

BUY

HOLD

SELL

ACTION & RECOMMENDATION

January quarter production was disappointing given previous guidance. Reason for the result is that the new life of mine plan required greater mine development during the quarter at the expense of copper production. HGO expect this work will provide a more flexible and consistent high grade feed (>0.8%) to the new crusher (2.8Mtpa) in Q2-FY14. HGO expect copper production in FY14 of 18-20kt (WHTM: 18kt). Guidance is weighted to the second half of the year therefore we see few share price catalysts until this time. The current share price reflects the replacement value of Kanmantoo therefore we maintain our SPECULATIVE BUY recommendation.

Revised LOM Plan Delays Improved Operating Performance

What's Changed

- January quarter production performance was disappointing compared to broad company guidance provided in October 2012 that was based on the old Kanmantoo LOM plan.
- The revised LOM plan (released to market last week) required greater mine development (increased waste movement) in the January quarter at the expense of copper production. HGO expect this up-front development work around the Kavanagh and Emily Star pit will allow consistent high grade mill feed (>0.8%) to be achieved in April/May 2013 which will coincide with the installation of the new primary crusher (2.8Mtpa). Waste movement will reduce to ~4x (Q4-FY13: 5.9x) in the second half of FY14.
- HGO reiterated that grade estimation and reconciliation is performing to expectation. This suggests that the high grade copper in the HGO Reserve model does exist, but mining it has been delayed from our previous expectations..
- HGO guidance for FY14 copper in concentrate production is 18kt – 20kt (WHTMe: 18kt) which is heavily weighted to the second half of the year. HGO also expect C1 unit cash costs to be low US\$2/lb by the end of FY14 (WHTMe: US\$2.37/lb).
- We understand that the Kanmantoo Bank Completion Test (BCT) expiry date has been extended to at least the end of 2013 (previous 30 June 2013).
- HGO's cash position at the end of January 2013 was \$27m.

Risks & Catalysts

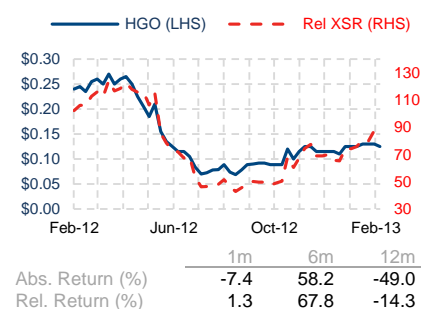
- Risk: Operating performance at Kanmantoo
- Catalyst: Reserve/Resource statement mid 2013. Evidence of improved operating performance expected Q2-FY14 (August 2013)

Year-end January (AUD)	FY11A	FY12A	FY13E	FY14E	FY15E
Revenue (\$m)	4.2	12.9	109.5	143.1	161.0
EBITDA Margin (%)	-498	-91	9	31	37
NPAT Norm (\$m)	-13.3	-11.6	-15.0	8.4	18.0
Consensus NPAT (\$m)			-10.5	15.3	18.7
EPS Norm (cps)	-2.1	-1.5	-1.6	0.8	1.7
EPS Growth (%)	38	30	-6	153	110
P/E Norm (x)	-5.3	-7.5	-7.1	13.4	6.4
EV / EBITDA (x)	-7.4	-13.0	15.5	3.4	2.6
CFM (x)	-1.5	-0.9	-6.3	3.5	2.6
DPS (cps)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0	0	0	0	0
Mkt Cap: \$128m	Enterprise Value: \$154m	Shares: 1,023m	Sold Short: 0.2%	ASX 300 wgt: 0.0%	Median T'over/Day: \$0.1m

12m Target Price (AUD)	\$0.24
Share Price @ 28-Feb-13 (AUD)	\$0.11
Fcst 12m Capital Return	118.8%
Fcst 12m Dividend Yield	0.0%
12m Total S'holder Return	118.8%

Cameron Judd
cameron.judd@wilsonhtm.com.au
Tel. +61 3 9640 3864

12m Share Price Performance



WHTM Return Re-investment Matrix

Return	High	Low
	High	Cash Generator
Low	Challenged	Potential
	Low	High
	Re-Investment	

WHTM Risk Assessment

Share Price Risk	Low	Med	High	Spec
	Share Price Risk			
Business Risk				

Key Changes	21-Feb	After	Var %
Revenue FY13	112	109	-1.9%
(\$m) FY14	141	143	1.7%
FY15	162	161	-0.5%
EBITDA: FY13	21.3	9.9	-53.3%
(\$m) FY14	50.5	45.1	-10.7%
FY15	59.7	60.2	0.8%
EPS: FY13	-0.9	-1.6	N/A
Norm FY14	1.2	0.8	-34.0%
(cps) FY15	1.7	1.7	0.3%
Price Target:	0.24	0.24	2.1%
Rec:	BUY	BUY	

Wilson HTM Equities Research – Hillgrove Resources Limited

Issued by Wilson HTM Ltd ABN 68 010 529 665 - Australian Financial Services Licence No 238375, a participant of ASX Group and should be read in conjunction with the disclosures and disclaimer in this report. Important disclosures regarding companies that are subject of this report and an explanation of recommendations can be found at the end of this document. Wilson HTM Corporate Finance Ltd acted as Lead Manager and Underwriter for the placement announced by Hillgrove Resources Limited in July 2012 and earned fees for acting in this capacity.



PRICE TARGET

	Valuation	Price Target
Kanmantoo	238.83	0.22
Exploration	67.12	0.06
Hedge Book	4.18	0.00
Other Equity	1.62	0.00
Corporate	-25.55	-0.02
Net (Debt)/Cash	-25.86	-0.02
TOTAL	260.34	0.25

12 Month Price Target **0.24**

INTERIMS (\$m)

Half Yr (AUD)	Jul 11	Jan 12	Jul 12	Jan 13
	1H A	2H A	1H E	2H E
Sales	1.3	11.6	49.7	59.8
EBITDA	-2.5	-9.3	1.5	8.4
EBIT	-2.8	-14.1	-14.8	-2.9
Net Profit	-0.3	-11.3	-11.7	-3.3
Norm. EPS	0.0	-1.4	-1.4	-0.3
EBIT/Sales	-213.6	-121.8	-29.7	-4.9
Dividend (c)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

FINANCIAL STABILITY

Year-end January	FY12A	FY13E	FY14E
Net Debt	30.5	25.9	-7.9
Net Debt / Equity (%)	14.5	12.3	<0
Net Debt / EV (%)	19.8	16.8	<0
Current Ratio (x)	9.4	4.7	5.3
Interest Cover (x)	10.4	<0	5.3
Adj. Cash Int. Cover (x)	91.0	<0	15.4
Debt / CashFlow (x)	0.0	<0	1.3
Net Debt (cash) / share	0.0	0.0	<0
NTA / share (\$)	0.3	0.2	0.2
Book Value / share (\$)	0.3	0.2	0.2
Payout Ratio (%)	0	0	0
Adj. Payout Ratio (%)	0	0	0

EPS RECONCILIATION (\$m)

	FY12A		FY13E	
	Rep.	Norm.	Rep.	Norm.
Sales Revenue	13	13	109	109
EBIT	-17.0	-17.0	-17.7	-17.7
Net Profit	-11.6	-11.6	-18.0	-15.0
Notional Earn.	0.0	0.0	0.0	0.0
Pref./Conv. Div.	0.0	0.0	0.0	0.0
Profit for EPS	-11.6	-11.6	-18.0	-15.0
Diluted Shrs(m)	794	794	968	968
Diluted EPS (c)	-1.5	-1.5	-1.9	-1.6

RETURNS

	FY12A	FY13E	FY14E	FY15E
ROE (%)	-5.9	-7.2	3.9	7.8
ROIC (%)	-7.7	-5.2	4.6	9.3
Incremental ROE	7.3	-27.6	536.1	57.0
Incremental ROIC	3.0	-0.6	-152.9	-29.7

KEY ASSUMPTIONS

Year-end January (AUD)	FY10A	FY11A	FY12A	FY13E	FY14E	FY15E	FY16E	FY17E
Copper Price (US\$/lb)	3.94	4.00	3.58	3.73	3.69	3.54	3.37	
A\$/US\$	0.99	1.03	1.03	1.03	1.00	0.93	0.89	
Copper Production (kt)	0.0	1.3	13.7	18.0	20.2	20.2	20.2	
Gold Produced (koz)	0.0	0.4	6.5	8.5	8.9	8.9	8.9	
EBITDA Margin (%)	-497.6	-91.1	9.1	31.5	37.4	36.2	33.5	
EBIT Margin (%)		-173.4	-16.7	10.3	16.2	15.7	20.4	
ROA (%)	-5.2	-3.9	-5.7	2.8	5.7	6.1	7.3	
Earnings Sensitivity (% Chg)								
+/- 10% A\$/US\$			0.0	9.7	5.5	18.2	39.2	49.3
+/- 10% Copper Price			0.0	11.5	26.6	30.7	51.9	53.3

PROFIT & LOSS (\$m)

Year-end January (AUD)	FY10A	FY11A	FY12A	FY13E	FY14E	FY15E	FY16E	FY17E
Sales Revenue	1.4	4.2	12.9	109.5	143.1	161.0	166.0	162.2
EBITDA	-9.9	-20.9	-11.8	9.9	45.1	60.2	60.1	54.4
Depn & Amort	0.3	0.4	5.2	27.6	30.3	34.0	34.0	21.3
EBIT	-10.2	-21.3	-17.0	-17.7	14.8	26.2	26.1	33.1
Net Interest Expense	12.2	1.2	-1.6	4.8	2.8	0.5	-2.3	-4.1
Tax	-6.4	-9.2	-3.9	-7.5	3.6	7.7	8.5	11.2
Minorities / pref divs	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit pre Sig. Items	-16.0	-13.3	-11.6	-15.0	8.4	18.0	19.9	26.0
Abn's / Ext's / Signif.	71.5	0.0	0.0	-2.9	0.0	0.0	0.0	0.0
Reported Net Profit	55.5	-13.3	-11.6	-18.0	8.4	18.0	19.9	26.0

CASHFLOW (\$m)

Year-end January (AUD)	FY10A	FY11A	FY12A	FY13E	FY14E	FY15E	FY16E	FY17E
EBITDA	-9.9	-20.9	-11.8	9.9	45.1	60.2	60.1	54.4
Interest & Tax	-37.3	-8.7	2.4	-3.2	-7.2	-9.5	-8.9	-11.2
Working Cap / Other	38.7	-11.1	-12.8	-14.5	4.7	1.3	3.0	5.5
Operating Cash Flow	-8.6	-40.7	-22.2	-7.7	42.6	52.0	54.2	48.7
Maintenance Capex	-7.2	-44.2	-121.4	-12.6	-6.0	-2.0	-2.0	-2.0
Free Cash Flow	-15.8	-84.9	-143.6	-20.3	36.6	50.0	52.2	46.7
Dividends Paid	-8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development Capex	-4.4	-8.2	-10.7	-11.6	-2.8	-3.7	-3.7	-3.7
Invest. / Disposals	165.6	3.2	0.2	0.0	0.0	0.0	0.0	0.0
Other Inv. Flows	0.0	4.5	5.9	20.0	0.0	0.0	0.0	0.0
Cash Flow Pre Financing	137.2	-85.4	-148.2	-11.8	33.7	46.4	48.5	43.1
Funded by Equity	32.8	75.5	0.0	18.2	0.0	7.3	0.0	0.0
Funded by Debt	-47.3	-2.5	51.1	1.4	-30.0	-13.3	-10.0	0.0
Funded by Cash	-122.7	12.4	97.1	-7.7	-3.8	-40.3	-38.5	-43.1

BALANCE SHEET SUMMARY (\$m)

Year-end January (AUD)	FY10A	FY11A	FY12A	FY13E	FY14E	FY15E	FY16E	FY17E
Cash	130.4	118.4	20.7	27.4	31.2	71.6	110.1	153.1
Current Receivables	1.1	1.9	6.4	8.3	11.0	11.1	11.8	11.4
Current Inventories	0.1	0.1	9.3	13.1	15.7	15.7	16.1	16.5
Net PPE	31.9	69.1	229.4	221.1	196.8	164.7	132.7	113.4
Investments	3.5	3.8	4.2	10.5	10.5	10.5	10.5	10.5
Intangibles / Capitalised	44.1	43.3	19.8	31.2	34.0	37.7		
Other	0.0	17.8	10.0	4.6	4.6	4.6	46.0	49.7
Total Assets	211.1	254.4	299.8	316.3	303.9	316.0	327.2	354.7
Current Payables	13.7	8.9	17.2	28.8	34.5	34.6	35.4	36.3
Total Debt	2.5	0.0	51.2	53.3	23.3	10.0	0.0	0.0
Other Liabilities	31.5	59.8	21.3	21.2	24.7	24.8	25.3	25.8
Total Liabilities	47.7	68.7	89.7	103.3	82.6	69.4	60.7	62.1
Minorities / Convertibles	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Shareholder Equity	163.4	185.3	209.9	210.2	218.6	243.9	263.8	289.8
Total Funds Employed	165.9	185.3	261.1	263.5	242.0	253.9	263.8	289.8



Revised LOM Plan Delays Improved Operating Performance

EXHIBIT 1. HISTORIC PRODUCTION AT KANMANTOO COPPER MINE

		April 12 Qtr	July 12 Qtr	Oct 12 Qtr	Jan 13 Qtr	FY13	Indicative Jan 13 Qtr
Total Tonnes Mined	(kt)	3,481	3,417	3,562	4,387	14,847	+5,000
Ore to Long Term Stockpiles	(kt)	298	248	205	98	849	
Ore to ROM	(kt)	544	486	552	639	2,221	
Mining Grade to ROM	(%)	0.82	0.71	0.83	0.70	0.76	
Mined Waste	(kt)	2,639	2,683	2,805	3,650	11,777	
Ore Milled	(kt)	488	572	595	648	2,303	>600
Milled Grade	(%)	0.63	0.67	0.74	0.62	0.67	+0.75
	Au (%)	0.14	0.13	0.17	0.20	0.16	
	Ag (%)	2.89	3.43	3.08	2.50	2.96	
Recovery	Cu (%)	86.80	90.50	91.30	90.10	89.81	~92.00
	Au (%)	58.00	50.40	56.70	53.00	54.37	
	Ag (%)	49.70	48.00	61.50	62.50	55.93	
Cu Concentrate Produced	(t)	10,316	13,280	17,007	15,827	56,430	
Concentrate Grade	Cu (%)	26.00	26.20	23.50	22.70	24.37	
	Au (%)	3.90	2.80	3.30	4.40	3.60	
	Ag (%)	67.80	71.10	66.20	64.00	67.03	
Contained Metal in Conc.	Cu (t)	2,681	3,473	3,994	3,595	13,743	4,125 - 4,500
	Au (oz)	1,275	1,216	1,852	2,226	6,569	
	Ag (oz)	22,507	30,351	36,222	32,576	121,656	
Annualised Cu Production	Cu(t)	10,724	13,892	15,976	14,380	54,972	16,500 - 18,000
Total Concentrate Sold	(dry metric t)	8,590	15,462	16,292	16,182	56,526	

Source: WHTM, Company Data



JANUARY QUARTER PRODUCTION

- We last visited the Kanmantoo site late in October 2012. At that time management provided broad guidance regarding production performance for the January 2013 quarter (refer Exhibit 1).
- Compared to this guidance the January production report was disappointing. Whilst annualised mill through-put was above name plate capacity (2.4Mtpa) the mill feed grade of 0.62% was well below guidance of +0.75%.
- Speaking with management, the previous January quarter guidance was based on the old life of mine (LOM) plan. As we reported (“Revised LOM Plan – Lower Grade Offset by Higher Volume”, February 21) HGO recently revised their LOM plan. The change in LOM plan required a focus on mine development at the expense of copper production in the January quarter.
- As a result, waste movement in the January quarter (3.65Mt) increased 30% as operations focused on developing/opening up the high grade Kavanagh and Emily Star pits. HGO is confident that this work will allow consistent high grade mill feed to be achieved in April/May which will coincide with the installation of the new primary crusher (2.8Mtpa, currently 2.4Mtpa)
- Mining of ore in the January quarter was predominately from the Spitfire pit which is nearing an end. As a result the mined grade in the January quarter was lower (Q3-FY13: 0.83%, Q4-FY13: 0.7%).
- The original January quarter guidance included more ore being sourced from the Kavanagh pit. HGO believe they could have achieved mill feed grade guidance of ~0.75%, however this would have been at the expense of development and ultimate performance of the mine in FY14.
- HGO expect ~97% of the mill feed grade in FY2014 to be from the Kavanagh pit. As a result of the development work in the January quarter, strip ratios (waste:ore) are also expected to decline in FY14. In the January quarter the strip ratio was 5.9x. HGO expect the strip ratio to decline to ~4x by the end of FY14.
- HGO reiterated that copper grade reconciliation of the mine with the Reserve model is performing well. Therefore the lower production in the January quarter is not because the in-situ copper is not present, rather mining of the the higher grade material has been delayed until the new 2.8Mtpa crusher is installed.



JANUARY QUARTER UNIT COST PERFORMANCE

- C1 unit cash cost in the January quarter was US\$2.74/lb, a 32% increase on the previous quarter. The reason was due mainly to increased waste movement as discussed earlier.

EXHIBIT 2. HISTORIC CASH COST AT KANMANTOO VS WHTM FORECAST

	April 12 Qtr	July 12 Qtr	Oct 12 Qtr	Jan 13 Qtr	FY13	WHTMe	
						FY13	FY14
US cents per lb							
Mining Costs	132	116	85	155	120	125	146
Processing Costs	111	88	97	94	97	86	70
Other Direct Costs	29	22	19	19	23	23	16
Transport & Shipping	18	18	17	18	18	15	15
TC/RC	31	35	35	37	36	35	39
Precious Metal Credits	-40	-43	-46	-49	-46	-43	-49
Total C1 Operating Costs	281	236	207	274	248	241	237
Royalties	6	3	5	6	5	5	6
D&A	135	117	112	30	96	100	82
Total	422	356	324	310	349	346	325

Source: WHTM, Company Data

FY14 PRODUCTION AND COST GUIDANCE

- The new 2.8Mtpa crusher arrived at site February 25. Most of the associated steel work has also arrived at site. The existing crusher circuit will be shut down in early March for demolition and installation of the new circuit. Commissioning is scheduled to occur during April/May. The project remains on budget and time.
- A stockpile of crushed ore is currently being built and temporary crushing arrangements have been made to ensure ore continuity to the mill during the outage.
- Whilst the crusher is being replaced, copper feed grade to the mill is expected to remain at similar levels to the January quarter (0.62%).
- HGO expect high grade (>0.8%) mill feed to coincide with the installation and commissioning of the new crusher. The increased feed grade and the additional through-put capacity is expected to enable production in FY14 of 18kt – 20kt of copper in concentrate (WHTMe: 18kt).
- HGO expect C1 cash costs to be ~US\$2.00/lb of copper by the end of FY14. This will reflect increased copper production and lower waste movement in the pit.

BANK COMPLETION TEST

- We understand the Bank Completion Test (BCT) for the Kanmantoo operation has an expiry date of 30 June 2013.
- One of the requirements of the BCT is that the mine operates for 3 months continuously at an average rate of 90%. This can not be achieved until the new crusher has been installed.
- The new LOM plan for Kanmantoo was submitted to the banks in November 2012.
- HGO have been negotiating with the banks regarding the BCT. We understand that the expiry date for the BCT has been extended to at least the end of 2013.



NEW CEO IMPRESSION OF HGO

- Mt Greg Hall started in the new role as CEO of HGO on February 11, 2013. Mr Hall is a mining engineer with experience across a number of mining industry sectors and companies. Most recently he was Managing Director of Toro Energy.
- Mr Hall commented that his initial impression of HGO and the Kanmantoo operation is positive.
- Mr Hall believes there is a lot more ore at Kanmantoo that has had minimal to no drilling.
- However, the initial focus is to get the basics at Kanmantoo right and this requires a focus on cash flow.
- Mr Hall believes the HGO team is focused and there is now alignment of all stakeholders.

CHANGES TO OUR HGO FINANCIAL FORECASTS

The following is a summary of changes to our HGO financial forecasts:

- Updated our 2H-FY13 production and cost forecasts following the January quarter production report.
- Main result is lower production and increased costs due to our numbers reflecting previous management guidance.
- In FY14 we expect production and costs in the first quarter to be in-line with the January quarter. However, with the installation of the new crusher and higher feed grade we expect production and cost performance to improve in the 2H-FY14. HGO production guidance for FY14 is 18kt-20kt of copper in concentrate. We have slightly increased our forecasts to reflect this guidance.
- In FY15 we have made minimal changes.

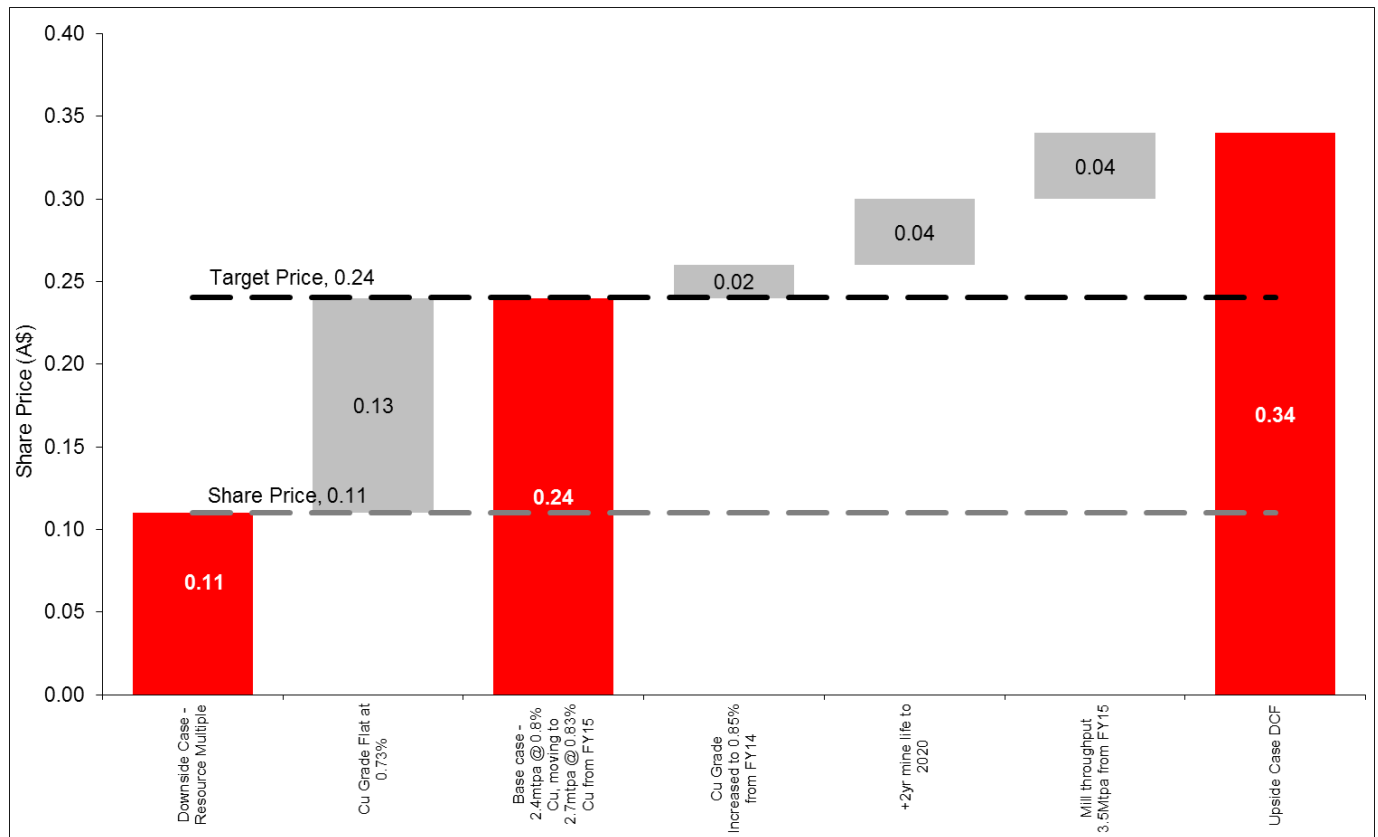
EXHIBIT 3. SUMMARY CHANGES TO HGO EARNINGS

A\$m	FY13e			FY14e			FY15e			
	New	Old	% Change	New	Old	% Change	New	Old	% Change	
Pricing										
Copper	US\$/lb	3.58	3.58	0.0%	3.73	3.73	0.0%	3.69	3.69	0.0%
Gold	US\$/oz	1676	1676	0.0%	1805	1805	0.0%	1697	1697	0.0%
A\$/US\$		1.03	1.03	0.0%	1.03	1.03	0.0%	1.00	1.00	0.0%
Production										
Copper	kt	13.7	14.4	-4.8%	18.0	17.7	1.4%	20.2	20.2	0.0%
Gold	koz	6.6	6.3	3.9%	8.5	7.9	8.3%	8.9	8.9	0.0%
Financials										
Revenue	A\$m	106	108	-1.9%	143	141	1.7%	161	162	-0.5%
EB ITDA	A\$m	10	21	-53.3%	45	52	-13.2%	60	62	-2.8%
D&A	A\$m	28	30	-8.9%	30	30	0.9%	34	34	-0.5%
EBIT	A\$m	-18	-9	95.7%	15	22	-32.6%	26	28	-5.6%
NPAT	A\$m	-15	-9	67.9%	8	14	-39.0%	18	19	-7.6%
EPS	A\$/sh	-0.02	-0.01	51.2%	0.01	0.01	-39.0%	0.02	0.02	-7.6%

Source: WHTM



SUMMARY CHANGES TO HGO PRICE TARGET



Source: WHTM

Key changes to our HGO valuation include:

- Changes to FY13 and FY14 production and cost forecasts detailed earlier.
- We have rolled forward our DCF valuation so that FY14 is the base case year.
- We have updated HGO's net debt position as at the end of January 2013. We now calculate the net debt to be \$26m (previously \$27m)

The net result of the changes to our HGO model, is that our base case DCF valuation for the company has remained at \$0.24/sh.

Our 12 month price target has also not changed at \$0.24/sh. Our price target is calculated using a probability weighting of our base case DCF valuation, our upside DCF valuation of \$0.34/sh (previously \$0.34/sh), and our downside DCF valuation of \$0.11/sh (previously \$0.11/sh).

Our probability for each scenario reflects our conviction for each scenario occurring.

Our current probability weighting is 20% upside scenario (previously 20%), 60% base case (previously 60%), and 20% downside scenario (previously 20%).



RETURN RE-INVESTMENT MATRIX

Return	High	Cash Generator	Champion
	Low	Challenged	Potential
		Low	High
		Re-investment	

Currently progressing 20ktpa copper mine in South Australia towards Bank Completion test. Project largely de-risked once achieved and should provide consistent returns. We also consider ability to grow organically as likely.

RISK MEASURES

	Low	Med	High	Spec
Share Price Risk				
Business Risk				

Share price risk - Earnings subject to copper price exposure and strength of AUD. Business Risk - Main risk is that project does not deliver forecast copper production profile. Further risk is that exploration potential in South Australia and South-East Asia is not realised.

BUSINESS DESCRIPTION

HGO is an Australian mining company focused on the operation of the Kanmantoo Copper mine in South Australia, and exploration on its Indonesian tenements. In Indonesia, HGO is targeting the discovery of epithermal gold and porphyry copper/gold deposits. The Kanmantoo Copper mine is located less than 55km from Adelaide. Ramp-up of the open pit mine and processing circuit is progressing to an initial throughput of 2.4Mtpa producing ~80kt of concentrate per annum (~20ktpa of copper metal).

INVESTMENT THESIS

HGO recently completed a \$19m raising to provide sufficient working capital to allow the company to address elevated grade dilution and low mining rates at its Kanmantoo mine. In our base case, we operational improvements are achieved and we value the company at \$0.22/sh. The current share price approximately reflects the replacement value of the Kanmantoo mine. Whilst we highlight the near term operating risks, we do see value should these issues be resolved. We rate a Speculative Buy.

REVENUE DRIVERS

- Copper and gold prices
- Improved mining rates and copper feed grades to the mill
- Successful exploration at Kanmantoo and Indonesia

BALANCE SHEET

- Equity: 793.7m FPO
- Options: 38.9m
- Cash: \$27m (31 Dec 2012)
- Debt: \$53m (31 July 2012)

KEY ASSETS

- *Kanmantoo Copper Mine (South Australia): is an open-cut mine with initial throughput of 2.4Mt pa, producing approximately 80,000t of concentrate, containing about 20,000t of copper metal and 10,000oz of gold with exploration potential for further copper*

RESERVES & RESOURCES

Kanmantoo
 In-situ Resource: 31.2Mt @ 0.82% Copper
 Long term stockpile Resource: 1.6Mt @ 0.37% Copper

BOARD

- Dean Brown (Chairman)
- John Gooding (Non-Executive Director)
- John Quirke (Non-Executive Director)
- Douglas Snedden (Non-Executive Director)
- Edwin Zemancheff (Non-Executive Director)

KEY ISSUES / CATALYSTS

- Mill feed grades achieving 0.8% by end of 2012.
- Bank Completion Test achieved: must be completed by end of 2013
- Increased Resource at Kanmantoo to increase mine life towards 10 years.
- Exploration success in Indonesia provides optionality for HGO

MANAGEMENT

- Mr Greg Hall (Managing Director)
- Russell Middleton (Chief Financial Officer)
- Shanthi Smith (Company Secretary)
- Steven McClare (General Manager (Kanmantoo Copper Mine))

RISK TO VIEW

- Inability to achieve and maintain full production capacity at Kanmantoo.

MISCELLANEOUS AND OTHER

CONTACT DETAILS

Hillgrove Resources Limited; Suite 4103, Level 41 Australia Square Tower, 264-278 George Street, Sydney, NSW, 2000 | Tel: +61 (2) 8247 9300



Head of Research

Jacqueline Fernley (02) 8247 6661

Industrials

James Ferrier (03) 9640 3827

Martin Pretty (03) 9640 3893

Ivor Ries (03) 9640 3863

Andrew Dalziel (07) 3212 1946

Stewart Oldfield (03) 9640 3818

Chris Gibson (03) 9640 3828

Daniel Wan (02) 8247 6694

Healthcare and Biotechnology

Shane Storey (07) 3212 1351

Daniel Sciberras (07) 3212 1022

Resources

Andrew Pedler (07) 3212 1346

John Young (03) 9640 3846

Cameron Judd (03) 9640 3864

Liam Schofield (07) 3212 1313

Nathan Szeitli (03) 9640 3806

Quantitative Strategy/TAA

Damien Klassen (02) 8247 3101

Head of Institutional Sales

Duncan Gamble (02) 8247 6629

Sydney

Jonathan Scales (02) 8247 6613

Richard Moulder (02) 8247 6603

Michael Pegum (02) 8247 6602

Anthony Wilson (02) 8247 3113

Melbourne

David Permezel (03) 9640 3885

Adam Dellaway (03) 9640 3824

Wealth Management Research

Peter McManus (02) 8247 3186

John Lockton (02) 8247 3118

Email: firstname.lastname@wilsonhtm.com.au

National Offices

Brisbane Ph: (07) 3212 1333

Sydney Ph: (02) 8247 6600

Melbourne Ph: (03) 9640 3888

Gold Coast Ph: (07) 5509 5500

Dalby Ph: (07) 4660 8000

Hervey Bay Ph: (07) 4197 1600

Our web site: www.wilsonhtm.com.au

Return Reinvestment Matrix and Risk Measures

Definitions at <http://www.wilsonhtm.com.au/Disclosures>

Recommendation Structure and Other Definitions

Definitions at <http://www.wilsonhtm.com.au/Disclosures>

Disclaimer

Whilst Wilson HTM Ltd believes the information contained in this communication is based on reliable information, no warranty is given as to its accuracy and persons relying on this information do so at their own risk. To the extent permitted by law Wilson HTM Ltd disclaims all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of Wilson HTM Ltd and therefore may not be realised in the future.

The advice contained in this document is general advice. It has been prepared without taking account of any person's objectives, financial situation or needs and because of that, any person should, before acting on the advice, consider the appropriateness of the advice, having regard to the client's objectives, financial situation and needs. Those acting upon such information without first consulting one of Wilson HTM Ltd investment advisors do so entirely at their own risk. This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever. If the advice relates to the acquisition, or possible acquisition, of a particular financial product – the client should obtain a Product Disclosure Statement relating to the product and consider the Statement before making any decision about whether to acquire the product. This communication is not to be disclosed in whole or part or used by any other party without Wilson HTM Ltd's prior written consent.

Disclosure of Interest. Hillgrove Resources Limited

The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in Hillgrove Resources Limited. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Hillgrove Resources Limited in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.

In producing research reports, members of Wilson HTM Ltd Research may attend site visits and other meetings hosted by the issuers the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Wilson HTM Ltd considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting.

Please see disclosures at <http://www.wilsonhtm.com.au/Disclosures>. Disclosures applicable to companies included in this report can be found in the latest relevant published research.



Regulatory Disclosures

Wilson HTM Corporate Finance Ltd acted as Lead Manager and Underwriter for the placement announced by Hillgrove Resources Limited in July 2012 and earned fees for acting in this capacity. Wilson HTM Corporate Finance Ltd acted as Joint Lead Manager for the placement announced by Hillgrove Resources Limited in October 2010 and earned fees for acting in this capacity. Wilson HTM Investment Group Ltd and its related bodies corporate trades or may trade as principal in the securities that are subject of the research report. Wilson HTM Corporate Finance Ltd has received compensation for corporate advisory services from this company, its subsidiaries or affiliates during the previous 12 months.