

Tuesday, 23 September 2014

RESULTS FOR THE HALF YEAR ENDED 31 JULY 2014**HILLGROVE GENERATES PROFIT OF \$5.8M FROM
COPPER PRODUCTION AT KANMANTOO**

- Profit after Income Tax for the half year of \$5.8 million;
- EBITDA for the half year (consolidated) of \$27.0 million;
- Sales Revenue of \$92.5 million generated from Kanmantoo Copper Mine operations;
- Production of copper concentrate for the six month period was 49,956 dry metric tonnes, containing 11,438t copper (above guidance);
- C1 costs reduced to USD2-03/lb Cu (AUD2-16/lb Cu) (below guidance);
- Strong hedge book provides certainty, materially positive for cash flows and revenue;
- Total debt reduced from AUD\$41.7M at 31 January 2014 to AUD26.3M at 31 July 2014;
- Ore throughput at Kanmantoo exceeding production target rate of 3.0 million tonnes per annum.

Hillgrove Resources Limited (ASX: HGO) is pleased to announce the Company has generated total operating revenues of \$92.5 million (31 July 2013: \$58.6 million) for the half year ended 31 July 2014, derived from the production and sale of copper concentrate from the Company's Kanmantoo Copper Mine in South Australia.

The profit after tax of \$5.8 million was due to the EBITDA of \$27.0 million (31 July 2013: \$18.6 million) before deducting depreciation and amortisation of the development costs of constructing and commissioning the mine, plant and equipment, and other fixed assets of \$19.9 million.

Production Summary

	6 months to 31 July 2014	6 months to 31 July 2013	Change
Concentrate Production	49,956dmt	31,209dmt	+ 60%
Copper in Concentrate	11,438mt	7,040mt	+ 62%
Total Ore mined	2,197kt	1,244kt	+ 77%
Ore Milled	1,595kt	1,428kt	+ 12%



HILLGROVE RESOURCES LIMITED

The production of copper concentrate for the 6 month period has exceeded the comparative period and guidance for the year to date. Concentrate produced was 49,956 dry metric tonnes, which contained 11,438 metric tonnes of copper, 2,966 ounces of gold and 75,511 ounces of silver, generating \$92.5 million in revenue.

The average realised payable price for copper and gold during the half year remained strong in Australian dollar terms, with the realised copper price supported by Hillgrove's hedging program. This was partly offset by lower US dollar commodity prices during the reporting period. Overall, an average realised copper price of AUD 8,217 per tonne was achieved (USD 3.41 per lb copper based on average AUD/USD exchange rate of 0.9147 for the half year).

Hillgrove's CEO Greg Hall said, "The Mining and Processing areas at Kanmantoo have continued to perform well and incrementally improve on a quarter on quarter basis, with new throughput and copper production records achieved during the first half. With the increased production supported by a sensible and strong hedge book, the Company has been able to confidently and aggressively pay down its debt. This has allowed the consideration and evaluation of capital management options to enable future opportunities for enhanced shareholder value, along with re-commencement of exploration around the Kanmantoo mining exploration lease."

Outlook

The Company confirms that for the 11 month financial year ended December 2014, and based on the operational improvements recently implemented, the total Copper in Concentrate is expected to increase to between 20,500 and 22,500 metric tonnes.

Mr Hall went on to say: "The strategic focus of the Company is on further improvements in performance of the Kanmantoo Mine, expansion of the Kanmantoo region resource through exploration, realisation of value from the Indonesian assets and creation of value for shareholders."

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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 increased throughput to 3.0Mtpa of ore, to produce approximately 100,000 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.