



Preliminary Signals



Wilson HTM
INVESTMENT GROUP
A Leading Wealth Manager and
Adviser to Emerging Companies

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HILLGROVE RESOURCES LIMITED (HGO)

Apr-14 Qtrly: On track

ANNOUNCEMENT HIGHLIGHTS

- HGO have reported their quarterly production report for the Apr-14 qtr.
- Production of 5.55kt of Cu (contained) was 5% below our forecast of 5.86kt, and down 5% qoq. However, annualised production was 22.2kt Cu, comparing pretty well to full year guidance of 22.3-24.6kt Cu.
- HGO have stated that the quarter's production was ahead of its own targets, and thus they are well placed to achieve full year guidance (they are expecting copper grades to improve over the balance of the year). We note that the Nugent pit will provide some higher grade mill feed during the rest of FY15.
- Mining performance was the standout – a new qtrly record for tonnes mined of 5.26Mt (well above our 4.50Mt forecast), with the 2 new 300t excavators making an impact.
- HGO recently reported a cash balance of A\$13.9m, and debt of \$33.4m as at 31-Apr-14 (net debt was \$19.5m).

QUARTERLY HIGHLIGHTS - SNAPSHOT

	Jul-13	Oct-13	Jan-14	Apr-14	WilsHTM	QoQ v WilsHTM	
	QTR	QTR	QTR	QTR			
				Actual	Forecast		
Ore to ROM from pit - Mt	0.56	0.77	0.88	0.81	0.80	-8%	1%
Mined w aste - Mt	2.16	1.66	3.48	4.45	2.80	28%	59%
Total tonnes mined - Mt	2.71	2.43	4.86	5.26	4.50	8%	17%
Strip ratio	3.89	2.15	3.96	5.48	3.50	38%	56%
Mining grade to ROM - Cu	0.67%	0.63%	0.85%	0.87%	0.83%	2%	5%
Ore milled - Mt	0.72	0.76	0.76	0.76	0.75	-0%	1%
Milled grade - Cu	0.54%	0.63%	0.83%	0.80%	0.84%	-4%	-5%
Recovery - Cu	89.5%	90.7%	92.4%	92.1%	93.0%	-0%	-1%
Cu concentrate produced - dmt	15.82	19.20	25.05	24.34	25.47	-3%	-4%
Contained metal in conc - Cu	3.45	4.31	5.84	5.55	5.86	-5%	-5%
Contained metal in conc - Au - oz	1.27	1.18	1.28	1.33	2.06	4%	-36%
Total concentrate sold (kt)	14.13	18.92	24.81	24.43	25.47	-2%	-4%

WHTM VIEW

Initial analysis

- Production was slightly below our expectations (by 5%), but tonnes mined were well above our expectations. The fact that copper production was above HGO's internal budget was pleasing, although (as we already expected) achieving full year guidance does rely on an improvement in the head grade of copper over the balance of FY15 (year-to-Jan-15). We note that qtrly head grade was only 0.80% Cu (compared with full year head grade guidance of 0.83-0.88% Cu).

Wilson HTM Preliminary Signals – Hillgrove Resources Limited

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Earnings implications

- No meaningful earnings implications for consensus on the back of this announcement.

Investment view

- We have a SPECULATIVE BUY rating on HGO and a target price of A\$0.118ps (under review).



Traffic Light Key: the traffic lights are a prioritisation tool, they are designed to assist the reader in prioritising work-flow.

- **Red light:** Announcement substantially different to WHTM expectations - **STOP**
- **Orange light :** Announcement largely as per WHTM expectations, but some factors need closer examination - **SLOW DOWN**
- **Green light:** Announcement in line with or better than WHTM expectations - **GO**
- **White light:** Due to compliance reasons coverage or investment view is restricted at this time.

Return Reinvestment Matrix and Risk Measures

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Recommendation Structure and Other Definitions

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