



Wilson HTM
INVESTMENT GROUP

A Leading Wealth Manager and
Adviser to Emerging Companies

26 August 2014

HILLGROVE RESOURCES LIMITED (HGO)

BUY

HOLD

SELL

ACTION & RECOMMENDATION

We upgrade to a BUY (from Speculative Buy rating). Hillgrove's Jul-14 quarterly performance was strong, with 3 records broken: 1) record copper production of 5.88kt, 2) low costs of US\$1.985/lb, and 3) record mill throughput (3.35Mtpa annualised), which helped offset wet weather impacts which meant mill grades were lower than expected. Hillgrove has also updated guidance to take into account its change of year to 31-Dec, and this guidance is broadly inline with our expectations, but an improved C1 cost guidance (now US\$2.00-2.20/lb) was a positive surprise. Our share price target of 11.8 cps represents a 12-month total shareholder return of 53%.

Jul-14 qtr: 3 records in one quarter, a great result

What's Changed

- **Production** of 5.88kt of Cu (contained) was 1% above our forecast of 5.82kt, and up 6% qoq. Qtrly production equated to 23.54kt on an annualised basis, and was a new quarterly record. Despite lower milled copper grade (0.76% v WHTMe of 0.84%) due to wet weather impacts, the mill performed extremely well – 0.84Mt for the qtr (3.35Mtpa rate) was 12% above our expectations, and a new qtrly record by over 10%.
- **C1 cash costs** of US\$1.94/lb were 8% below our US\$2.11/lb estimate. Pleasingly HGO have decreased their current year's C1 cost guidance to US\$2.00-2.20/lb (WHTMe US\$2.11/lb).
- **Guidance re-stated:** HGO's updated guidance for 11 mths to 31-Dec-14 was largely as expected; Forecasts for Cu production of 20.5-22.5kt and Au prod. of 6.0-7.8koz (WHTMe 20.9kt & 6.1koz). Higher mill throughput is expected to offset lower cu grade over CY14 compared with prior expectations.
- **Valuation:** We value HGO at A\$0.118ps, based on a DCF using a WACC of 11.4%.

Risks & Catalysts

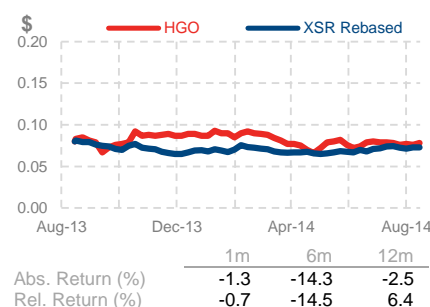
- **Key risks around HGO:** 1) Consistency in delivering feed to the mill of around 0.80% copper, 2) operational risk at the Kanmantoo mine, especially while it is operating a single open pit with single lane ramp, and 3) future weakness in the copper price.
- **Catalysts:** 1) The Sept-14 quarterly report which should continued decrease in net debt, and 2) an improved copper market or weaker AUD.

12m Target Price (AUD)	\$0.118
Share Price @ 25-Aug-14 (AUD)	\$0.078
Fcst 12m Capital Return	50.8%
Fcst 12m Dividend Yield	2.5%
12m Total S'holder Return	53.3%

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12m Share Price Performance



WHTM Return Re-Investment Matrix

Return	High	Cash Generator	Champion
	Low	Challenged	Potential
		Low	High
		Re-Investment	

WHTM Risk Assessment

	Low	Med	High	Spec
Share Price Risk				
Business Risk				

Year-End December (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue (\$m)	115.4	139.2	168.1	169.1	165.9
EBITDA Margin (%)	12	27	28	20	19
NPAT Norm (\$m)	-10.2	1.7	8.0	5.3	4.9
Consensus NPAT (\$m)			1.7	13.3	7.0
EPS Norm (cps)	-1.2	0.2	0.8	0.5	0.5
EPS Growth (%)	-84	113	371	-34	-8
P/E Norm (x)	-6.4	48.0	10.2	15.5	16.8
EV/EBITDA (x)	8.5	3.1	2.5	3.4	3.7
CFM (x)	3.8	11.6	1.8	2.8	3.0
DPS (cps)	0.0	0.0	0.0	0.4	0.4
Franking (%)	0	0	0	100	100

Source: Company data, WHTM estimates, S&P Capital IQ

Key Changes	03-Jul	After	Var %
Revenue FY14	139	168	20.8%
(\$m) FY15	185	169	-8.5%
FY16	169	166	-1.6%
EBITDA: FY14	37.6	47.8	27.0%
(\$m) FY15	53.9	34.5	-36.0%
FY16	34.2	31.7	-7.3%
EPS: FY14	0.2	0.8	>99%
Norm FY15	1.3	0.5	-60.1%
(cps) FY16	0.6	0.5	-19.2%
Price Target:	0.11	0.12	2.3%
Rec:	BUY	BUY	

Mkt Cap: \$92m Enterprise Value: \$117m Shares: 1,182m Sold Short: 0.0% ASX 300 Wgt: 0.0% Median T'over/Day: \$0.0m

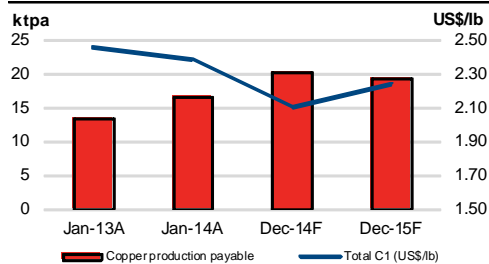
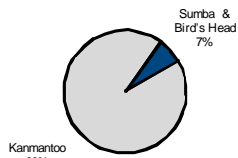
Wilson HTM Equities Research – Hillgrove Resources Limited

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TABLE 1: FINANCIAL SUMMARY

Capital profile				Jan year end									
				Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F				
Number of shares (m)	1,179			NPAT Reported (A\$m)	-11.8	15	8.0	5.3	4.9	3.3			
Market capitalisation (A\$m)	94			NPAT Normalised (A\$m)	-10.2	17	8.0	5.3	4.9	3.3			
Enterprise value (A\$m)	120			EPS (A¢)	-11	0.2	0.8	0.5	0.5	0.3			
Enterprise value (US\$m)	110			CFPS (A¢)	-0.6	-0.5	2.4	1.7	2.4	2.5			
				DPS (A¢)	0.0	0.0	0.0	0.4	0.4	0.4			
				P/E (x)	nm	49.3	10.5	15.9	17.2	25.2			
				P/CF (x)	-12.7	-16.1	3.3	4.6	3.4	3.1			
				EV/EBITDA (x)	8.4	3.2	2.0	2.4	2.1	1.5			
				EPS Growth	18%	-15%	37%	-34%	-8%	-32%			
				Yield (%)	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%			
Resources				Assumptions FY									
	Mt	%	Cont Cu	Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F				
Resources, incl stockpiles (Mt)	313	@ 0.77%	242 kt	AUD/USD	1.04	0.97	0.92	0.90	0.87	0.85			
Reserves, incl stockpiles (Mt)	22.1	@ 0.7%	157 kt	Copper price (US\$/lb)	3.70	3.62	3.34	3.21	3.26	3.20			
EV/t Resource (A\$/t)	A\$492.9	US\$453.5		Gold price (US\$/oz)	1669	1412	1290	1269	1250	1241			
EV/t Reserve (A\$/t)	A\$762.5			Silver price (US\$/oz)	31.13	23.87	20.17	20.25	19.75	19.63			
VALUATION				Total Coal Sales (100%)									
Description	A\$m	A\$ps		Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F				
Kanmantoo	171	0.14		Copper production payable	13.3	16.6	20.2	19.4	18.1	18.1			
Sumba & Bird's Head	12	0.01		Gold production payable	4.7	3.6	3.2	9.7	9.9	9.9			
				Cu. Equiv production payable (kt)	14.2	17.2	20.7	21.1	19.8	19.8			
Total Operations	183	0.16											
Net (debt) / cash	-13	-0.01		Cash costs @ Kanmantoo	2.46	2.38	2.11	2.24	2.27	2.08			
Corporate overheads (incl WC)	-31	-0.03		Total C1 (US\$/lb)	0.05	0.04	0.05	0.07	0.07	0.25			
Franking Credits	0	0.00		Royalties (US\$/lb)	0.05	0.04	0.05	0.07	0.07	0.15			
Listed investments	0	0.00		Admin (US\$/lb)	0.28	0.24	0.15	0.17	0.15	0.15			
Exploration	0	0.00		EBITDA costs (US\$/lb)	2.79	2.66	2.31	2.47	2.49	2.48			
Total Valuation	139	0.118		Sustaining capex (US\$/lb)	0.14	0.08	0.04	0.04	0.04	0.04			
Premium (Discount)	0.00			All in cash costs (US\$/lb)	2.93	2.74	2.35	2.51	2.53	2.52			
Target Price		0.118		D&A (US\$/lb)	0.90	0.76	0.83	0.70	0.73	0.80			
P/NPV		0.68		EBIT costs (US\$/lb)	3.69	3.42	3.14	3.18	3.22	3.28			
Operations NPV split				Margin analysis									
	Valuation inputs			Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F				
	Rf rate	5.3%		EBITDA (US\$/lb)	0.90	0.96	1.03	0.74	0.77	0.72			
	MRP	6.0%		All-in cash cost margin (US\$/lb)	0.76	0.88	0.99	0.70	0.72	0.68			
	Equity beta	1.48		EBIT (US\$/lb)	0.00	0.20	0.20	0.04	0.03	-0.08			
	Ke	14%											
	Kd	7.0%		Profit and Loss (\$m)	Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F			
	Gearing	30%		Revenue	116	140	168	169	166	168			
	Tax rate	30%		Costs	103	102	120	135	134	138			
	WACC	1%		EBITDA	14	38	48	35	32	30			
	DCF (A\$)	0.12		Depreciation & amortisation	26	29	34	27	26	27			
	Prem/disc	0%		EBIT	-13	8	14	8	6	3			
	Target (A\$)	0.12		Interest income	1	0	1	1	1	2			
				Interest expense	7	6	3	1	0	0			
				MRRT	0	0	0	0	0	0			
				Pre tax profit	-18	3	11	8	7	5			
				Tax expense (benefit)	-8	1	3	2	2	1			
				NPAT - underlying	-10	2	8	5	5	3			
				Significant items	2	0	0	0	0	0			
				NPAT - reported	-12	1	8	5	5	3			
Sensitivity (A\$ps/A\$m)				Profitability analysis									
	NPV (\$ps)	Dec-14F	Dec-15F	Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F				
Base Case NPV / NPAT	0.118	8.0	5.3	EBIT margin	-	6%	8%	4%	4%	2%			
Copper price +10% increase	+0.04	+4.2	+9.9	EBITDA margin	12%	27%	28%	20%	19%	18%			
Copper price +10% increase	+37%	+79%	+203%	Effective tax rate	44%	33%	30%	30%	30%	30%			
AUD +10% increase	-0.05	-4.4	615	ROA - EBIT / (total assets - cash)	-4%	3%	5%	3%	2%	1%			
AUD +10% increase	-42%	-83%	93%	ROE - NPAT / equity	-5%	1%	3%	2%	2%	1%			
AUD +1¢ increase	-0.01	-0.5	7.0										
AUD +1¢ increase	-5%	-9%	11%										
Production and costs				Cashflow									
ktpa	US\$/lb			Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F				
				EBITDA	14	38	48	35	32	30			
				Operating cashflow	28	11	52	35	32	30			
				Sustaining Capex	-4	-3	-2	-2	-2	-2			
				Growth Capex	-34	-16	-27	-17	-8	-4			
				Free cashflow	-10	-8	23	15	22	24			
				Investing cashflow	-46	-22	-29	-19	-10	-6			
				Financing cashflow	24	0	-25	-18	-4	-4			
				Net Change in cash	7	-11	-2	-3	18	20			
Balance Sheet Analysis				Balance Sheet Analysis									
				Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F				
				Debt	50	42	17	1	1	1			
				Equity	221	229	243	246	248	247			
				Assets	336	322	301	282	281	278			
				Cash	27	16	14	12	29	49			
				Net debt	23	25	3	-11	-29	-48			
				Gearing - net debt/equity	10%	11%	1%	-4%	-12%	-20%			
				Gearing - net debt/ (net debt + equity)	9%	10%	1%	-5%	-13%	-24%			
				Net debt / EBITDA	1.6	0.7	0.1	-0.3	-0.9	-1.6			
				EBIT / net interest	-2.2	1.4	5.9	-149.0	-7.4	-2.1			
				EBITDA / net interest	2.4	6.4	20.4	-683.6	-38.0	-19.8			



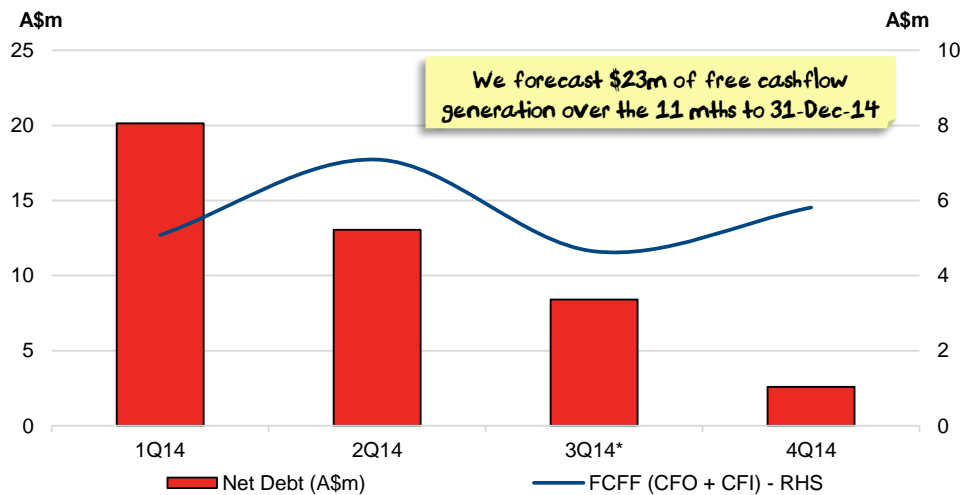
Source: Company data, Wilson HTM



HGO – JUL-14 QTRLY HIGHLIGHTS

- HGO have reported their quarterly activities report for the Jul-14 qtr. Production of 5.88kt of Cu (contained) was 1% above our forecast of 5.82kt, and up 6% qoq. Qtrly production equated to 23.54kt on an annualised basis, and was a new quarterly record.
- Despite lower milled copper grade (0.76% v WHTMe of 0.84%) due to wet weather impacts, the mill performed extremely well – 0.84Mt for the qtr (3.35Mtpa rate) was 12% above our expectations, and a new qtrly record by over 10%.
- C1 cash costs of US\$1.94/lb were 8% below our US\$2.11/lb estimate.
- Net debt has decreased ~\$7m qoq, to \$13.1m (WHTMe \$12.1m). Cash balance is now \$12.1m, and debt of \$33.4m.
- Production guidance updated: With HGO now assuming a 11mth year (so that its year now ends 31-Dec-14) they have re-stated their guidance based on 11mths instead of 12mths. Copper production is now guided to be 20.5-22.5kt, and gold production of 6.0-7.8koz. This compares with 20.4-22.6kt Cu and 6.4-8.3koz of gold, if we take 11/12ths of the old guidance.
- Ore processed is guided to 2.9-3.0Mt (unchanged), although copper grade processed has decreased from 0.83-0.88% to 0.76-0.81%. Ore mined is slightly lower at 2.85-3.0Mt (from 3.0-3.25Mt). Copper recoveries are now guided to 91.5-92.5% (down from 92.5-93.5%).
- Cash cost guidance lowered - C1 costs are now expected to be US\$2.00-2.20/lb (previously US\$2.10-2.40/lb).

CHART 1: CASHFLOWS OVER THE REST OF CY14



Source: Company data, Wilson HTM



CHANGES TO FORECASTS

We have decreased our current year earnings forecasts, after adjusting the current year to be 11 mth year (from 12). Both the Dec-14 and Dec-15 yr forecasts have decreased after increasing our D&A charge.

	Jan-14A	Dec-14F	Dec-15F	Dec-16F	NPV (A\$ps)	Target price (A\$ps)
Underlying NPAT (A\$m) - previous	17	13.3	6.0	4.9	0.115	0.115
Underlying NPAT (A\$m) - revised	17	8.0	5.3	4.9	0.118	0.118
Change (A\$m)	0.0	-5.2	-0.7	0.0	0.00	0.0
Change (%)	0%	-39%	-12%	0%	2%	2%

Source: Company data, Wilson HTM

VALUATION AND RISKS

We value Hillgrove using a discounted cash flow methodology, on which we base our target price. We apply a weighted average cost of capital of 11.4%. The key downside risks to our target price are higher capex or operating costs, or lower achieved copper prices, than we have forecast. The main upside risks to our forecasts are higher-than-expected achieved prices, or shipments above our expectations.



PRICE TARGET		
	Val. A\$m	Val. A\$ps
Kanmantoo	170.869	0.145
<u>Sumba & Bird's Head</u>	<u>12.000</u>	<u>0.010</u>
Total Operations	182.869	0.155
Net (debt) / cash	-13.050	-0.011
Corporate overheads	-31.209	-0.026
Franking Credits	0.000	0.000
Listed investments	0.000	0.000
<u>Exploration</u>	<u>0.000</u>	<u>0.000</u>
Total Valuation	138.611	0.118
<u>Premium (Discount)</u>	<u>0.000</u>	<u>0.000</u>
Target Price		0.118

INTERIMS (\$m)				
Half-yr (AUD)	Jun 13	Dec 13	Jun 14	Dec 14
	1HA	2HA	1HE	2HE
Sales	58.6	80.6	92.8	75.3
EBITDA	18.7	18.9	28.3	19.5
EBIT	6.3	2.2	8.5	5.4
Net Profit	1.7	0.0	4.8	3.3
Norm. EPS	0.2	0.0	0.5	0.3
EBIT/Sales	10.7	2.7	9.1	7.1
Dividend (c)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

FINANCIAL STABILITY			
Year-end December	FY13A	FY14E	FY15E
Net Debt	25.2	2.6	-10.8
Net Debt / Equity (%)	11.6	1.1	<0
Net Debt / EV (%)	21.5	2.2	<0
Current Ratio (x)	5.0	11.3	18.5
Interest Cover (x)	1.4	5.9	<0
Adj. Cash Int. Cover (x)	2.5	23.8	<0
Debt / CashFlow (x)	4.6	0.8	0.5
Net Debt (cash) / share	0.0	0.0	<0
NTA / share (\$)	0.2	0.2	0.2
Book Value / share (\$)	0.2	0.2	0.2
Payout Ratio (%)	0	0	79
Adj. Payout Ratio (%)	0	0	7

EPS RECONCILIATION (\$m)				
	FY13A		FY14E	
	Rep.	Norm.	Rep.	Norm.
Sales Revenue	139	139	168	168
EBIT	8.7	8.4	13.8	13.8
Net Profit	1.9	1.7	8.0	8.0
Notional Earn.	0.0	0.0	0.0	0.0
Pref./Conv. Div.	0.0	0.0	0.0	0.0
Profit for EPS	1.9	1.7	8.0	8.0
Diluted Shrs(m)	1,052	1,052	1,052	1,052
Diluted EPS (c)	0.2	0.2	0.8	0.8

RETURNS				
	FY13A	FY14E	FY15E	FY16E
ROE (%)	0.8	3.5	2.2	2.0
ROIC (%)	2.4	4.0	2.2	1.9
Incremental ROE	292.9	102.9	-19.7	-18.3
Incremental ROIC	784.8	-94.6	106.7	7.2

KEY ASSUMPTIONS								
Year-end December (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
AUD/USD	1.0359	0.9684	0.9200	0.8975	0.8727	0.8450	0.8173	
Copper price (US\$/lb)	3.70	3.33	3.30	3.26	3.28	3.20	3.08	
Copper price (US\$/t)	8,150	7,332	7,284	7,192	7,220	7,054	6,779	
Gold price (US\$/oz)	1,669	1,412	1,290	1,269	1,250	1,241	1,216	
Silver price (US\$/oz)	31.1	23.9	20.2	20.3	19.8	19.6	19.9	
Copper Prod Payable (kt)	13.3	16.6	20.2	19.4	18.1	18.1	18.1	
Gold Prod Payable (koz)	4.7	3.6	3.2	9.7	9.9	9.9	9.9	
Cu. Equiv Prod Payable (kt)	14.2	17.2	20.7	21.1	19.8	19.8	19.9	

PROFIT & LOSS (\$m)								
Year-end December (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
Sales Revenue	115.4	139.2	168.1	169.1	165.9	168.3	167.4	
EBITDA	13.9	37.6	47.8	34.5	31.7	30.2	29.3	
Depn & Amort	26.5	29.2	33.9	27.0	25.5	27.0	27.0	
EBIT	-12.6	8.4	13.8	7.5	6.2	3.2	2.3	
Net Interest Expense	5.7	5.9	2.3	-0.1	-0.8	-1.5	-2.4	
Tax	-8.1	0.8	3.4	2.3	2.1	1.4	1.4	
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Profit pre Sig. Items	-10.2	1.7	8.0	5.3	4.9	3.3	3.3	
Abn's / Ext's / Signif.	1.6	0.2	0.0	0.0	0.0	0.0	0.0	
Reported Net Profit	-8.7	1.9	8.0	5.3	4.9	3.3	3.3	

CASH FLOW (\$m)								
Year-end December (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
EBITDA	13.9	37.6	47.8	34.5	31.7	30.2	29.3	
Interest & Tax	-3.1	-2.8	-3.1	0.1	0.7	0.0	0.7	
Working Cap / Other	17.6	-23.8	7.3	0.0	0.0	0.0	0.0	
Operating Cash Flow	28.4	11.0	52.0	34.6	32.3	30.2	30.0	
Maintenance Capex	-4.0	-3.0	-2.0	-2.0	-2.0	-2.0	-2.0	
Free Cash Flow	24.4	8.0	50.0	32.6	30.3	28.2	28.0	
Dividends Paid	0.0	0.0	0.0	-2.1	-4.2	-4.2	-2.1	
Development Capex	-34.1	-16.0	-27.4	-17.1	-8.3	-4.4	-2.4	
Invest. / Disposals	0.3	0.5	0.0	0.0	0.0	0.0	0.0	
Other Inv. Flows	-81.4	-3.7	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow Pre Financing	-90.8	-11.3	22.6	13.4	17.8	19.7	23.5	
Funded by Equity	97.5	10.2	0.0	0.0	0.0	0.0	0.0	
Funded by Debt	0.0	-9.8	-24.8	-16.0	0.0	0.0	0.0	
Funded by Cash	-6.7	11.0	2.2	2.6	-17.8	-19.7	-23.5	

BALANCE SHEET SUMMARY (\$m)								
Year-end December (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
Cash	27.4	16.5	14.3	11.7	29.5	49.2	72.7	
Current Receivables	6.4	5.0	2.7	1.4	0.7	0.3	0.2	
Current Inventories	19.7	26.2	14.2	7.0	3.5	1.8	0.9	
Net PPE	243.5	215.3	221.1	213.2	198.0	177.4	154.8	
Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Intangibles / Capitalised	0.6	0.3	0.3	0.3	0.3	0.3	0.3	
Other	48.7	48.6	48.6	48.6	48.6	48.6	48.6	
Total Assets	346.3	311.8	301.2	282.2	280.5	277.5	277.4	
Current Payables	41.6	23.9	13.0	7.4	3.8	2.0	1.0	
Total Debt	50.3	41.7	16.9	0.9	0.9	0.9	0.9	
Other Liabilities	23.5	28.1	28.1	28.1	28.1	28.1	28.1	
Total Liabilities	115.4	93.7	57.9	36.3	32.7	30.9	29.9	
Minorities / Convertibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Shareholder Equity	231.0	218.2	243.3	245.9	247.8	246.6	247.4	
Total Funds Employed	281.2	259.8	260.2	246.8	248.7	247.5	248.3	



RETURN RE-INVESTMENT MATRIX

Return	High	Cash Generator	Champion
	Low	Challenged	Potential
		Low	High
		Re-Investment	

Currently progressing a 20 ktpa copper mine in South Australia. Project largely derisked and should provide consistent returns. We also consider ability to grow organically as likely.

RISK MEASURES

	Low	Med	High	Spec
Share Price Risk				
Business Risk				

Share price risk: Earnings subject to copper price exposure and strength of AUD.

Business risk: Main risk is that the project does not deliver forecast copper production profile. Further risk is that exploration potential in South Australia and south-east Asia is not realised.

BUSINESS DESCRIPTION

Hillgrove Resources Limited (HGO) is an Australian mining company focused on the operation of the Kanmantoo copper mine in South Australia, and exploration of its Indonesian tenements. In Indonesia, HGO is targeting the discovery of epithermal gold and porphyry copper/gold deposits. The Kanmantoo copper mine is located less than 55 km from Adelaide. Ramp-up of the open pit mine and processing circuit is progressing to an initial throughput of 2.8 Mtpa producing ~80 kt of concentrate per annum (~20 ktpa of copper metal).

INVESTMENT THESIS

HGO completed a \$19m raising to provide sufficient working capital to allow it to address elevated grade dilution and low mining rates at its Kanmantoo mine. In our base case, operational improvements are achieved and we value the company at \$0.20/sh. The current share price approximately reflects the replacement value of the Kanmantoo mine. While we highlight the near-term operating risks, we do see value should these issues be resolved. We rate HGO a SPECULATIVE BUY.

REVENUE DRIVERS

- Copper and gold prices
- Improved mining rates and copper feed grades to the mill
- Successful exploration at Kanmantoo and Indonesia

BALANCE SHEET

- Equity: 1,180.9m
- Options: 50m
- Market capitalisation: \$96m (at A\$0.080/sh)
- Cash: \$16.4m (31-Jan-14)
- Debt: \$41.7m (31-Jan-14)

KEY ASSETS

The Kanmantoo copper mine (South Australia) is an open-cut mine with throughput of 2.8 Mtpa, producing approximately 80,000 tonnes of concentrate and containing about 20,000 tonnes of copper metal and 10,000 ounces of gold with exploration potential for further copper.

RESERVES & RESOURCES

- Kanmantoo:
- In-situ resource: 31.2 Mt @ 0.82% copper
- Long-term stockpile resource: 1.6 Mt @ 0.37% copper

BOARD

- Dean Brown (Chairman)
- John Gooding (Non-Executive Director)
- John Quirke (Non-Executive Director)
- Douglas Snedden (Non-Executive Director)
- Edwin Zemancheff (Non-Executive Director)

KEY ISSUES/CATALYSTS

- Mill feed grades achieving 0.8% by the end of April 2013
- Increased resource at Kanmantoo to increase mine life towards 10 years
- Exploration success in Indonesia provides optionality for HGO

MANAGEMENT

- Mr Greg Hall (Managing Director)
- Russell Middleton (Chief Financial Officer)
- Shanthi Smith (Company Secretary)
- Steven McClare (General Manager, Kanmantoo Copper Mine)

RISK TO VIEW

- Inability to achieve and maintain full production capacity at Kanmantoo

MISCELLANEOUS AND OTHER

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Return Reinvestment Matrix and Risk Measures

Definitions at <http://www.wilsonhtm.com.au/Disclosures>

Recommendation Structure and Other Definitions

Definitions at <http://www.wilsonhtm.com.au/Disclosures>

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