
Regional Growth

Grow reserves and extend mine life of Kanmantoo through targeted regional exploration

Capital Management

Enabling the Company to establish a foundation for shareholder value enhancement and future growth opportunities





Note: Analysts forecasts adjusted for consolidation ratio



MARKET OUTLOOK AND GUIDANCE



Adjusted for 11 month year ending 31 December 2014; Hillgrove maintains its guidance levels based on current performance and planned operational improvements

Guidance for CY14

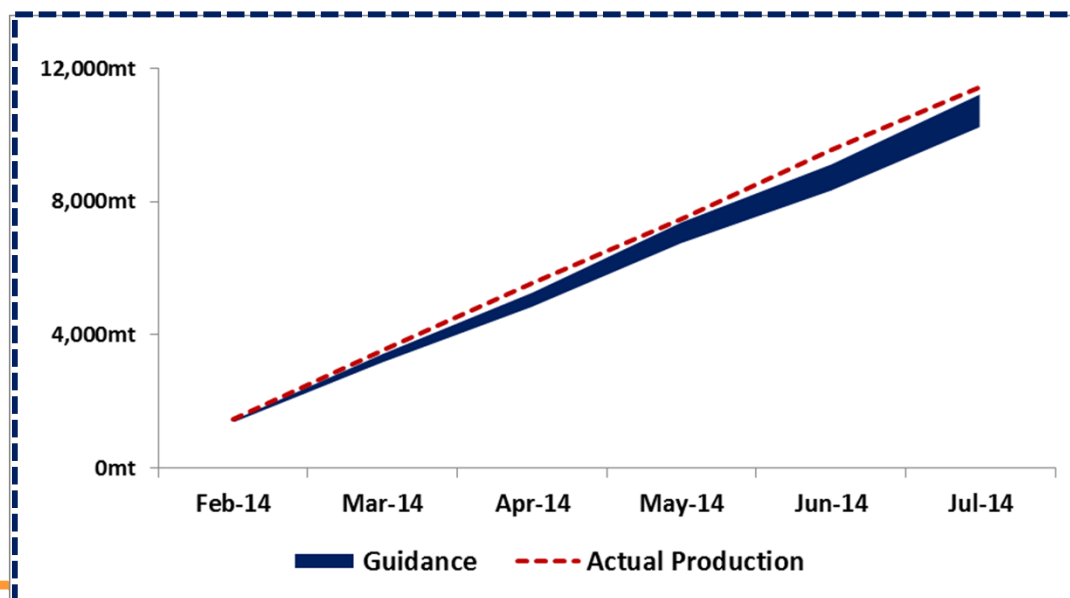
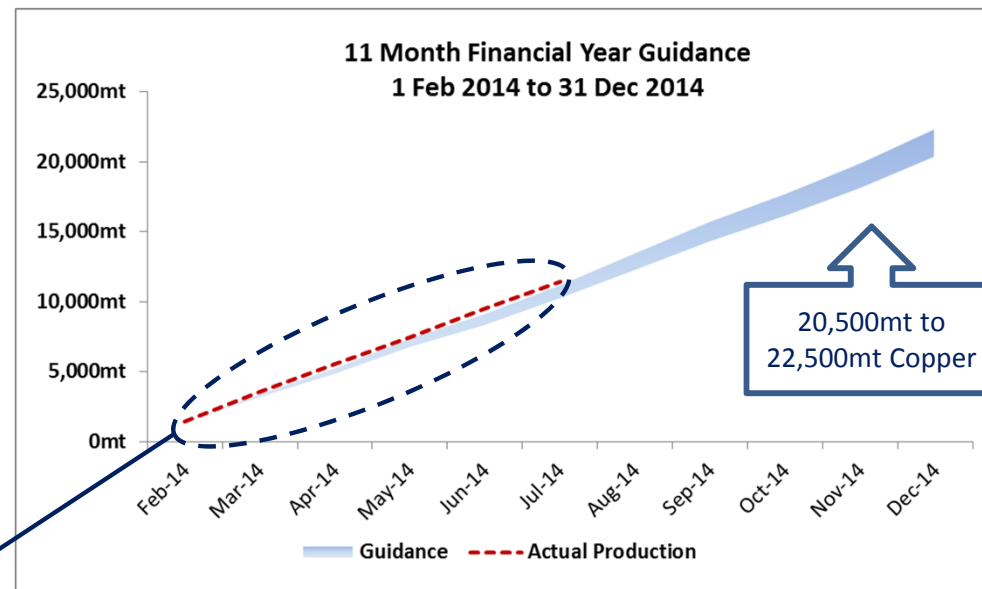
Ore mined	2,850kt to 3,000kt
Ore processed	2,900kt to 3,000kt
Ore grade processed	0.76% to 0.81% Copper
Copper recovery	91.5% to 92.5%
Copper produced	20,500t to 22,500t copper contained in concentrates
Gold produced	6,000oz to 7,800oz gold contained in concentrates
C1 Costs	USD2.00 to USD2.20 per lb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

Forecast Capex for CY14

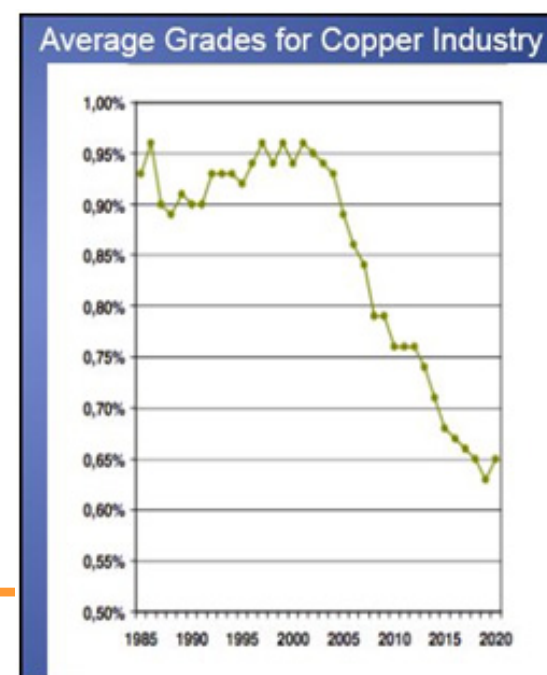
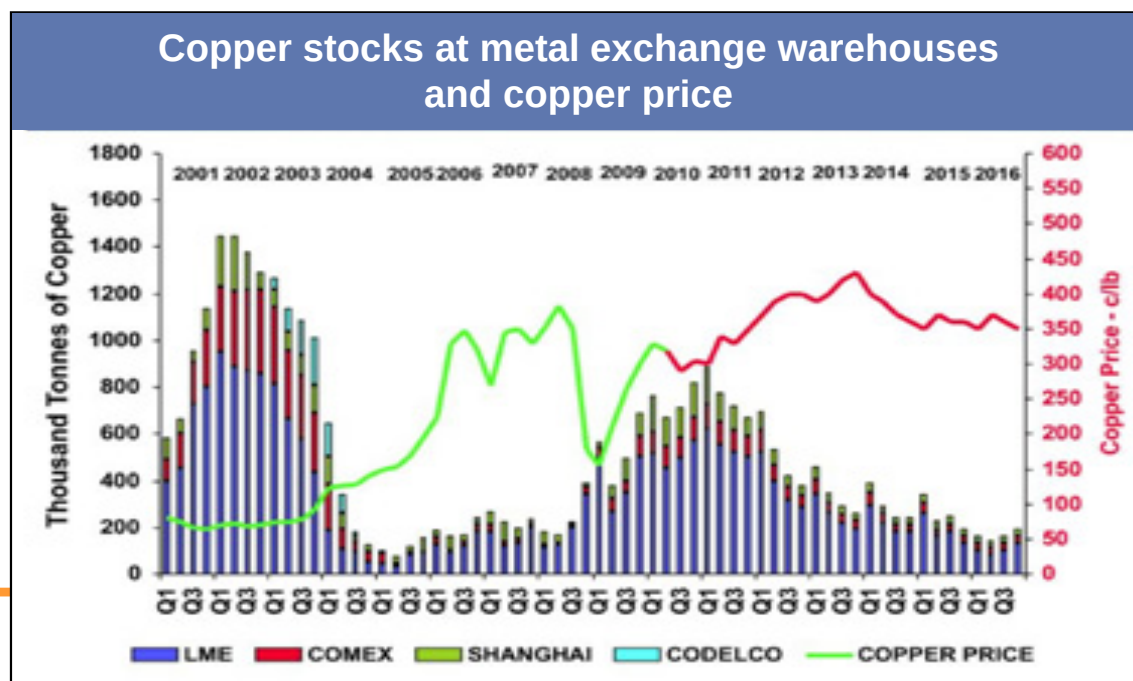
Tailings Storage Facility	AUD4.8M – already expended
Controlled Potential Sulphidisation	AUD3.0M – spend in H2 through to early CY15
Dust mitigation	AUD1.0M > approx. half expended
Other sustaining capital	AUD2.3M > approx. half expended



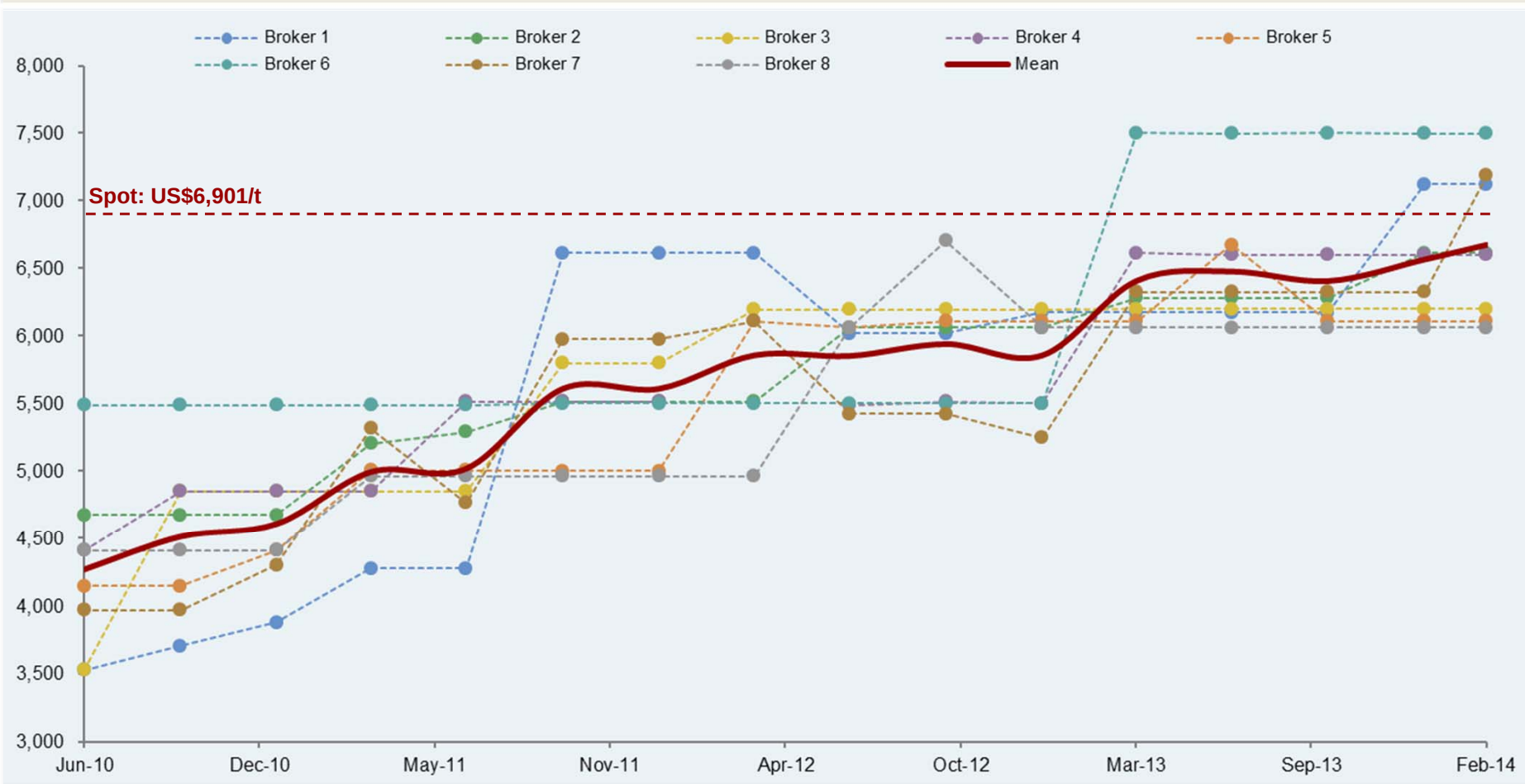
- A record 11,438 tonnes of copper in concentrate produced for the half, tracking above the guidance range for the year



- Global copper mine production surprised to the upside in 2H2013, leaving larger than expected global concentrate stocks coming into 2014
- Although copper mine supply is expected to be in a small surplus over the next 2 - 3 years, the supply deficit gap will widen after 2016
- Copper producers in all percentiles have experienced cost escalations
- US\$3.00/lb required to clear weighted average capital cost for forecast mine supply
- Average grades continue to decline, with new investments required to offset degradation in grades



Broker long term real copper price forecast history (US\$/t)



Source: Broker reports; spot copper price based on LME cash copper price as of April 28, 2014: US\$6,786/t (or US\$3.08/lb)

- Brokers remain positive on copper industry fundamentals and raised long term real copper price forecast by ~US\$2,400/t (~US\$1.08/lb) in less than four years



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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 increased throughput to 3.0Mtpa of ore, to produce approximately 100,000 dry metric tonnes of copper concentrate per annum.

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.

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All currency referred to is Australian Dollars (AUD) unless otherwise indicated.

Hillgrove 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.

