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All currency referred to is Australian Dollars (AUD) unless otherwise indicated.
Production and cash flow in Australia
- Kanmantoo Copper Mine (100% owned), South Australia

Rim-of-Fire exploration upside in Indonesia
- Sumba gold project (80% owned)
- Bird’s Head copper/gold project (80% beneficial interest via JVA)
HILLGROVE SECOND QUARTER UPDATE

HIGHLIGHTS

- Improvement in ongoing safety performance
- Solid production and unit cost improvement at Kanmantoo
- In fill exploration at Kanmantoo indicates extension of resource
- Excellent gold intersections at Sumba
- Encouraging drill results at Bird’s Head
HILLGROVE SECOND QUARTER PERFORMANCE
SAFETY PERFORMANCE STATISTICS

Initiatives

- Pre-qualification of contractors
- Increased supervision during shutdowns
- Upgrading procedures for high risk work
- Raising risk awareness through training, consultation & communication
### HILLGROVE SECOND QUARTER PERFORMANCE

**PRODUCTION OUTPUT**

<table>
<thead>
<tr>
<th></th>
<th>Previous Financial Year</th>
<th>April Quarter</th>
<th>July Quarter</th>
<th>July YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Tonnes Mined</strong></td>
<td>(kt)</td>
<td>3,156</td>
<td>3,481</td>
<td>3,417</td>
</tr>
<tr>
<td><strong>Ore to long term stockpiles</strong></td>
<td>(kt)</td>
<td>382</td>
<td>298</td>
<td>248</td>
</tr>
<tr>
<td><strong>Ore to ROM</strong></td>
<td>(kt)</td>
<td>288</td>
<td>544</td>
<td>486</td>
</tr>
<tr>
<td><strong>Minced Waste</strong></td>
<td>(kt)</td>
<td>2,486</td>
<td>2,639</td>
<td>2,683</td>
</tr>
<tr>
<td><strong>Ore Milled</strong></td>
<td>(kt)</td>
<td>331</td>
<td>488</td>
<td>572</td>
</tr>
<tr>
<td><strong>Milled Grade</strong></td>
<td>(%)</td>
<td>0.56</td>
<td>0.63</td>
<td>0.67</td>
</tr>
<tr>
<td>Au (g/t)</td>
<td></td>
<td>0.11</td>
<td>0.14</td>
<td>0.13</td>
</tr>
<tr>
<td>Ag (g/t)</td>
<td></td>
<td>2.22</td>
<td>2.89</td>
<td>3.43</td>
</tr>
<tr>
<td><strong>Recovery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cu (%)</td>
<td></td>
<td>69.6</td>
<td>86.8</td>
<td>90.5</td>
</tr>
<tr>
<td>Au (%)</td>
<td></td>
<td>67.5</td>
<td>58.0</td>
<td>50.4</td>
</tr>
<tr>
<td>Ag (%)</td>
<td></td>
<td>46.6</td>
<td>49.7</td>
<td>48.0</td>
</tr>
<tr>
<td><strong>Cu Concentrate Produced</strong></td>
<td>Tonnes</td>
<td>4,774</td>
<td>10,316</td>
<td>13,280</td>
</tr>
<tr>
<td><strong>Concentrate Grade</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cu (%)</td>
<td></td>
<td>30.2</td>
<td>26.0</td>
<td>26.2</td>
</tr>
<tr>
<td>Au (g/t)</td>
<td></td>
<td>6.0</td>
<td>3.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Ag (g/t)</td>
<td></td>
<td>79.9</td>
<td>67.8</td>
<td>71.1</td>
</tr>
<tr>
<td><strong>Contained Metal In Concentrates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cu (t)</td>
<td></td>
<td>1,481</td>
<td>2,681</td>
<td>3,473</td>
</tr>
<tr>
<td>Au (oz)</td>
<td></td>
<td>816</td>
<td>1,275</td>
<td>1,216</td>
</tr>
<tr>
<td>Ag (oz)</td>
<td></td>
<td>12,194</td>
<td>22,507</td>
<td>30,351</td>
</tr>
<tr>
<td><strong>Total Concentrate Sold</strong></td>
<td>(dry metric t)</td>
<td>4,263</td>
<td>8,590</td>
<td>15,462</td>
</tr>
</tbody>
</table>

- Improvements to mill feed grade compared to previous quarters
- Recoveries stabilised above 90%
- Cu concentrate produced increased by 30%
- Cu metal increased by 30%
### HILLGROVE SECOND QUARTER PERFORMANCE

**C1 PRODUCTION COSTS DECREASING**

- Mining unit cost reduction due to lower FX Rate combined with higher Cu production
- Increased pre-strip to open up new pits
- Higher mill throughput reduced processing unit costs

<table>
<thead>
<tr>
<th>Period</th>
<th>Apr-12 QTR</th>
<th>Jul-12 QTR</th>
<th>YTD (at 31/07/12)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US cents per lb</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining Costs</td>
<td>132</td>
<td>116</td>
<td>123</td>
</tr>
<tr>
<td>Processing Costs</td>
<td>111</td>
<td>88</td>
<td>98</td>
</tr>
<tr>
<td>Other Direct Cash Costs</td>
<td>29</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Onsite Costs</strong></td>
<td><strong>272</strong></td>
<td><strong>226</strong></td>
<td><strong>246</strong></td>
</tr>
<tr>
<td>Transport &amp; Shipping</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Treatment, Refining &amp; Smelter Charges</td>
<td>31</td>
<td>35</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total Offsite Costs</strong></td>
<td><strong>49</strong></td>
<td><strong>53</strong></td>
<td><strong>51</strong></td>
</tr>
<tr>
<td>Precious Metals Credits</td>
<td>(40)</td>
<td>(43)</td>
<td>(42)</td>
</tr>
<tr>
<td><strong>Total Direct Operating Costs (C1 Cash Costs)</strong></td>
<td><strong>281</strong></td>
<td><strong>236</strong></td>
<td><strong>255</strong></td>
</tr>
<tr>
<td>Royalties</td>
<td>6</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>135</td>
<td>117</td>
<td>123</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>422</strong></td>
<td><strong>356</strong></td>
<td><strong>382</strong></td>
</tr>
</tbody>
</table>
HILLGROVE SECOND QUARTER PERFORMANCE
SOLID OUTLOOK FOR REALISED COPPER PRICES

100% of copper production covered to March 2013

Hillgrove AUD Copper Position

Production started December 2011
KANMANTOO EXPLORATION
The May 2012 Resource has been depleted relative to November 2008 Resource due to treatment of 667kt @ 0.68% Cu through the Kanmantoo ore processing plant.

Global Mineral Resource (March 2012)

<table>
<thead>
<tr>
<th>JORC Classification</th>
<th>In Situ Resource</th>
<th>Long Term Stockpiles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Measured</td>
<td>Measured</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>Indicated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>Inferred</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cu</strong></td>
<td>0.80</td>
<td>0.15</td>
<td>0.80</td>
</tr>
<tr>
<td><strong>Au</strong></td>
<td>0.13</td>
<td>0.15</td>
<td>0.15</td>
</tr>
<tr>
<td><strong>Ag</strong></td>
<td>2.20</td>
<td>2.20</td>
<td>2.20</td>
</tr>
<tr>
<td><strong>Bi</strong></td>
<td>172</td>
<td>131</td>
<td>173</td>
</tr>
<tr>
<td><strong>Cu Metal</strong></td>
<td>35.3</td>
<td>43.0</td>
<td>262.6</td>
</tr>
</tbody>
</table>

Note: The estimation of Bi is based on limited sampling data. Bi is recognised as a potential penalty element at Kanmantoo.

As at end of March 2012.

2012 In Situ Resource > 0.25% Cu.

Long Term Stockpiles > 0.15% Cu. Au, Ag and Bi assays are not available.
EXTENSION OF RESOURCES

- **Priority is to extend the Kanmantoo mine life**
- **2012 program** focuses on Resource extension within the Kanmantoo Mining Lease
- **Wider spaced RC drilling** to extend and potentially link known Resources along strike
- **7,000m RC drill program, initially targeting five zones:**
  - Emily Star South
  - Critchley – Paringa
  - O’Neil
  - Falcon
  - Cooper’s Find – North Kavanagh
2012 EXPLORATION SUCCESS NOT INCLUDED IN AMC RESOURCE ESTIMATE

Early RC drilling at Emily Star South was highly successful, returning:

- **KTRC861**: 36m @ 0.81% Cu from 75m including 21m @ 1.22% Cu from 79m

New zones have been discovered at Critchley-Paringa, along with extensions to known zones, including:

- **KTRC863**: 4m @ 2.46% Cu from 50m
- **KTRC866**: 16m @ 2.47% Cu from 123m
- **KTRC879**: 25m @ 0.44% Cu from 62m including 6m @ 1.01% Cu from 66m
- **KTRC888**: 24m @ 0.78% Cu from 27m including 15m @ 1.07% Cu from 33m

These and other zones all remain open and could conceptually add to the Kanmantoo Resource

RESULTS CONTINUE TO INDICATE A RESOURCE EXTENSION
INDONESIAN EXPLORATION
New gold discovery by Hillgrove Resources at Karipi continues to yield exciting results

Early stage exploration hits confirm the widespread presence of gold mineralisation delineated by a 1.5km strike length gold corridor

Drilling mostly confined to shallow depths, targeting near surface gold mineralisation accessible by open pit mining

Drilling this quarter has tested for shallow gold mineralisation amenable for open pit mining, blind mineralisation hidden beneath shallow sediment cover and for parallel systems adjacent to the main Karipi vein

Mineralisation remains open down dip, along strike and in parallel systems identified in surface sampling and mapping

Exploration is at an early stage, with much of the upside potential yet to be investigated
Highlight results include:

- **MADDKP014**: 3.75m @ 4.29 g/t Au from 76.3m
- **MADDKP015**: 2.85m @ 22.37 g/t Au from 42.9m
- **MADDKP019**: 5.95m @ 1.52 g/t Au from 7m  
  and 6.5m @ 1.22 g/t Au from 15.2m  
  and 5m @ 1.38 g/t Au from 25.7m  
  and 7m @ 4.07 g/t Au from 34.7m
- **MADDKP020**: 10m @ 2.62 g/t Au from 2.2m
- **MADDKP028**: 7.95m @ 3.69 g/t Au from 5.9m
- **MADDKP046**: 9.8m @ 2.12 g/t Au from 6m
- **MADDKP047**: 22.6m @ 3.98 g/t Au from 0m
- **MADDKP048**: 7.25m @ 5.04 g/t Au from 0m
Initial scout deep diamond drilling of the West Delta prospect confirms porphyry-related molybdenum-copper mineralisation

Disseminated copper sulphides with elevated copper and molybdenum values confirming porphyry-related mineralisation permeating along major fault system

The intense nature of alteration and the widespread occurrence of strongly elevated molybdenum and copper indicates proximity to a mineralising intrusive unit(s)

To date, drilling has yet to intersect the interpreted mineralising porphyry unit(s)

Continue initial drill programme of 5,000m diamond drilling at West Delta (500m + holes)

Continue exploration of adjacent porphyry targets at Rak Rak and Suben
**Highlights include:**

- **WDD-014:** 2m @ 623 ppm Mo, 0.57% Cu from 33m  
  12m @ 483 ppm Mo, 0.23% Cu from 41m  
  11m @ 203 ppm Mo, 0.25% Cu from 72m

- **WDD-015:** 25m @ 252 ppm Mo, 0.18% Cu from 33m  
  24m @ 213 ppm Mo, 0.17% Cu from 77m  
  26m @ 121 ppm Mo, 0.15% Cu from 129m  
  18m @ 267 ppm Mo, 0.19% Cu from 187m

- **WDD-016:** 58m @ 149 ppm Mo, 0.12% Cu from 39m  
  21m @ 168 ppm Mo, 0.12% Cu from 104m  
  21m @ 453 ppm Mo, 0.17% Cu from 221m
ASX listed: HGO

Shares on issue: 912.9 million

Cash and cash equivalents: AUD 26.9 million

Share price: AUD 0.09*

Market capitalisation: AUD 82.2 million*

AUD 53.4 million debt

EV AUD 135.6 million*

43% Institutional shareholders

Top 20 shareholders own ~44%

* As at 22 August 2012

* JP Morgan Metals & Concentrates was acquired by Freepoint Commodities LLC on 5 June 2012

Shareholder Distribution

Institutions 36.1%
Retail 57.5%
Freepoint Commodities 6.1%*

Source: Orient Capital
The information in this report that relates to Kanmantoo Exploration Results, Exploration Targets and Stockpiles is based on information compiled by Mr Pat Manouge, who is a Member of The Australian Institute of Geoscientists. Mr Manouge is the Kanmantoo Copper Mine Exploration Manager for Hillgrove Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)’.

The information in this report that relates to the Kanmantoo in situ Mineral Resource estimates is based on information compiled by Mr Aaron Meakin, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Meakin is a full-time employee of AMC Consultants Pty Ltd 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 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)’.

The information in this report that relates to Exploration Results is based on information compiled by Mr Jim Kerr, who is a Member of The Australian Institute of Mining and Metallurgy. Mr Kerr is General Manager – Exploration for Hillgrove Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’.

*The Competent Persons have consented to the inclusion in the report the matters based on their information in the form and context in which it appears.*