

HILLGROVE RESOURCES

FY14 HALF YEAR RESULTS

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

Hillgrove has a 31 January Year End, therefore quarter references are Q1 February-April, Q2 May-July, Q3 August-October and Q4 November-January.





HIGHLIGHTS

- Net Profit after Tax of A\$4.0 million
- EBITDA of A\$18.6 million
- Sales Revenue of A\$58.6 million
- New primary crusher system installed on time and within budget
- Mill throughput above nameplate of 2.8mtpa since crusher commissioning
- Effective 29 July 2013, management of operations have been brought in-house:
 - HGO Employees operating mining equipment;
 - Lease of major mobile equipment; and
 - Contract drilling to specialist blasthole drilling contractor



OPERATING RESULTS





PRODUCTION VOLUMES

	6 months to July 2013	6 months to July 2012	Change
Production Volumes			
Copper (t)	7,040	6,154	14.4%
Gold (oz)	3,505	2,491	40.7%
Silver (oz)	55,606	52,858	5.2%
Sales Volumes			
Copper (t)	6,981	6,236	11.9%
Gold (oz)	3,752	2,664	40.8%
Silver (oz)	55,715	58,048	(4.0%)
Payable Volumes			
Copper (t)	6,670	5,995	11.3%
Gold (oz)	3,431	2,382	44.0%
Silver (oz)	50,143	52,245	(4.0%)
Summary			
Ore to ROM (kt)	1,244	1,030	20.8%
Mill throughput (kt)	1,428	1,060	34.7%
Concentrate produced (t)	31,209	23,596	32.3%
Concentrate Cu grade	22.6%	26.1%	(13.4%)
Concentrate sold (t)	30,318	24,052	26.1%
Realised payable Cu price (A\$/t)	7,723	7,495	3.0%
Cash Costs US¢/lb	241 c/lb	255 c/lb	(5.5%)

- Increase in ore presented to ROM as a result of increased ore exposure and lower strip ratios
- New crusher circuit has performed at the 2.8mt p.a. target, which has led to significant improvements in mill throughput
- Copper produced in concentrate increased by 14% from the corresponding half year for 2012
- The average price realised for copper during the half year remained strong
- These strong prices were supported by the attractive hedging program Hillgrove has in place



FINANCIAL RESULTS



INCOME STATEMENT (A\$ million) 6 months to	31 July 2013	31 July 2012
Revenue	58.6	50.1
Cost of production	(29.4)	(43.0)
Changes in inventories of ore and concentrate	(1.5)	3.6
Employee benefits expense	(3.8)	(3.1)
Unrealised gains/ (losses) on financial derivatives	3.6	(2.9)
Depreciation and amortisation expenses	(12.4)	(16.3)
Corporate and other administration costs	(1.4)	(2.2)
Financing expenses	(3.3)	(3.5)
Other	(4.1)	(3.4)
Profit/(loss) before income tax benefit	6.3	(20.7)
Income tax (expense) / benefit	(2.3)	6.0
Net profit/(loss) attributable to ordinary equity holders of HGO	4.0	(14.7)
Basic EPS	0.006	(0.018)
Diluted EPS	0.006	(0.017)

- The Statutory profit of \$4.0m was due to the improvement in EBITDA to \$18.6m
- Ongoing implementation of mining and production improvements will continue to drive revenue growth



BALANCE SHEET

A\$ million	6 months to 31 July 2013	6 months to 31 January 2013
Current Assets	52.4	58.8
Cash	17.1	27.4
Receivables	1.8	6.4
Inventories	25.6	19.7
Financial Instruments	7.6	4.6
Other	0.3	0.7
Current Liabilities	51.8	75.7
Payables	25.1	40.0
Borrowings	22.7	29.5
Financial Instruments	1.9	4.2
Other	2.1	2.0
Current Ratio	1.01	0.78
Net Assets	226.5	220.6

- The reduction in cash is a direct result of continued investment in mine infrastructure
- Trade Payables have reduced significantly
- Current Ratio has improved over the period
- Current Borrowings have reduced mainly due to the later maturity of the Mezzanine Facility
- Net Assets have increased mainly due to the increase in value of copper hedges combined with the profit for the half



OUTLOOK





GUIDANCE

	FY2014	FY2015
Key milestones	<ul style="list-style-type: none"> ▪ Ramp up mining fleet to 420k BCM/month initially, then to 600k BCM/month by year end ▪ Plant throughput above nameplate at 2.8mtpa rate ▪ Develop culture of continuous improvement and ownership 	<ul style="list-style-type: none"> ▪ 600k BCM/month ▪ Open up new satellite pits ▪ Implement controlled potential sulphidisation process (CPS) for oxide material ▪ Recommence near mine exploration in second half of FY2015
Concentrate	69,000 – 75,000	80,000 – 90,000
Cu in Concentrate @ 24% Cu	16,500 – 18,000	20,000 +





SUMMARY

- Management focused on actioning key improvements to operations and production to realise targets and continue to enhance positive cash flow at the Kanmantoo Copper Mine
- Production guidance of between 80,000 and 90,000 dry metric tonnes of concentrate in a full year, containing 20,000 plus tonnes of copper metal and 8,000 ounces of gold for FY2015
- Continued optimisation of mining operations to improve ore and copper recovery and achieve expected grades
- Company on track for reduced mining unit costs and increased revenue growth



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 exploration 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 ramped up to a throughput of 2.8Mtpa, to produce approximately 80,000 dry metric tonnes of 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.

Competent Person's Statements

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.

*Cautionary Statement

The Exploration Target is based on the assumption of a 50% conversion rate of the 2012 exploration drilling program on known near mine targets but is subject to future drilling success. It must be recognised that the potential tonnage and grade estimated is conceptual in nature as the target has not been drilled. It is uncertain whether further information will result in the estimation of a Mineral Resource.