

HILLGROVE RESOURCES

CY14 RESULTS: 11 MONTHS FROM 1 FEBRUARY TO 31 DECEMBER 2014

GREG HALL ||||| CEO & MANAGING DIRECTOR

RUSSELL MIDDLETON ||||| CHIEF FINANCIAL OFFICER

27 FEBRUARY 2015



FINANCIAL RESULTS



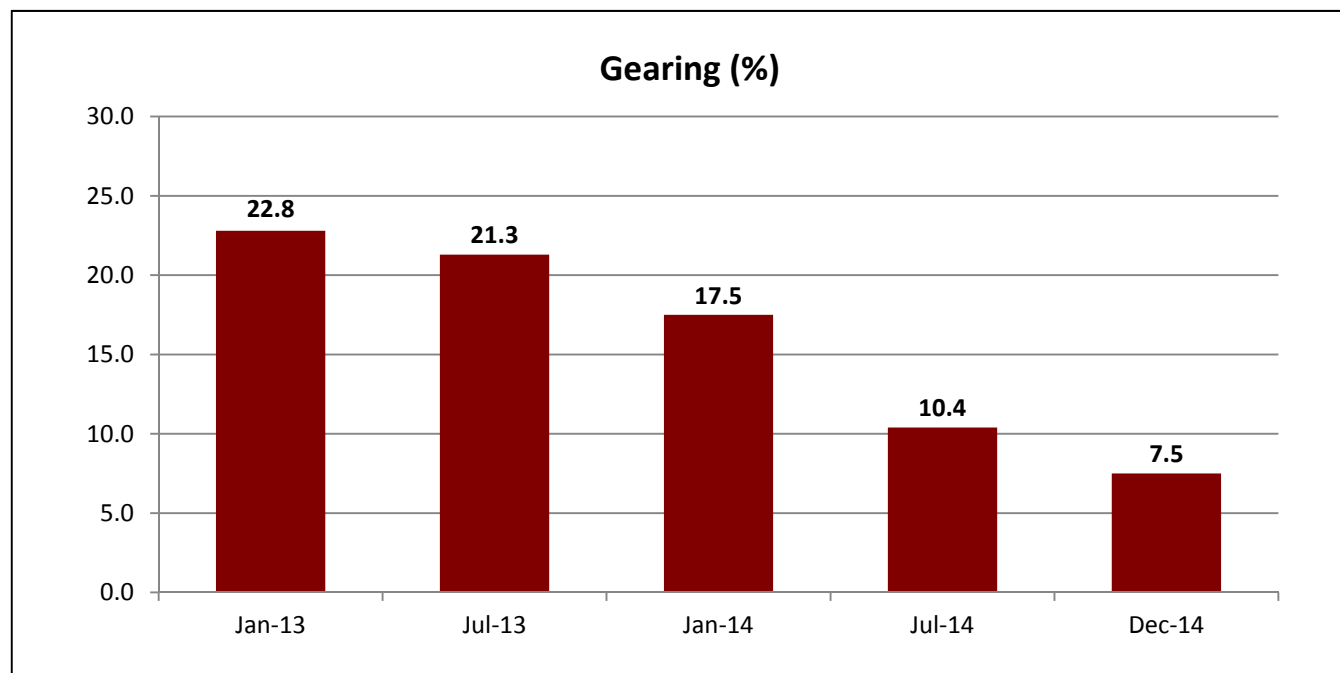
- 20% revenue increase to \$166.8M
- Operations efficiency has increased underlying operating margins
- EBITDA of \$42.7M with underlying EBITDA of \$53.4M
- Reduced finance costs with lower bank debt outstanding
- Statutory Profit after tax of \$3.8M with Underlying Profit after tax of \$10.1M

Statement of Profit or Loss (\$ million)	11 months to 31/12/14	12 months to 31/01/14
Revenue from sale of concentrates	166.8	139.2
Other income	0.1	0.3
Cost of production	(97.4)	(83.8)
Long term stockpiles written off	(10.7)	(0.5)
Materials and services costs	(4.9)	(5.0)
Employee expenses	(5.2)	(6.7)
Royalties	(2.0)	(1.6)
Corporate and other administration costs	(3.1)	(3.2)
Net foreign exchange gains / (losses)	(0.9)	(1.4)
EBITDA	42.7	37.3
Underlying EBITDA	53.4	37.8
Cost of production – non cash	(35.1)	(28.1)
Long term stockpiles written off – non cash	(3.1)	(0.1)
Other depreciation and amortisation expenses	(0.7)	(0.8)
Gains/(losses) on derivative financial instruments	1.6	(0.3)
Net financing expenses	(3.6)	(5.5)
Other non-cash costs	(0.1)	(0.3)
Profit before income tax	1.7	2.2
Income tax benefit / (expense)	2.1	(0.7)
Profit after income tax	3.8	1.5
Underlying profit	10.1	2.6

- 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 over the 11 months
- Gearing Ratio reduced from 17.5% to 7.5%

(\$'000)	31 Dec 2014	31 Jan 2014
Current assets		
Cash and cash equivalents	8,854	16,452
Trade and other receivables	5,012	5,024
Other financial assets	229	192
Inventories	32,664	26,162
Derivative financial instruments	1,477	4,016
Total current assets	48,236	51,846
Non-current assets		
Property, plant and equipment	211,386	225,680
Intangible assets	4	279
Exploration and evaluation expenditure	31,330	30,550
Deferred tax assets	13,058	13,845
Total non-current assets	255,778	270,354
Total assets	304,014	322,200
Current liabilities		
Trade and other payables	29,703	23,936
Borrowings	18,363	30,619
Provisions	3,911	3,421
Derivative financial instruments	1,269	4,491
Total current liabilities	53,246	62,467
Non-current liabilities		
Borrowings	673	11,050
Provisions	8,560	11,363
Derivative financial instruments	1,285	8,781
Total non-current liabilities	10,518	31,194
Total liabilities	63,764	93,661
Net assets	240,250	228,539





- Financial position continues to strengthen, with gearing now below 10%
- Total Borrowings of only \$19.0M, with a further \$3.0M paid in January 2015



- Significant increase in net cash flow from operating activities to \$46.7M (from \$13.8M)
- This was used largely to fund capital investments and for the repayment of borrowings

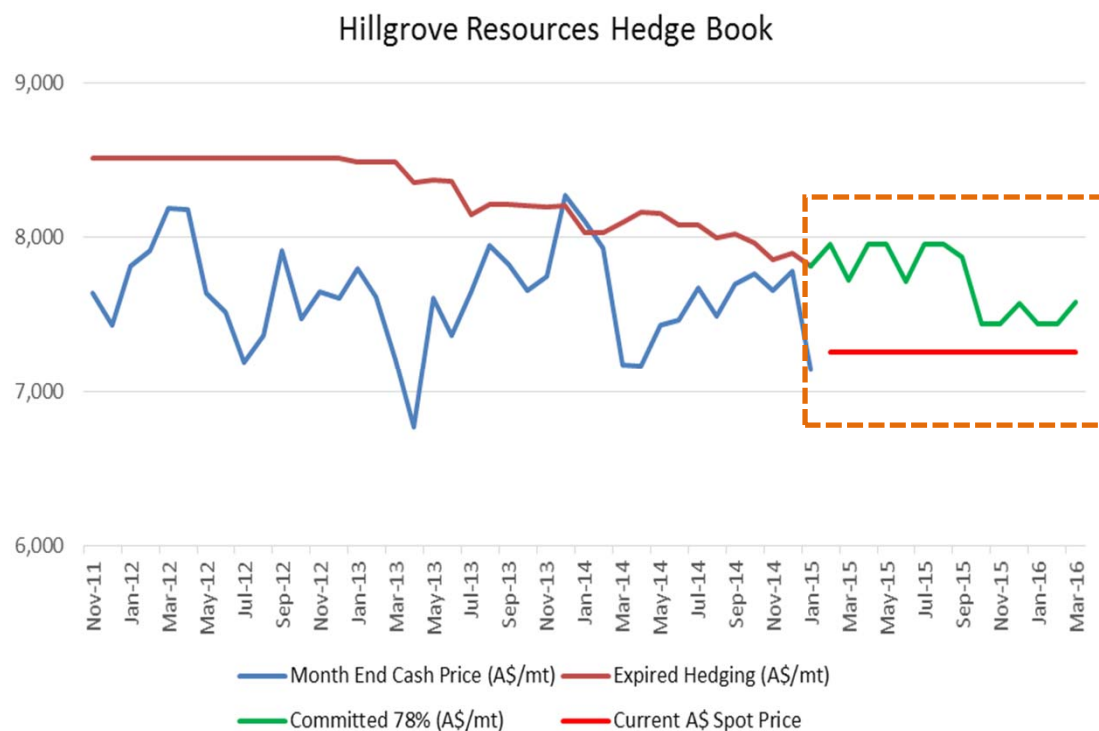
Operating Activities (\$ million)	11 months to 31 Dec 2014	12 months to 31 Jan 2014
Receipts from customers	149.9	121.3
Payment to suppliers, employees and contractors	(103.2)	(107.5)
Net cash flows from operating activities	46.7	13.8

Investing Activities (\$ million)	11 months to 31 Dec 2014	12 months to 31 Jan 2014
Payments for exploration activities	(0.3)	(3.7)
Payments for property, plant and equipment	(29.8)	(19.0)
Proceeds on sale of plant and equipment and assets held for sale	0.1	0.5
Net cash flows from investing activities	(30.0)	(22.2)

Financing Activities (\$ million)	11 months to 31 Dec 2014	12 months to 31 Jan 2014
Net proceeds from issue of shares	-	10.1
Repayment of borrowings	(21.9) ¹	(9.8)
Net interest paid	(2.4)	(2.8)
Net cash flows from financing activities	(24.3)	(2.5)

1. Debt was reduced by \$22.8M; however actual cash paid was \$21.9M due to favourable spot gold price compared to the gold loan price





- Strong hedge book provides confidence for realised prices for the medium term
- Company has 78% of payable copper production hedged through to March 2016 at \$7,723/Mt (\$3.50/lb)
- Compares favourably to current copper spot pricing of ~US\$5,672/Mt (\$7,262/Mt or \$3.30/lb)



PRODUCTION AND COSTS



Production, sales and unit cost results for the 11 months ended 31 December 2014

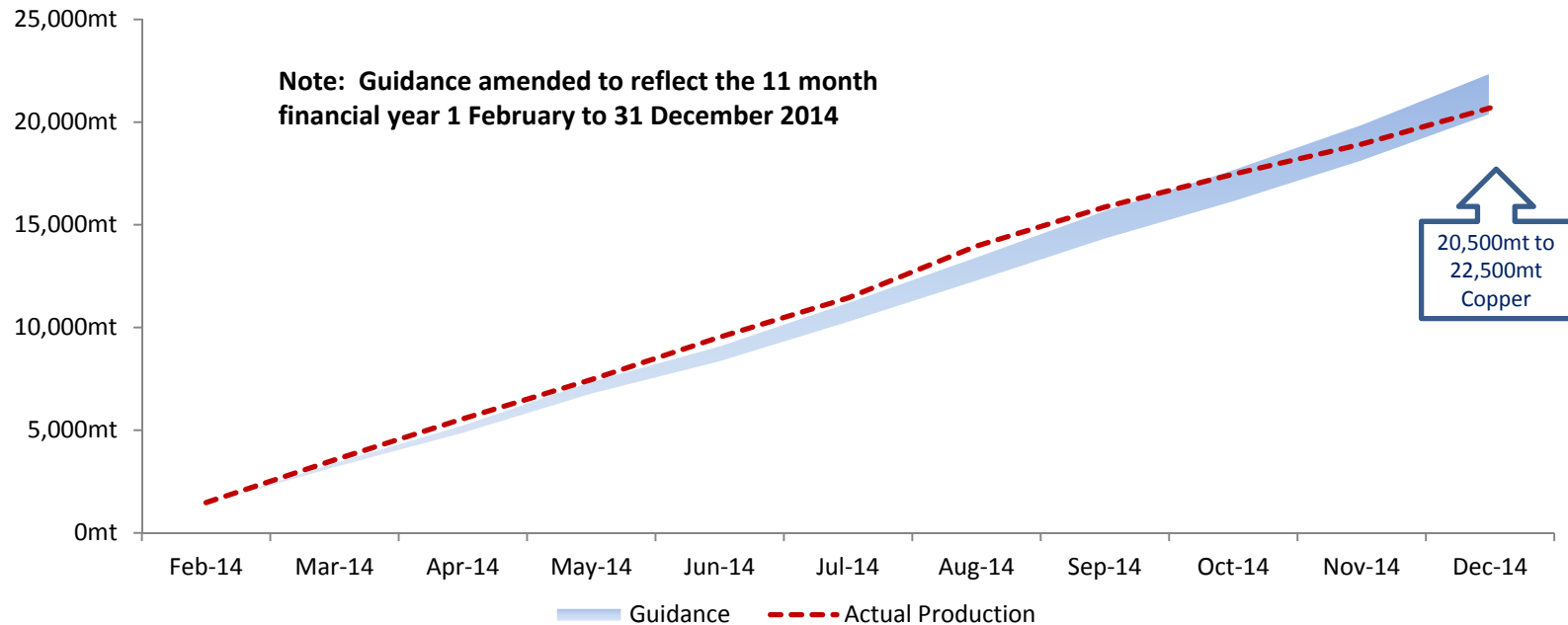
- Produced 20,693 tonnes of copper in concentrate
- Produced 90,163 dry metric tonnes of copper concentrate
- Sold 90,583 dry metric tonnes copper concentrate
- C1 unit costs of US\$1.97 per pound (\$2.18/lb)



Period		CY14 to 31 Dec 14	FY14 to 31 JAN 14	FY13 to 31 JAN 13
		11 MTHS	12 MTHS	12 MTHS
Ore to ROM from Pit	kt	2,620	2,633	2,221
Ore to long term stockpiles	kt	1,172	262	849
Mined Waste	kt	15,899	10,027	11,777
Total Tonnes Mined	kt	19,691	12,922	14,847
Mining Grade to ROM	%	0.88	0.71	0.76
Ore Milled	kt	3,023	2,944	2,303
Milled Grade - Cu	%	0.75	0.64	0.66
Recovery - Cu	%	90.8	90.7	89.9
Cu Concentrate Produced	Dry mt	90,163	75,423	56,431
Concentrate Grade - Cu	%	23.0	22.8	24.4
Contained Metal in Concentrate - Cu	t	20,693	17,184	13,744
Total Concentrate Sold	Dry mt	90,583	74,051	56,526

- Significant increase in mining activity
- Feed rate on throughput increased
- Step change in overall production

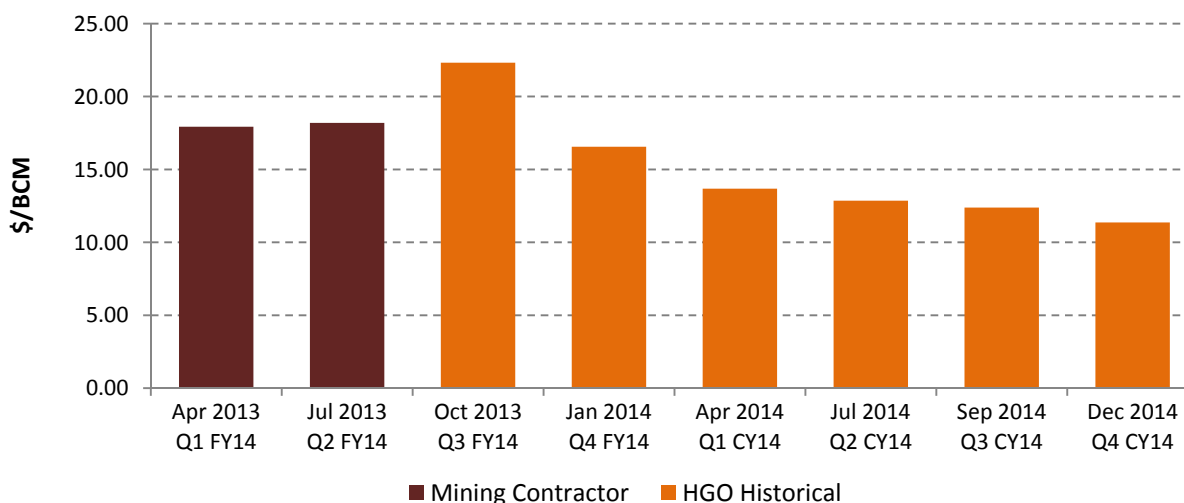




- For the 11 months to 31 December 2014, Hillgrove produced 20,693 tonnes of copper in concentrate, which was within the guidance set in January 2014
- As flagged, production for the final quarter was lower than previous three month period due to performance of Nugent pit against the resource. This pit will be completed in March 2015



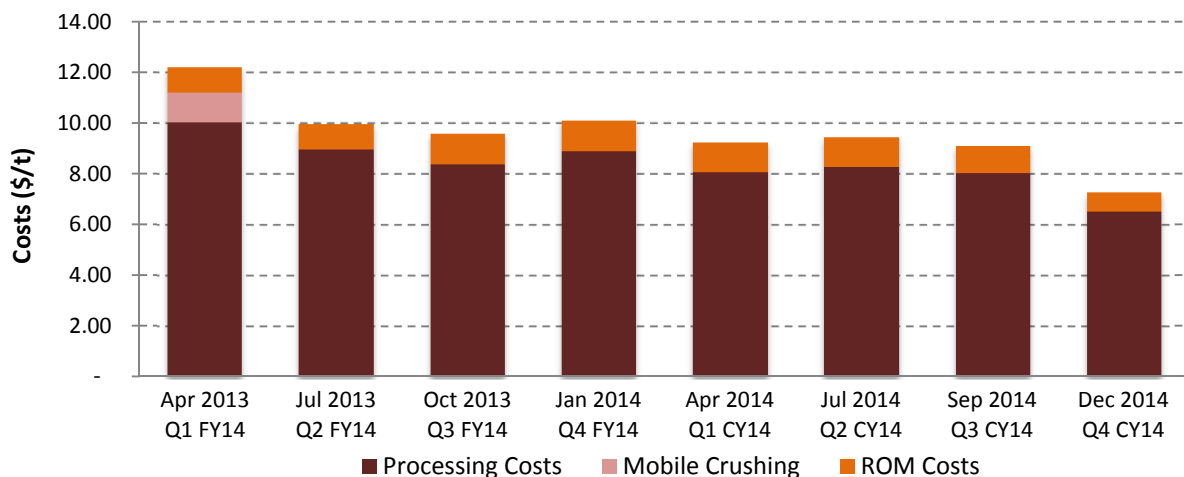
Mining Unit Costs by Quarter



■ Consistent reduction in mining unit costs over the last six quarters

■ Continued low processing unit costs achieved due to optimisation work and a focus on cost saving initiatives

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



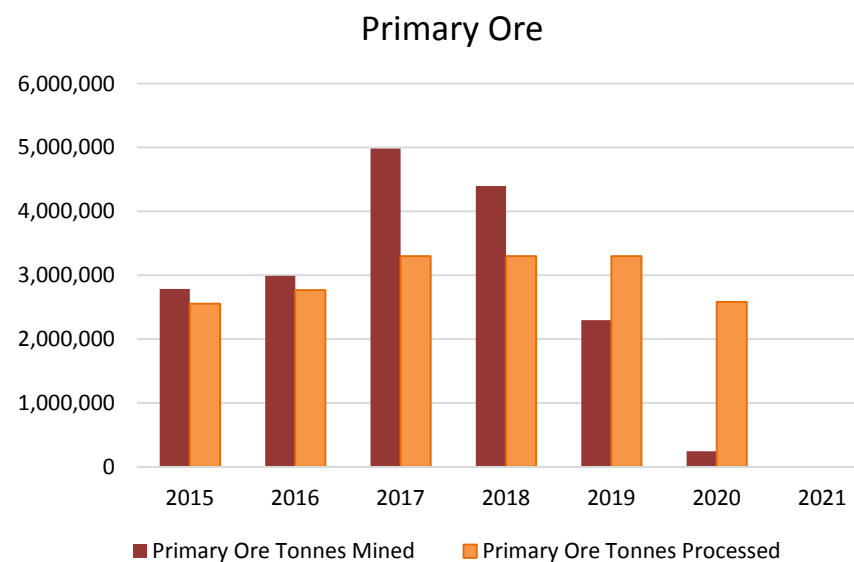
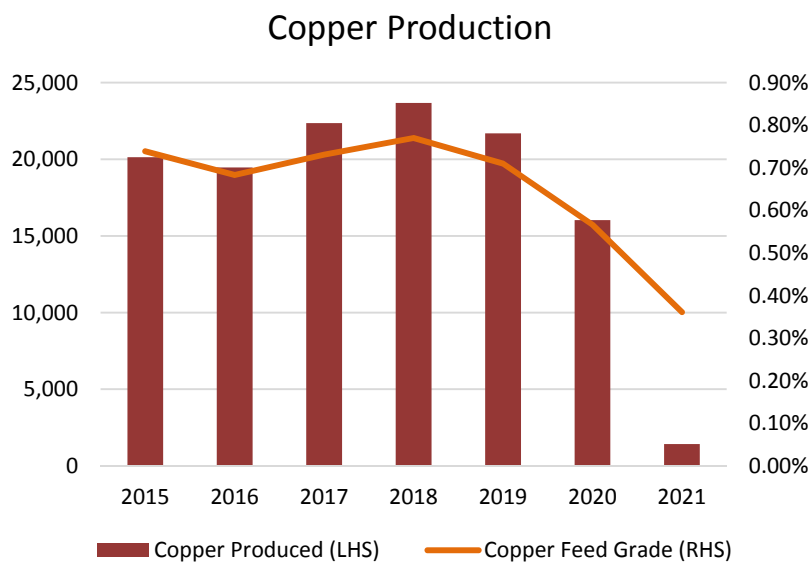
■ New large rougher flotation cell has increased retention time and improved recovery



FORWARD LOOKING / GUIDANCE



- In December 2014 the LOM plan was reviewed and an updated model prepared with key physicals as follows



- The exploration program is aimed at extending mine life beyond the current LOM plan of 2021



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

- Continue to manage the volatility in copper price and insulate its operating cash flows through an active hedging program for metals
- Provide primary ore feed from the Nugent, Emily Star and Giant pit orebodies
- Continue the Giant pit cutback at the required mining rate to access the higher grade ore in the main Kanmantoo orebody by early 2016
- Complete construction, commission, test and operation of the Controlled Potential Sulphidisation (CPS) plant to batch process stockpiled oxide and transition ore
- Continue to drive mining and processing unit costs lower
- Undertake modest sustaining capital expenditure of approximately \$3.0 - 4.0M, which includes a planned tailings lift of \$1.3M and exploration of \$1.0M
- Complete capital management initiatives, including debt restructure to align capital structure with LOM plan for Kanmantoo operations
- Undertake extensional and regional exploration targeting additional mine life



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	US\$2.00 to US\$2.25 per lb
Capital Projects	\$5.0M to \$6.0M
Pre Strip	\$16.0M to \$17.0M



- Revenue was \$167.0M at an average realised price for copper of \$3.62/lb (US\$3.31/lb)
- Copper hedging strategy continues to significantly support revenue stream. 78% of payable copper production is now hedged through to March 2016 at \$7,723/Mt (\$3.50/lb)
- Final quarter of CY14 continued to establish new records, with highest throughput and total tonnes mined to date due to increased efficiencies, resulting in reduced unit rates for mining and processing
- By mid-December Nugent and Emily pits were fully in primary ore. Cut-back in Giant pit over main orebody well advanced, with \$5.4M of pre-strip undertaken
- C1 for CY14 was US\$1.97/lb (\$2.18/lb) which has come in below guidance
- Continuous improvements in performance at Kanmantoo in operating and cost structures continue to support the current target mine life to 2021 (adjusted for increased production)



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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.

Kanmantoo Global Mineral Resource Estimate at End February 2013

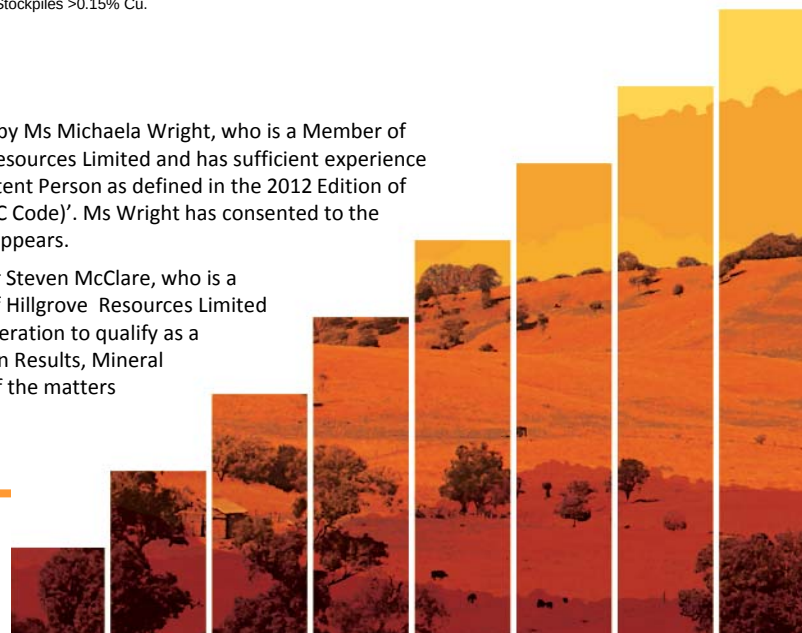
	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
In Situ Resource	Measured	2.63	0.88	0.10	1.95
	Indicated	21.77	0.82	0.23	2.21
	Inferred	5.0	0.67	0.13	1.79
		29.46	0.80	0.20	2.11
Long Term Stockpiles	Measured	1.39	0.46	N/A	N/A
	Indicated	0.50	0.18	N/A	N/A
		1.89	0.39	-	-
	Total	31.30	0.78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



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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 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...**

