

Tuesday, 5 August 2014

HILLGROVE RESOURCES TO UNDERTAKE CAPITAL MANAGEMENT INITIATIVES

Hillgrove Resources Limited (ASX:HGO), owner of the Kanmantoo Copper Mine in South Australia, is pleased to announce its intention, subject to shareholder approval, to implement a one for eight share consolidation followed by an unmarketable parcel sale process.

Hillgrove has 1.18 billion shares on issue compared to the Company's market capitalisation of approximately \$95 million. This is disproportionate to the number of shares on issue by other similar sized companies in the Australian resources sector. Consolidating the Company's share capital will result in a more appropriate and effective capital structure. The proposed share consolidation would reduce the number of shares on issue to approximately 148 million.

As the proposed share consolidation applies equally to all shareholders, individual shareholdings will be reduced in the same ratio as the total number of shares (subject to rounding). Accordingly, the share consolidation will only have a very minor effect on the percentage interest held in the Company by each shareholder. Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) will not change (other than rounding) as a result of the share consolidation alone, assuming no other market movement or impacts occur.

In accordance with the Corporations Act, an ordinary resolution will be put to shareholders at a General Meeting of the Company on 10 September 2014. Should the resolution to convert every eight ordinary shares into one ordinary share be passed, the number of options on issue and the exercise price of those options will also be adjusted in accordance with ASX Listing Rules.

Further information in relation to the proposed share consolidation, including the timetable, will be provided in the Notice of General Meeting which is expected to be issued to shareholders on or around 8 August 2014.

Following completion of the share consolidation (if approved by shareholders), Hillgrove intends to implement a share sale facility to provide eligible shareholders with an opportunity to sell their unmarketable parcels without incurring any brokerage costs. In addition to allowing holders of small shareholdings to sell their shares without brokerage, the sale facility will also reduce the expense to the Company of maintaining over 1,500 shareholders with unmarketable parcels.

Further details will be lodged with the ASX and information provided to eligible shareholders once timing and details are finalised.

For more information contact:

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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 3.0Mtpa, 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.

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
		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 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.