

Monday, 12 May 2014

QUARTERLY PRODUCTION REPORT: KANMANTOO PRODUCTION AHEAD OF YTD GUIDANCE

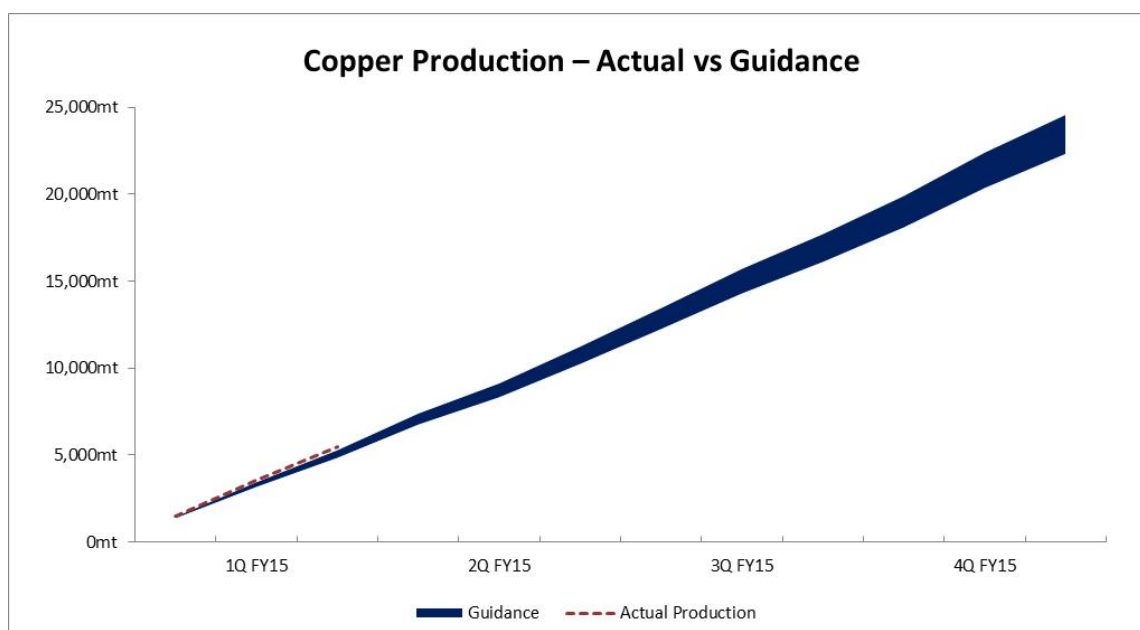
Hillgrove Resources Limited (ASX: HGO) is pleased to report further consolidation of production at its Kanmantoo Copper Mine by exceeding the first quarter copper production guidance range for the quarter ending 30 April 2014. The Company also reports achieving record ore and total tonnes mined, together with an average milled head grade of 0.80% copper.

The continued solid performance from the mine and process plant provides confidence for Hillgrove to confirm that its copper production guidance for the coming Financial Year ending 31 January 2015 (FY15) of 22,300t to 24,600t copper contained in concentrates remains on track.

The Company targeted these continued improvements in performance at Kanmantoo in the operating and cost structures as support for the target mine life to 2023.

The key operational achievements include:

- **5,554t copper** contained in concentrates produced in Q1, which **exceeds the high end of the guidance range for the first quarter** (see graph below);
- A record **5,259kt (1,702kbcm)** total material mined for Q1 with the introduction of two larger excavators delivering increased truck productivity;
- Process plant throughput of **757kt** ore and mill head grade of **0.80%** copper; and
- Continued consistent copper recovery of **92.1%** achieved.



Hillgrove’s Managing Director and CEO, Greg Hall said: “The change last year in mine practices through the newly configured mining fleet continues to reap dividends for the Kanmantoo operating performance.”

“The material improvement in operating performance at Kanmantoo can clearly be seen in the control of mining dilution, increased mining tonnes and improved feed grades to the mill. Our processing plant group have also continued to improve their throughput rates, run time and copper recovery, all resulting in an increase in copper produced,” Mr Hall said.

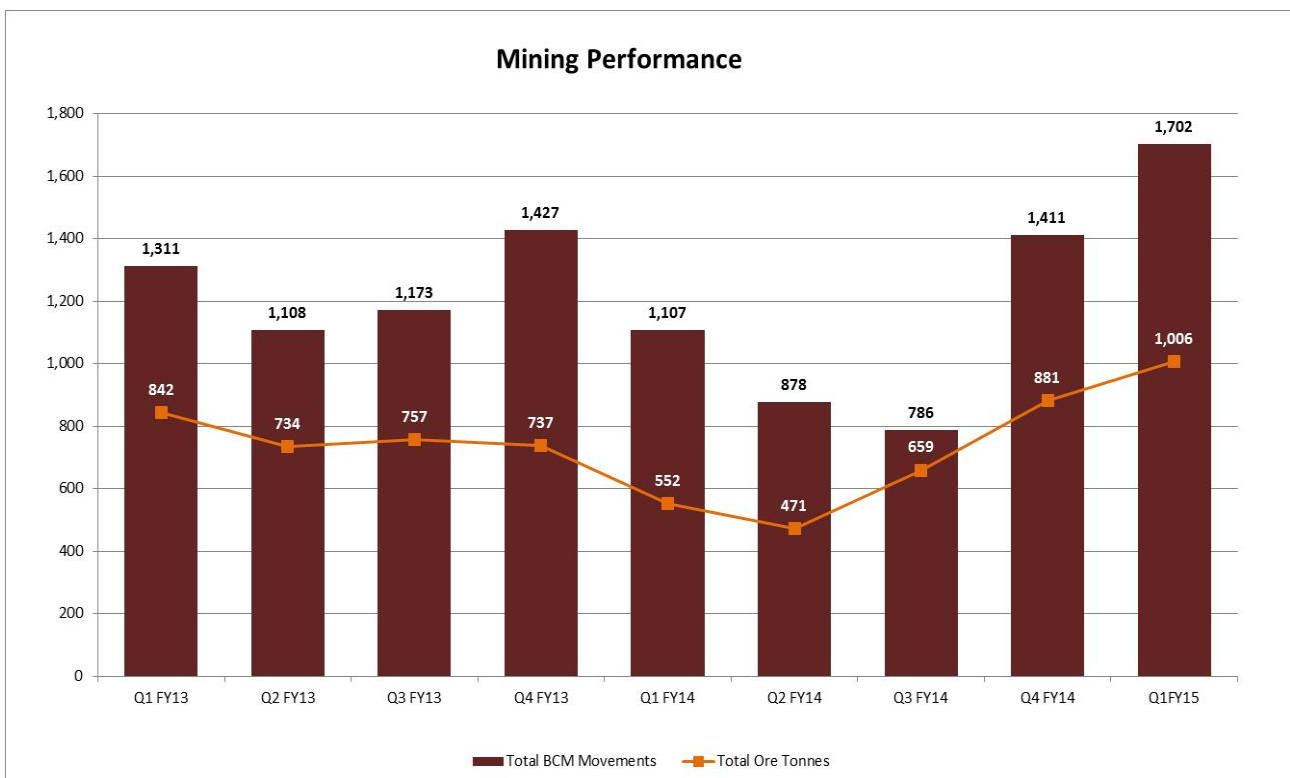
Quarterly Report

A full Quarterly Report will be released during the week beginning 19 May 2014, which will include further detailed production statistics and C1 unit costs.

Mining

Mining rates reached 5,259kt (1,702k bcm) total mined for the quarter ended April which was a quarterly record, and was mainly due to the recent arrival and commissioning of two new Liebherr 9350 300 tonne excavators by our equipment supply contractor, Andy’s Earthmovers (Asia Pacific). For the first time since commissioning ore feed to ROM was greater than ore tonnes milled. Total ore tonnes mined of 1,006kt included oxide and transitional ore from the Nugent and Emily pits.

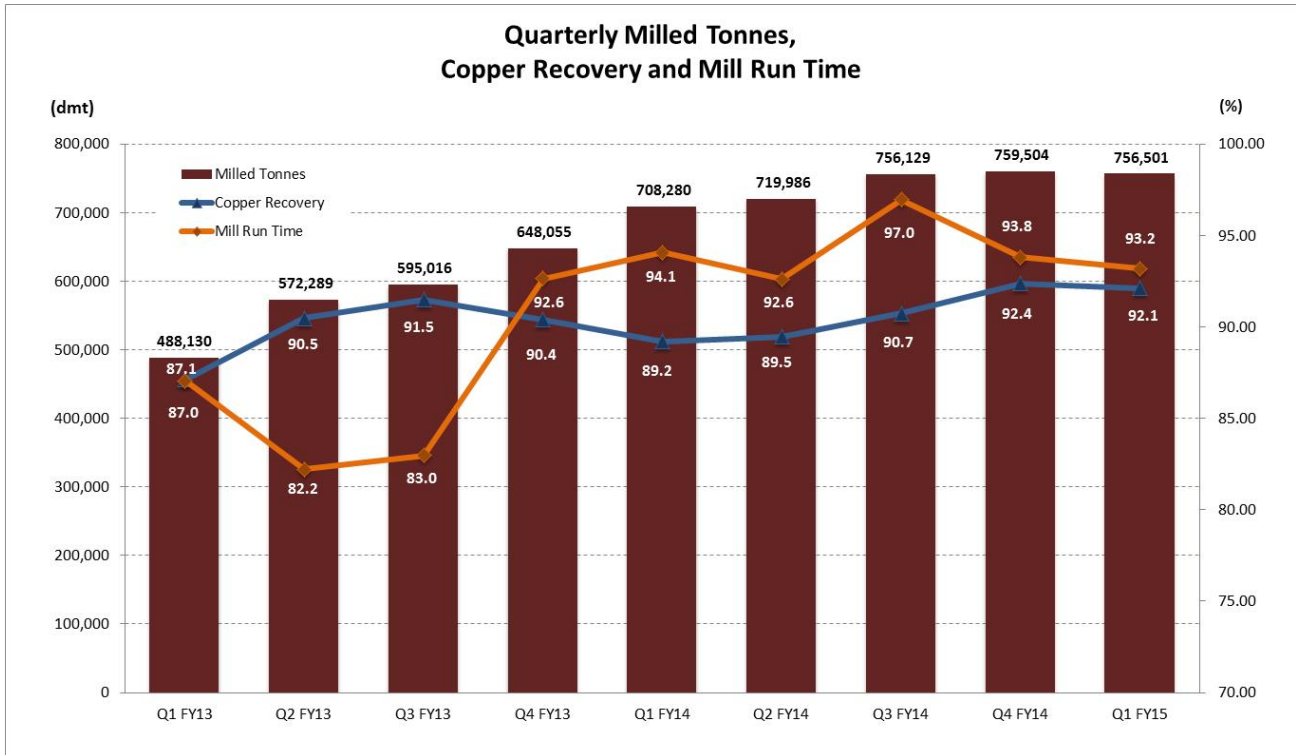
Ongoing mining of higher grade ore will continue which will allow the guidance processing grade for the year to be achieved.



Note: The chart above includes total Bank Cubic Metres (BCM) mined, and total ore tonnes (kt) mined. Total BCM mined of 1,702k is equivalent to 5,259kt.

Processing

Mill throughput and reliability were maintained at a high level during the quarter, with planned shuts for required maintenance completed. The copper recovery of **92.1%** was achieved as the process plant starts to realise the benefits of the Multi-Stream Analyser on process control in the plant, reducing the potential of losses to the tailings stream. This was partly offset by a period of lower recovery during adjustment of mill grind size due to the new primary ore feed mix from multiple pits.



Production Summary

Period		FY 2013 JAN-13	FY 2014 JAN-14	JAN-14 FY14 Q4	APR-14 FY15 Q1
Ore to ROM from Pit	kt	2,221	2,633	733	812
Total Tonnes Mined	kt	14,847	12,922	4,362	5,259
Mining Grade to ROM	%	0.76	0.71	0.85	0.87*
Ore Milled	kt	2,303	2,944	760	757
Milled Grade - Cu	%	0.66	0.64	0.83	0.80*
Recovery - Cu	%	89.9	90.7	92.4	92.1
Cu Concentrate Produced	Dry mt	56,431	75,423	25,053	24,335
Contained Metal in Concentrate - Cu	t	13,744	17,184	5,838	5,554
- Au	oz	6,570	5,962	1,279	1,327
- Ag	oz	121,656	132,854	44,151	38,864
Total Concentrate Sold	Dry mt	56,526	74,051	24,814	24,425

**Ore grade to ROM is undiluted based on the blockout model within pit (calculated after blast hole samples and after grade control have blocked out ore to be mined). Ore dilution was 10.2% for the quarter which is lower than planned reserve dilution of 13%. Ore grade milled includes the quarter dilution, with a slight variation due to opening and closing ROM calculations.*

Outlook for FY15

Hillgrove reconfirms the unchanged annual production guidance for the Financial Year ending 31 January 2015 (FY15):

- Ore mined 3,000kt to 3,250kt
- Ore processed 2,900kt to 3,000kt
- Ore grade processed 0.83% to 0.88% Copper
- Copper recovery 92.5% to 93.5%
- Copper produced 22,300t to 24,600t copper contained in concentrates
- Gold produced 7,000oz to 9,000oz gold contained in concentrates

The Company's hedging strategy continues to provide strong support for Kanmantoo's production revenue.

Hillgrove's Managing Director and CEO, Greg Hall said: "The Company put in place additional hedging in January this year with approximately 10,200t of copper now hedged in the first half of the year (90% of payable copper) at an average price of AUD8,107 per tonne (AUD3.68/lb) compared to current spot copper price of AUD7,225 (AUD3.28/lb). This is providing excellent support for realised revenue during the recent fall in the LME copper prices."

Mr Hall said, "The operating performance this quarter has further demonstrated the capability that is now established at Kanmantoo, with production outcomes being repeated and delivered as forecast and planned. We look forward to underlining this further when we update shareholders with the details of Hillgrove's full Quarterly Report, which we anticipate publishing during next week."

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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 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 3.0Mt per annum, to produce approximately 90,000 dry metric tonnes of copper 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.

HILLGROVE RESOURCES LIMITED

Kanmantoo Global Mineral 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
		20.7	0.73	0.18	1.9
Long Term Stockpiles	Proven	1.4	0.46	N/A	N/A
		1.4	0.46	-	-
Total		22.1	0.71	0.18	1.9

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

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 Mineral 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.