HILLGROVE
RESOURCES

ASX RELEASE

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Cashflows from operations deliver profits and a strong balance sheet

Hillgrove Resources Limited reports its results for the financial year ended 31 December 2018.

- Net profit after tax of $29.5 million (up $43.6 million) on revenue of $180.1 million (up 59%)
- Underlying EBITDA of $44.3 million (up 173%) at a margin of 25 per cent
- Earnings per share of 5.1 cps
- Increase of $30.4 million in net assets

Summary of financial results:

	2018 (A$m)	2017 (A$m)	Change (A$m)	Change %
Revenue	**180.1**	113.3	66.8	+59%
Underlying EBITDA	**44.3**	16.2	28.1	+173%
Net profit/(loss) after tax	**29.5**	(14.1)	43.6	NC
Net assets	**44.2**	13.8	30.4	+220%
Basic earnings per share	**5.1 cents**	(4.8) cents	9.9 cents	NC
Copper production	**22,584 t**	14,802 t	7,782 t	+53%

NC – not able to be meaningfully calculated

With the completion of the Giant Pit cutback in December 2017, the Company entered a cash-generative phase as low strip ratios allowed the stockpiling of mined ore which enabled higher grade ore to be prioritised through the processing plant. Average grade of milled ore for CY18 was 0.74%copper compared to 0.48%copper in the previous year resulting in higher production and sales of copper in concentrate during the year and an increase by $66.8 million in net revenue to $180.1 million.

The free cash flow generated from the higher copper sales allowed the Company to improve its balance sheet through debt reduction of $8.6M, a reduction in the creditors balance by $21.7M, and stockpiling of run-of-mine ore which increased by $20.9 million to $33.6 million by year end.

For the year ended 31 December 2018, the net profit after tax was $29.5 million compared to a net loss after tax of $14.1 million for the year ended 31 December 2017.

OPERATIONS - KANMANTOO COPPER MINE PRODUCTION STATISTICS

		CY18	CY17
Ore to ROM from Pit	kt	**5,728**	3,915
Mined Waste	kt	**7,557**	14,388
Total Tonnes Mined	kt	**13,285**	18,303
Strip Ratio	W:O	**1.3:1**	3.7:1
Closing Ore Stocks	kt	**2,893**	484
Mining Grade	%	**0.53**	0.48
Ore Milled	kt	**3,324**	3,427
Milled Grade - Cu	%	**0.74**	0.48
- Au	g/t	**0.10**	0.12
Recovery - Cu	%	**92.0**	90.6
- Au	%	**55.6**	51.8
Cu Concentrate Produced	Dry mt	**94,576**	67,265
Concentrate Grade - Cu	%	**23.9**	22.0
- Au	g/t	**2.0**	3.1
Contained Metal in Con. - Cu	t	**22,584**	14,802
- Au	oz	**6,003**	6,785
- Ag	oz	**161,592**	110,551
Total Concentrate Sold	Dry mt	**96,102**	65,161

During 2018, Hillgrove achieved production of 94,576 tonnes of dry concentrate containing 22,584 tonnes of copper and 6,003 ounces of gold from the Kanmantoo Copper Mine, a record year for copper production.

With the completion of the Giant Pit cutback, strip ratios significantly decreased from 3.7:1 to 1.3:1, leading to increased ore production from the Pit and less waste removal. As a result of this, stockpiles increased from 524k tonnes at the beginning of the year to 2,893k tonnes by 31 December 2018. This ore inventory stockpile (equivalent to 10 months of processing) increases the business' resilience by allowing stockpiles to be processed if there are any unplanned mining interruptions. In addition to this, it allows copper production to be optimised by enabling high grade ore to be preferentially processed.

Mining costs were $18.28/BCM (CY17: $13.15/BCM), and processing costs were $8.43/tonne milled(CY17: $7.41/tonne). The mining unit costs increased during the year due to the increasingly tight working areas as we approach the final months of mining (which reduces efficiency as the work area eventually becomes too small to manage load/haul and drill/blast activities concurrently) which, along with the December rock fall, contributed to a lower than expected mining rate.

The CY18 C1 cost of US$2.09/lb of copper produced was within guidance of US$2.00/lb to US$2.25/lb.

Hillgrove Managing Director, Steve McClare commented:

"Following completion of the Giant Pit cutback in December 2017, 2018 was a year of significant achievement with record copper production driving a substantialincrease in revenue enabling the Company to put itself on a much firmer financial footing. Creditors are on normal terms, debt will be eliminated by the end of February 2019 and the balance sheet is in a much stronger position.

This sets a solid foundation to create value for shareholders through the completion of mining in the coming months, followed by the processing of ore stockpiles for a further year, seeking to finalise the sale of the pumped hydro energy storage project and evaluating options to unlock the regional exploration potential."