

# HILLGROVE RESOURCES



## FULL YEAR FY14 FINANCIAL RESULTS AND COMPANY UPDATE

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RUSSELL MIDDLETON ||||| CHIEF FINANCIAL OFFICER

1 MAY 2014



# OVERVIEW OF FY14 FINANCIAL RESULTS



- Revenue of \$139.2 million and adjusted EBITDA at \$37.3 million for full year
- Full year Net Profit After Tax of \$1.5 million
- Sales of 74,051t of copper concentrate
- Record production levels achieved with 75,423t of concentrate containing 17,184t copper, 5,962oz gold, and 132,854oz silver
- Significant capital expenditure investments for Kanmantoo mine with new primary jaw crusher installed and major tailings storage facility (TSF) lift underway
- Safety performance shows significant trend of improvement with 60% reduction in 12 month average Total Recordable Injury Frequency rate
- New Resource and Reserve statements released confirming Target Mine Life of 2023



**HILLGROVE** FULL YEAR REPORT UPDATE  
**RESOURCES** PROFIT AND LOSS

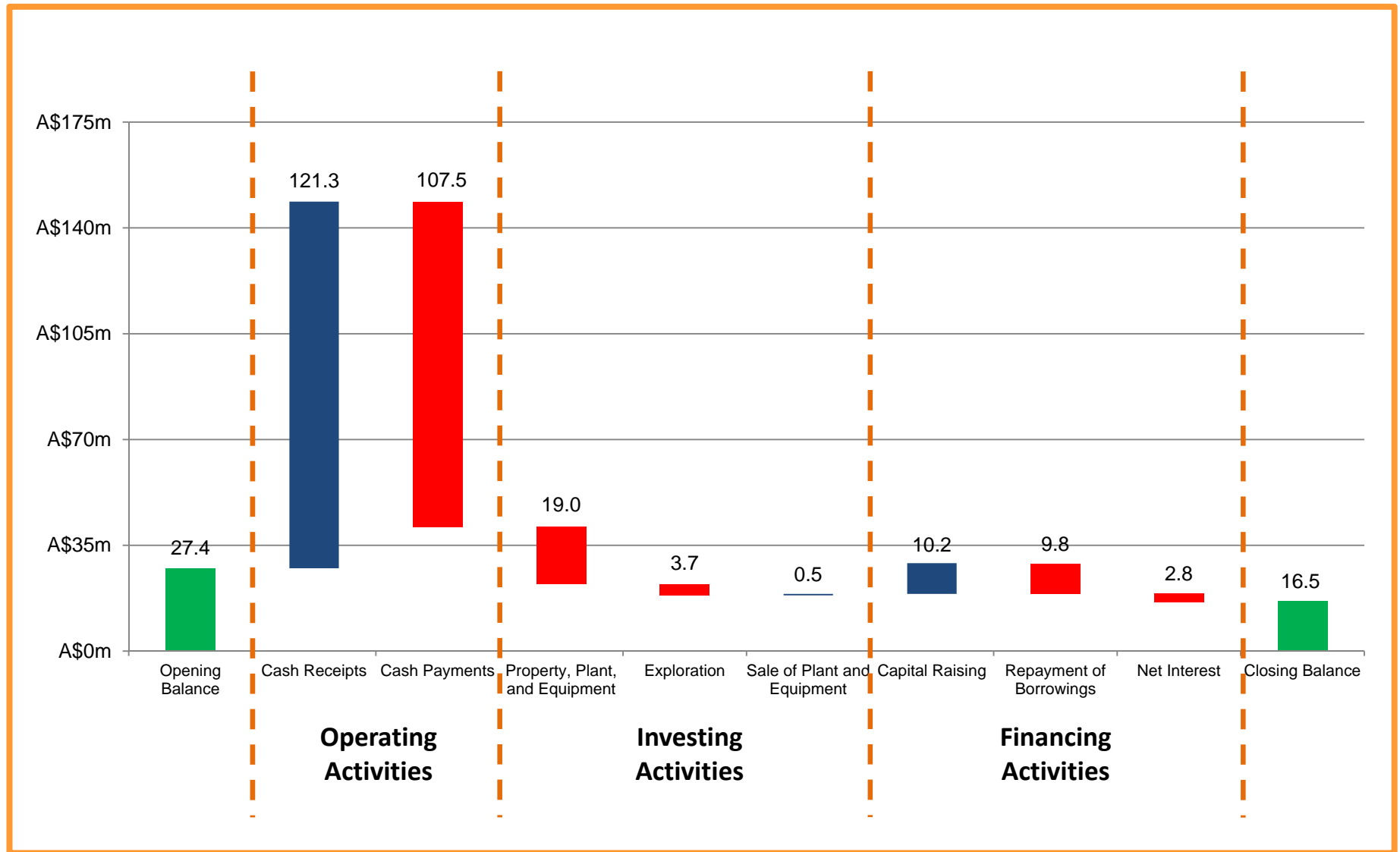
- Profit after tax of \$1.5M
- Revenue increased to \$139.2M
- Operations efficiency has increased operating margins
- Full year C1 costs of US\$2.39 per lb in line with guidance, improving at year end (Q4 at US\$2.00 per lb)
- Depreciation and amortisation up with increased copper production
- Reduction in corporate and administration costs
- Reduced finance costs with lower bank debt outstanding

\$'000	FY2013	FY2014
Revenue from sale of concentrates	115,395	139,157
Other income	1,210	793
Cost of production	(89,790)	(84,125)
Changes in inventory	9,114	(79)
Materials and services cost	(4,007)	(4,993)
Employee benefit expense	(6,204)	(6,650)
Royalties expense	(1,420)	(1,605)
Foreign exchange losses	(111)	(1,385)
Unrealised (losses)/gains on derivative financial instruments	(5,741)	(289)
Share of net profit from associates	651	-
Impairment of assets	(803)	-
Impairment of AFS assets	(704)	(315)
Impairment of exploration expenditure	(727)	-
(Loss) / Gain on disposal of assets	(3)	11
Rehabilitation cost	-	-
Depreciation and Amortisation expense	(26,492)	(29,157)
Corporate and other administration cost	(4,422)	(3,218)
Financing expense	(6,525)	(5,898)
<b>Profit / (Loss) before income tax</b>	<b>(20,579)</b>	<b>2,247</b>
Income tax benefit / (expense)	8,794	(751)
<b>Profit / (Loss) for the year</b>	<b>(11,785)</b>	<b>1,496</b>

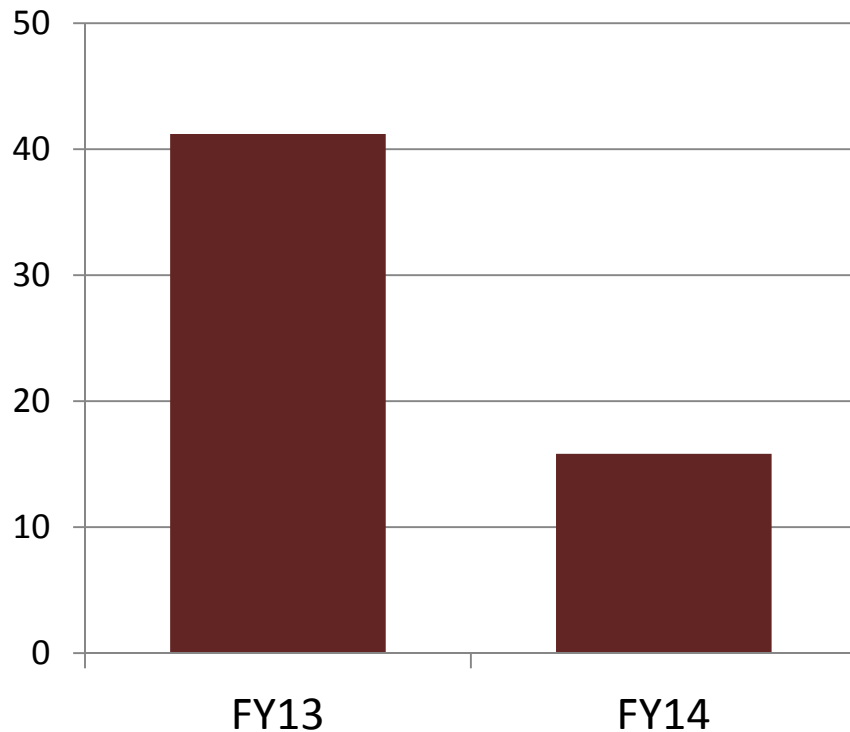
- Cash at year end of \$16.5M
- Increase in oxide and transition inventories together with deferred mining
- Continued investment in infrastructure of \$20.9M, including new primary crusher and TSF
- Wind back of Indonesian exploration
- Significant reduction in payables by \$16.0M
- Significant reduction in borrowings by \$8.6M

\$'000	JAN 2013	JAN 2014
<b>CURRENT ASSETS</b>		
Cash	27,405	16,452
Receivables	6,398	5,024
Inventories	19,731	26,162
Derivative financial instruments	4,570	4,016
Other	733	192
<b>Total current assets</b>	<b>58,837</b>	<b>51,846</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	233,158	225,680
Exploration & evaluation expenses	27,440	30,550
Derivative financial instruments	3,044	-
Other	615	279
Deferred tax asset	12,879	13,845
<b>Total non-current assets</b>	<b>277,136</b>	<b>270,354</b>
<b>Total assets</b>	<b>335,973</b>	<b>322,200</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	39,993	23,936
Provisions	451	404
Borrowings	29,461	30,619
Employee benefits payable	1,571	3,017
Derivative financial instruments	4,227	4,491
<b>Total current liabilities</b>	<b>75,703</b>	<b>62,467</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	9,807	11,363
Borrowings	20,806	11,050
Derivative financial instruments	9,047	8,781
<b>Total non-current liabilities</b>	<b>39,660</b>	<b>31,194</b>
<b>Total liabilities</b>	<b>115,363</b>	<b>93,661</b>
<b>NET ASSETS</b>	<b>220,610</b>	<b>228,539</b>

**HILLGROVE RESOURCES** FULL YEAR REPORT UPDATE  
CASHFLOW



**12 Month moving average Total Recordable Injury Frequency Rate**



- Safety performance shows significant trend of improvement
- Following move to owner operator a high level of induction, skills assessment and training has been instigated for all employees
- Transition to new safety legislation with completion of Integrated Risk Management System
- Ongoing development of Principal Mining Hazard Management Plans
- Continuous improvement through more extensive equipment training to manufacturer guidelines
- New specialist contractors achieving a high level of safety and compliance



**HILLGROVE RESOURCES** **FULL YEAR REPORT UPDATE**  
**KANMANTOO COPPER MINE PRODUCTION OUTPUT**

Period		FY 2013	FY 2014
Ore to ROM from Pit	(kt)	2,221	2,633
Ore to long term stockpiles	(kt)	849	(70)
Mined Waste	(kt)	11,777	10,027
Total Tonnes Mined	(kt)	14,847	12,922
Mining Grade to ROM	(%)	0.76	0.71
Ore Milled	(kt)	2,303	2,944
Milled Grade	(%)	0.66	0.64
	Au (g/t)	0.16	0.12
	Ag (g/t)	2.96	2.86
Recovery	Cu (%)	89.9	90.7
	Au (%)	54.7	52.9
	Ag (%)	55.4	49.0
Cu Concentrate Produced	Tonnes	56,431	75,423
Concentrate Grade	Cu (%)	24.4	22.8
	Au (g/t)	3.6	2.5
	Ag (g/t)	67.0	54.8
Contained Metal In Concentrate	Cu (t)	13,744	17,184
	Au (oz)	6,570	5,962
	Ag (oz)	121,656	132,854
Total Concentrate Sold	Dry metric t	56,526	74,051

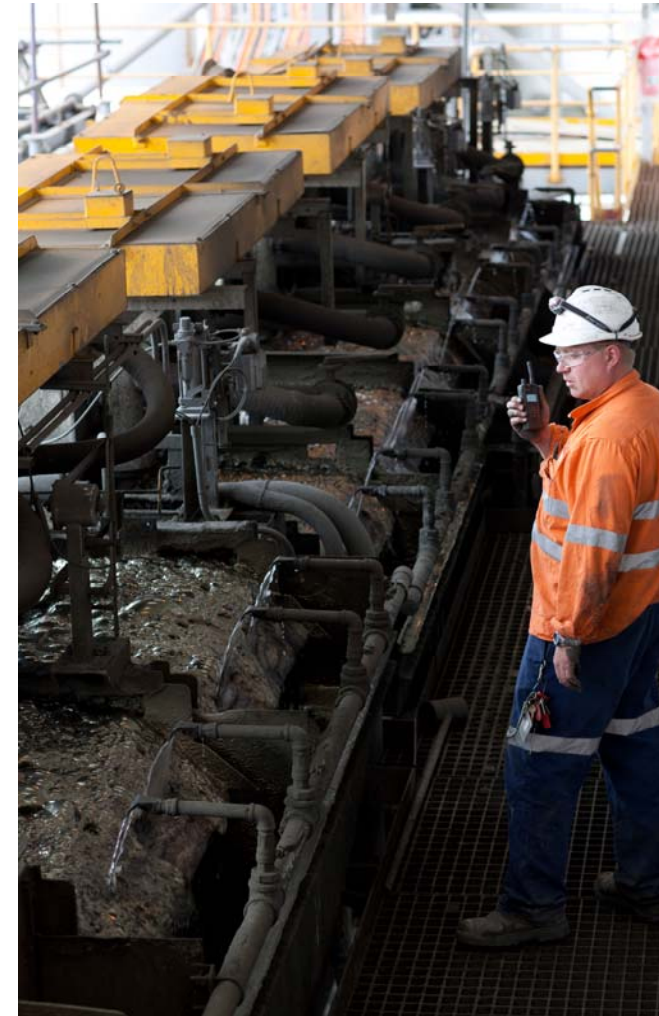
- Consistent and higher mining rates in second half
- Mined grade in line with Resource model
- Significant reduction to mining dilution
- Development of new pits for next ore source
- Primary crusher and mill operating at target name plate
- Improved recoveries due to consistent feed
- Increased mill throughput rates and mill run time



# HILLGROVE COMPANY UPDATE



- ASX listed: HGO
- Shares on issue: 1,180.9 million
- Share price: \$0.068
- Market capitalisation: \$80.3 million
- Cash and cash equivalents \$13.9 million
- Debt \$33.4 million
- Net Debt \$19.5 million
- Tax losses carried forward circa \$69 million
- Franking Account Credit \$21.3 million



- Significant additional reduction to current borrowings, with payment of \$7.4M made in the first quarter of FY15
- Current copper prices lower than balance date with hedging providing solid support for realised copper sales
- Equipment supply contractor and Hillgrove commissioned two new Liebherr excavators with significantly higher operating capacity
- Installation of multi-stream analyser to further improve recoveries in Mill
- Advanced stage of permitting for further two year life extension
- Installation of bulk lime handling facility nearing completion



### **SENSITIVITIES TO REVENUE**

■ AUD/USD	+/- 5%	AUD 1.4 million
■ Copper Price	+/- 10%	AUD 4.5 million
■ Gold Price	+/- 10%	AUD 1.4 million

### **GUIDANCE FOR FY2015**

#### **Processing**

■ Ore Processed	2,900 to 3,000 k tonnes ore
■ Copper Grade	0.83% – 0.88%

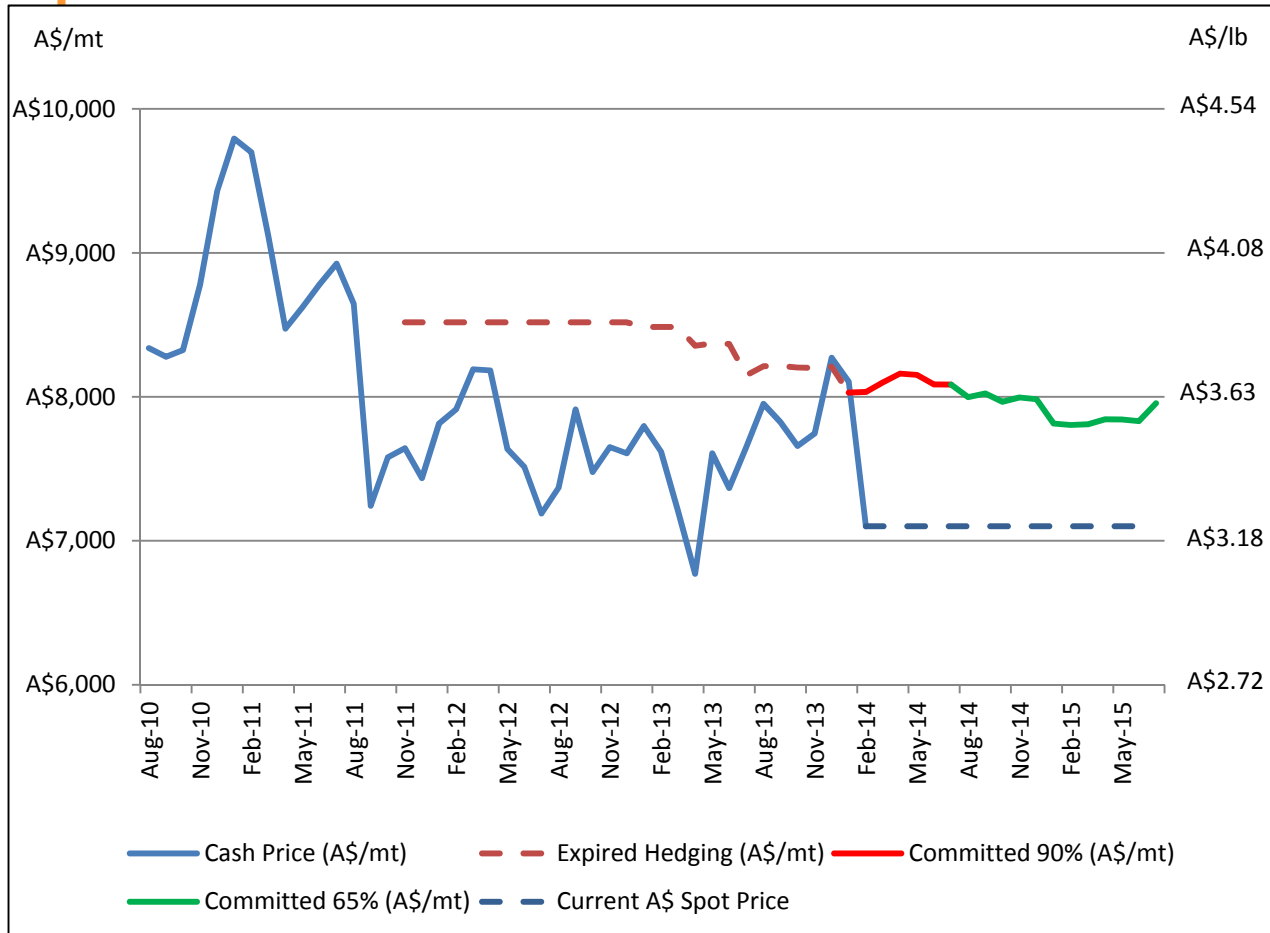
#### **Production**

■ Copper	22,300 – 24,600 tonnes
■ Gold	7,000 – 9,000 ounces

#### **Costs**

■ C1 Costs	USD 2.10 – 2.40 per pound (at AUD/USD of 0.90)
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- Strong hedge book provides certainty for revenue during debt repayment period
- Additional hedging put in place in January at A\$8,300/t
- Production to end July 2014 hedged 90% at A\$8,140/t (A\$3.69/lb)
- Currently tracking well over Cu spot price
- Post July, hedged at average 65% to March 2016



- Strong hedge book provides certainty for cashflows and revenue in future periods
  - Approximately 32,000t of copper swaps as at the end of financial year
  - 90% of forecast copper production hedged up until July 2014, approximately 65% thereafter up until March 2016 at an average price of circa A\$7,900/t
- Mark-to-market value in excess of \$21.0M (based on a 3 month copper price of A\$7,100/t)



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**ABOUT HILLGROVE**

Hillgrove Resources 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 which has now ramped up to a throughput of up to 3.0Mtpa, to produce approximately 90,000 dry metric tonnes of copper concentrate, 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 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.

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**

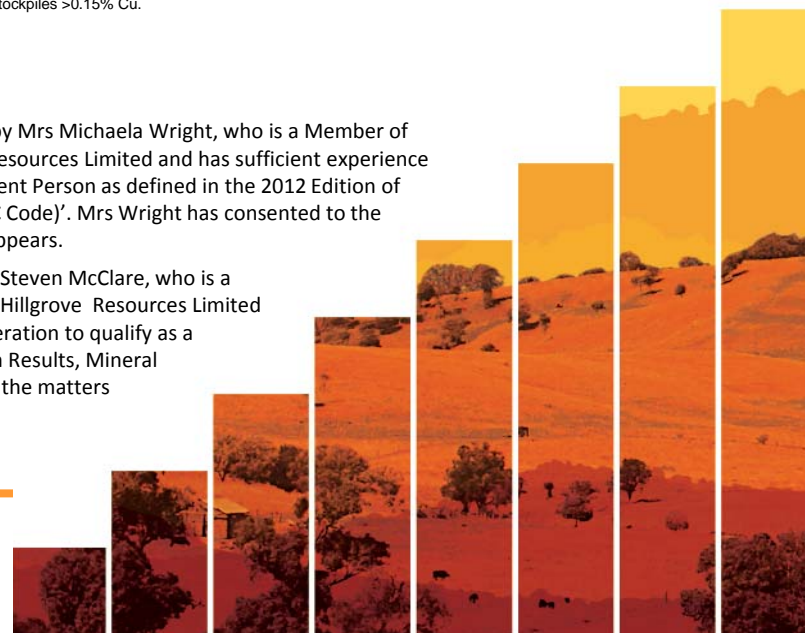
	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
In Situ Resource	Measured	2.63	0.88	0.10	1.95
	Indicated	21.77	0.82	0.23	2.21
	Inferred	5.0	0.67	0.13	1.79
		<b>29.46</b>	<b>0.80</b>	<b>0.20</b>	<b>2.11</b>
Long Term Stockpiles	Measured	1.39	0.46	N/A	N/A
	Indicated	0.50	0.18	N/A	N/A
		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

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
		<b>20.7</b>	<b>0.73</b>	<b>0.18</b>	<b>1.9</b>
Long Term Stockpiles	Proven	1.4	0.46	N/A	N/A
		<b>1.4</b>	<b>0.46</b>	-	-
	<b>Total</b>	<b>22.1</b>	<b>0.71</b>	<b>0.18</b>	<b>1.9</b>

Note: In Situ Reserve >0.20% Cu. Long Term Stockpiles >0.15% Cu.





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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.**

