



Hillgrove Resources Limited (ASX: HGO) reports for the quarter ended 30 September 2014

### HIGHLIGHTS

#### Kanmantoo Copper Mine, South Australia

- **Record Production, Sales and Unit Cost results for the three months ended 30 September 2014:**
  - **Copper in Concentrate produced at 6,331 tonnes**
  - **Copper Concentrate Produced at 27,007 dry metric tonnes**
  - **Copper Concentrate sold at 29,091 dry metric tonnes**
  - **C1 Unit costs at USD1.89 per pound (AUD2.03/lb)**
- **The Company is formally reporting a two month quarter for August and September** to line up its end of financial year to 31 December 2014.
- **Production of 4,429t contained copper in concentrates for the two month quarter** was an excellent performance at the upper end of the quarter guidance and remains above guidance on a year to date basis.
- **Revenue** for the two month quarter from concentrate sales was AUD36.0 million at an average realised price for copper of AUD3.50/lb (USD3.29/lb), with the year to date revenue of AUD128.5 million.
- **C1 cost for the two month quarter of USD1.85 /lb (AUD1.99 /lb)** was below guidance provided with year to date C1 of USD1.98/lb (AUD2.13/lb).
- A total of **3,567k tonnes (1,159k bcm) of material was mined** with slower mining from Kavanagh as the pit reaches final depth, and some rain and wind impacts.
- **Copper recovery was higher than the previous quarter at 92.2%**, with higher mill throughput and slightly lower feed grades due to increased low grade blending.

#### Indonesia

- Hillgrove has continued to pursue joint venture and investment interest into its advanced stage exploration projects. There is **continued interest in the projects** from major exploration and investment groups.

#### Corporate

- The Company has progressed **capital management initiatives**, having finalised the one for eight share consolidation and has announced an unmarketable parcel sale process. The Company continues to evaluate various capital management initiatives that provide value to shareholders.
- **Cash on hand** as at 30 September 2014 of AUD11.4 million, with total debt reducing from AUD25.2 million to AUD23.0 million at the end of the quarter. Net debt stands at AUD11.6 million as at 30 September 2014.



# HILLGROVE RESOURCES LIMITED

## Executive Summary

Hillgrove Resources (ASX: HGO) is pleased to report consistent production and cost performance from its Kanmantoo Copper Mine in South Australia during this two month reporting quarter. As previously advised, within CY14 the third quarter will be a two month quarter – August and September – followed by a three month fourth quarter. This now brings the Company into line with its new CY14 or 31 December 2014 financial year end. As it is a short quarter some reporting numbers in the report will include the month of July (previously included in second quarter report) to represent a full three month quarter for comparative purposes.

Some end of winter rain and strong winds continued to disrupt the mine performance; however, the mine and processing plant remained generally on guidance and achieved a high copper production for the two month quarter. While mining of ore was interrupted, the mined primary grade for August and September was greater than 1% copper. The transition to Nugent and Emily will occur during the coming quarter and may see unit costs move slightly higher. The process plant maintained an excellent throughput rate, and required additional lower grade ore feed blending to maximise copper output.

The performance allowed further scheduled debt repayment, with the final Gold Loan payment made during the quarter. As part of capital management initiatives, the Company announced an unmarketable share parcel sale process following the completion of the one for eight share consolidation on 17 September 2014. The Company is also evaluating the potential for further capital management initiatives.

Kanmantoo exploration work progressed, with proposed work programs and updated reports submitted. Initial planning for a new geophysics survey over the Mining and Exploration Lease has been completed by the newly appointed Exploration Manager.

The Company continued discussions on a number of fronts with potential investors into the Indonesian projects at Sumba and Birds Head.

## KANMANTOO COPPER MINE, SOUTH AUSTRALIA Mining Lease 6345 (Hillgrove 100%)

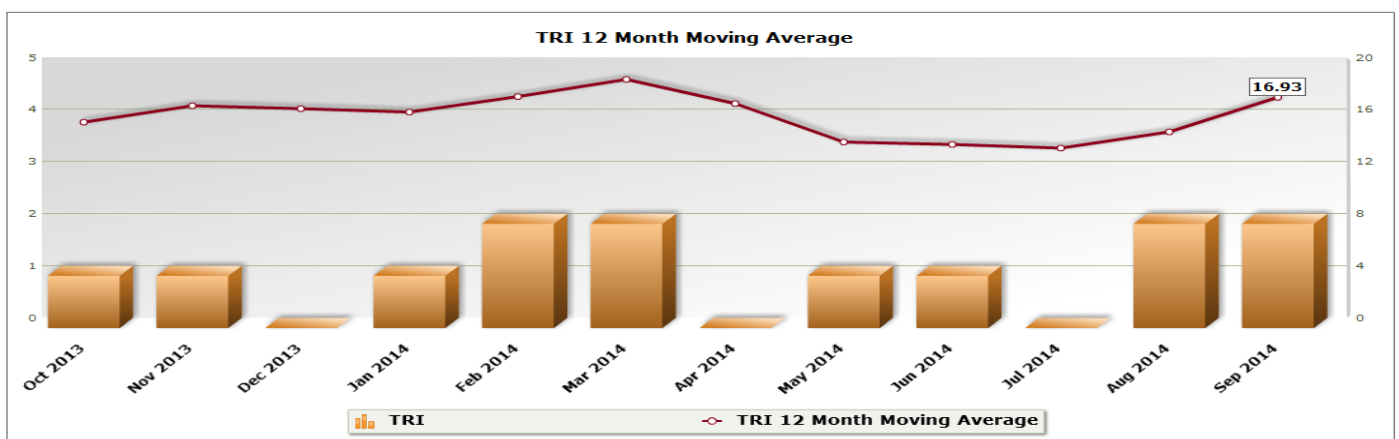
### Overview

Mining operations continued in the Kavanagh, Nugent and Emily Star open pits. The Kavanagh pit has reached full depth, with the last ore to be mined during October. Kavanagh has been the dominant source of higher grades but this will now move to the Nugent pit. This pit is nearing completion of a small cutback to the east after receipt of the new Mining Lease. This will allow the expansion of the pit which will join up to the main pit floor during the coming quarter. The Emily Star pit will be moving from oxide/transitional ore into primary ore during the coming quarter. Rain impacted all pits, but particularly in the deeper Kavanagh pit.

The processing plant performed very well, with the new screening system installed last quarter between the primary and secondary crusher continuing to operate to expectations. Mill throughput was above plan, with recovery and costs in line with plan.

### Safety and Community

FIGURE 1. TOTAL RECORDABLE INJURY FREQUENCY RATE



Note: HGO has moved from a 31 January to 31 December year end, so current references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (CY14). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.

The quarter saw the 12 month Total Recordable Injury Frequency Rate (TRIFR) increase to 16.9. There were several recordable injuries during August and September that resulted in the increased TRIFR. Full incident investigations have been carried out to eliminate the potential for similar incidents.

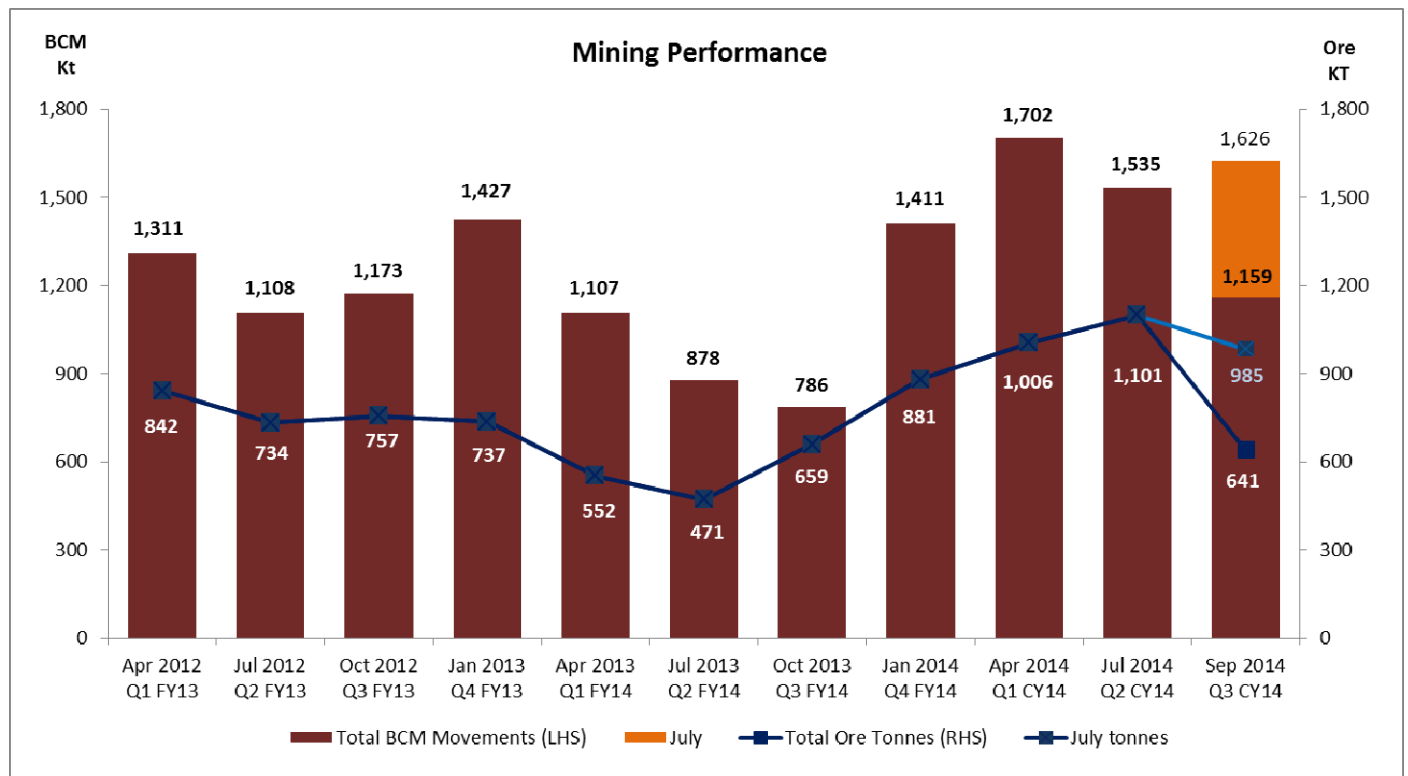
Meetings continued with the local community through the Kanmantoo Callington Community Consultative Committee (KCCCC), with key areas discussed including regional dust and impacts, Kanmantoo mine operations, the environmental rehabilitation program and local vehicle traffic issues.

**Operations – Mine**

Mining production from the open pits was 3,567kt (1,159k bcm) for the two month quarter ended September, with an additional 102kt brought from long term stockpiles for processing. Mining operations in Kavanagh were restricted by the tight floor area at the base of the pit, with final ore extraction being planned for October. A minor pit wall slip in the upper benches of Emily required some additional ramp design and excavation work, with some minor interruption to ore mining. Total ore tonnes mined of 641kt for the two months included oxide and transitional ore from the Nugent and Emily pits.

Mining performance for the three month period (July included) to 30 September was in line with plan.

FIGURE 2. KANMANTOO COPPER MINE TOTAL BCM AND ORE TONNES MINED



\* July included again in current quarter to replicate a three month quarter.

Resource reconciliation has continued to be positive with more metal per pit bench in Kavanagh than modelled. The grades in the final Kavanagh benches continue to improve with depth; a good indicator of the future grades from the Giant pit once the cut-back reaches this level. Cost control and various process and productivity improvements have enabled C1 costs to be maintained at a low level.

The first part of the Giant pit cut-back on the upper western side was commenced (ahead of plan), with mining rates here to increase once final ore is removed from the base of the Kavanagh pit. This cut-back will progress downwards through smaller satellite ore bodies and back into the ore shoots around the main Kanmantoo ore body during next year

Note: HGO has moved from a 31 January to 31 December year end, so current references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (CY14). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.

FIGURE 3. KANMANTOO COPPER MINE GIANT PIT OVERALL DESIGN

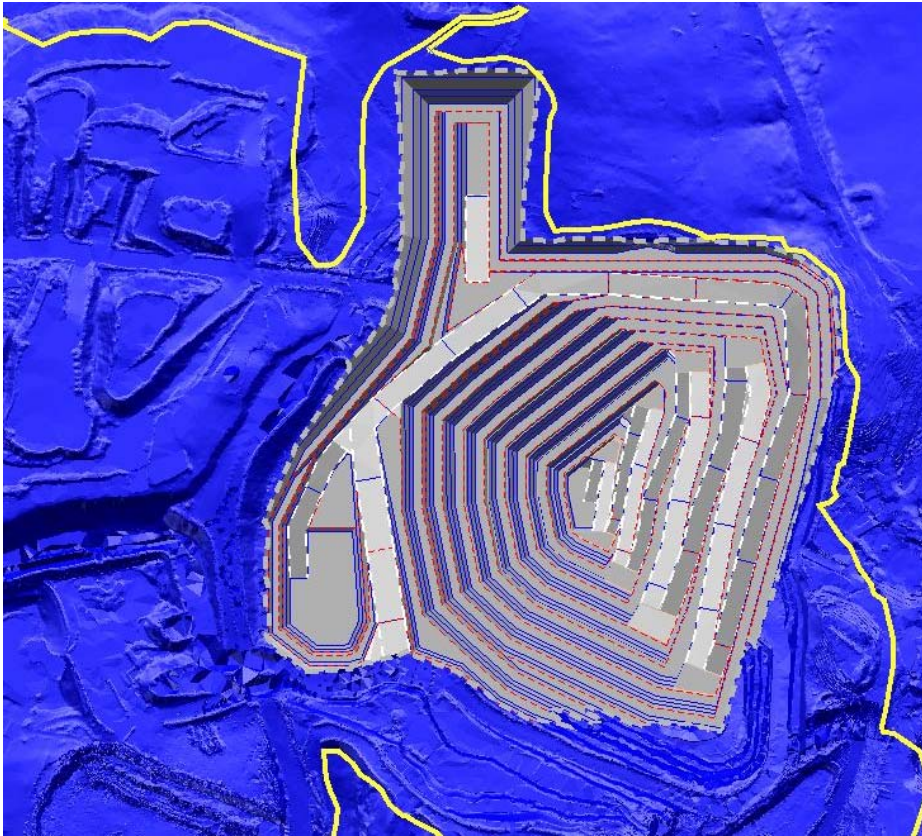
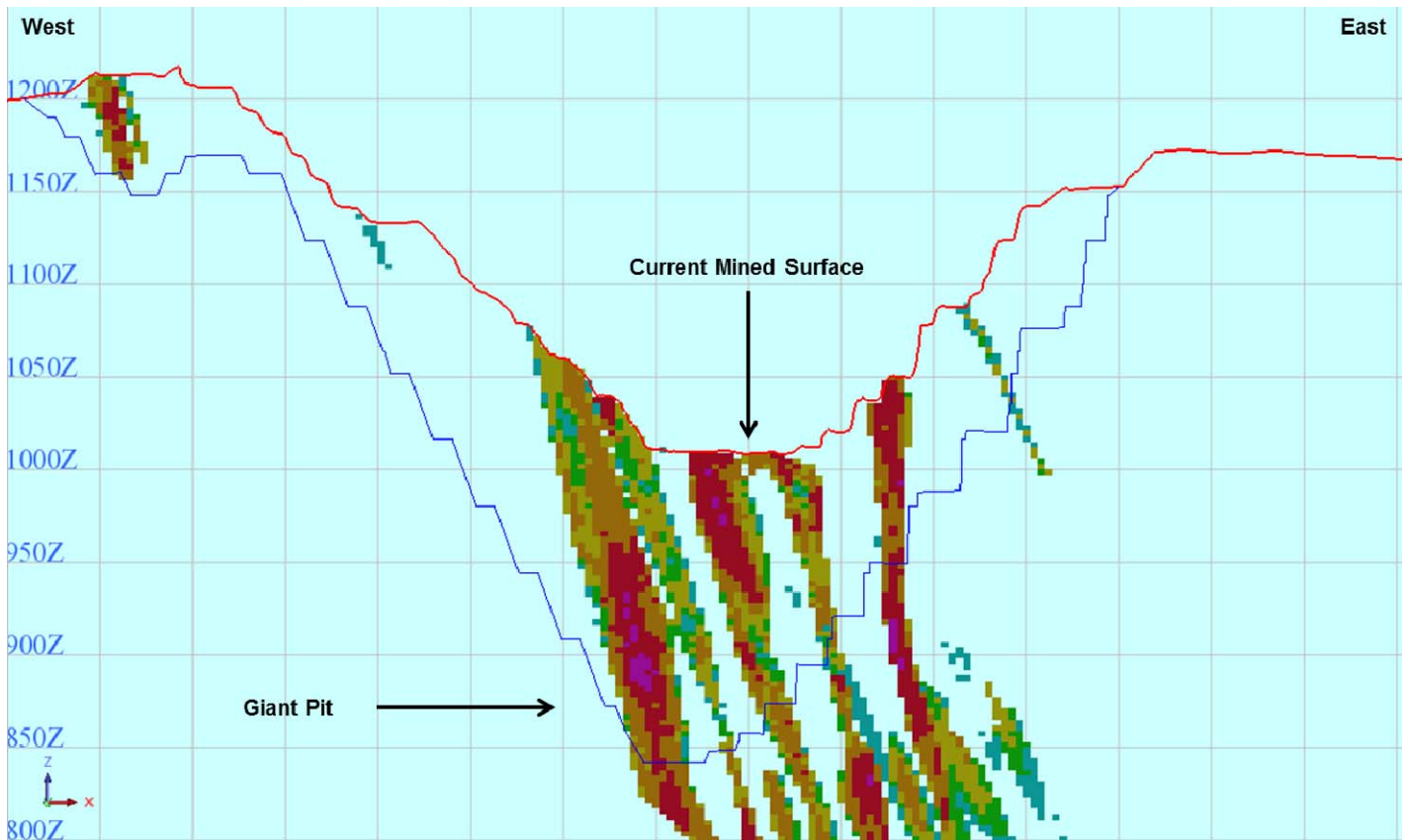


FIGURE 4. KANMANTOO COPPER MINE GIANT PIT CUTBACK – EW SECTION THROUGH 6114970N – SHOWING KAVANAGH PIT NEARING FINAL DEPTH AND GIANT PIT PLANNED OUTLINE



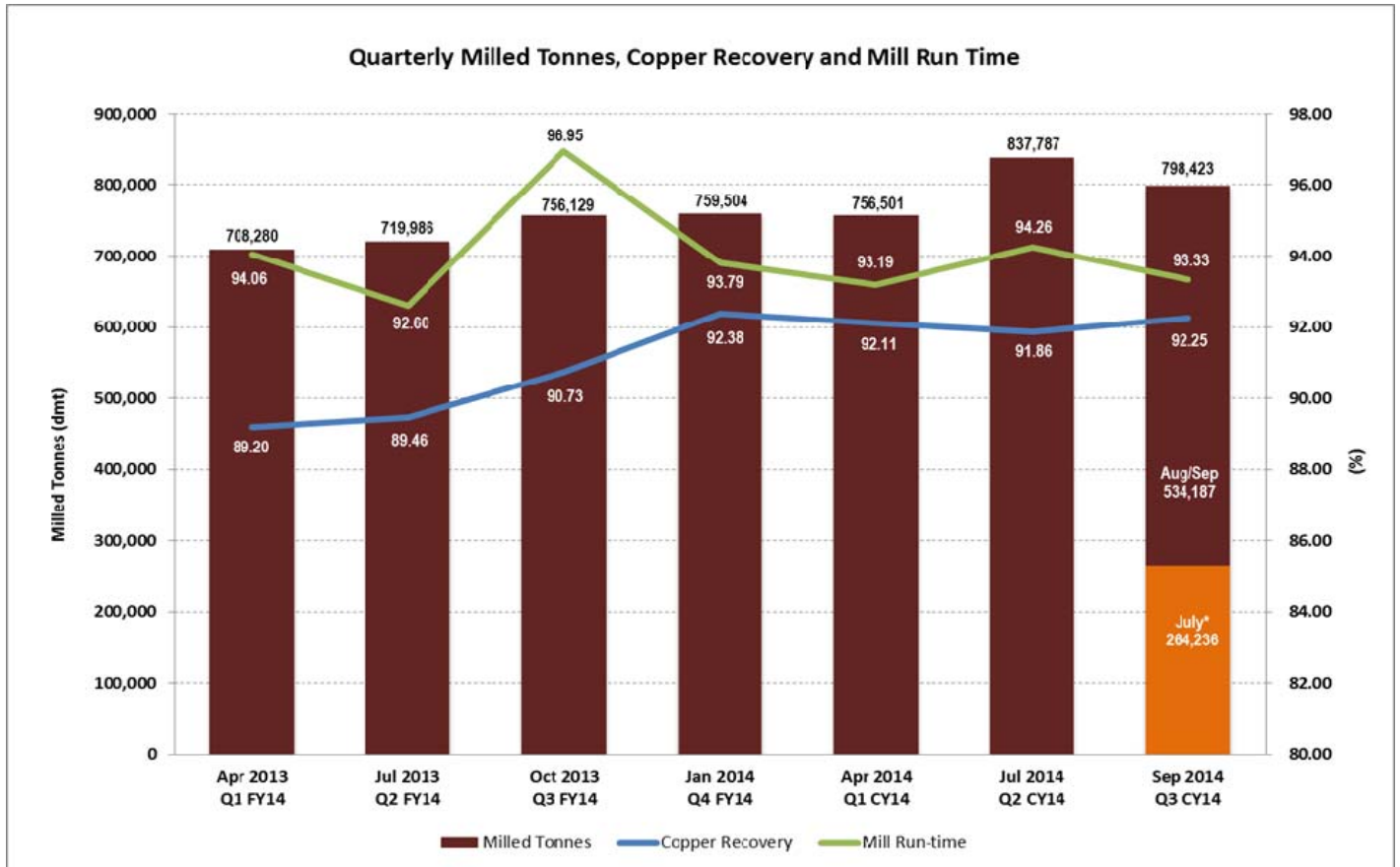
An updated Life of Mine plan (LOM) is currently under review by the Company and its financiers.

Note: HGO has moved from a 31 January to 31 December year end, so current references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (CY14). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.

**Operations – Crushing and Processing**

Mill throughput and reliability continued to be high during the two month quarter. The copper recovery of 92.2% was slightly higher than the previous quarter. Some lower recovery from stockpiled older low grade primary ore is being offset by excellent recoveries from fresh pit sulphide ore.

FIGURE 5. KANMANTOO QUARTERLY MILL TONNES AND FEED GRADE



\* July included again in current quarter to replicate a three month quarter.

The new screening system installed as part of capital improvements to the primary/secondary crushing circuit during the previous quarter is continuing to provide maintenance cost savings and higher screening efficiency, which has improved performance of the secondary crusher.

The mill and wet plant continued to perform well. Mill throughput for the two month quarter was 534kt of ore milled at an improved average grade of 0.90% copper, with ongoing process control and improvements continuing to provide excellent milling costs per tonne of feed ore. As shown above, three month mill throughput remains in line with previous quarters at 798kt with July included to show a full comparison.

Total copper produced was 4,429t contained copper in concentrate for the two months of August and September which was at the upper end of forecast guidance for the third quarter. The comparative three month period (July, August and September) is 6,331t copper within concentrates produced which was a record three month performance. With the transition during the coming quarter from the high grade Kavanagh ore to Nugent and Emily ore feed, throughput will be maintained while ore grades may be slightly lower.

Note: HGO has moved from a 31 January to 31 December year end, so current references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (CY14). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.

TABLE 1. KANMANTOO COPPER MINE PRODUCTION STATISTICS

Period		FY14 to JAN 14	APR-14 QTR	JUL-14 QTR	SEP-14 QTR	CY14 YTD	SEP-14* INC. JULY
		12 MTHS	3 MTHS	3 MTHS	2 MTHS	8 MTHS	3 MTHS
Ore to ROM from Pit	kt	2,633	812	680	430	1,492	617
Ore to long term stockpiles	kt	262	283	421	211	705	368
Mined Waste	kt	10,027	4,164	3,643	2,925	7,806	4,025
<b>Total Tonnes Mined</b>	kt	<b>12,922</b>	<b>5,259</b>	<b>4,744</b>	<b>3,567</b>	<b>10,003</b>	<b>5,010</b>
To ROM from LT Stockpiles	kt	332	114	34	102	148	136
Mining Grade to ROM	%	0.71	0.87	0.93	1.06	0.90	1.06
Ore Milled	kt	2,944	757	838	534	2,129	798
Milled Grade - Cu	%	0.64	0.80	0.76	0.90	0.81	0.86
- Au	g/t	0.12	0.10	0.13	0.13	0.12	0.14
- Ag	g/t	2.86	2.83	2.50	3.42	2.85	3.12
Recovery - Cu	%	90.7	92.1	91.9	92.2	92.1	92.3
- Au	%	52.9	52.0	47.9	49.0	49.5	49.3
- Ag	%	49.0	56.5	54.5	47.1	53.0	49.0
<b>Cu Concentrate Produced</b>	Dry mt	<b>75,423</b>	<b>24,335</b>	<b>25,621</b>	<b>18,895</b>	<b>68,851</b>	<b>27,007</b>
Concentrate Grade - Cu	%	22.8	22.8	23.0	23.4	23.0	23.4
- Au	g/t	2.5	1.7	2.0	1.9	1.9	2.0
- Ag	g/t	54.8	49.7	44.5	45.5	46.6	45.2
Contained Metal in Concentrate - Cu	t	17,184	5,554	5,884	4,429	15,867	6,331
- Au	oz	5,962	1,327	1,639	1,135	4,101	1,756
- Ag	oz	132,854	38,864	36,647	27,647	103,158	39,255
<b>Total Concentrate Sold</b>	Dry mt	<b>74,051</b>	<b>24,425</b>	<b>26,284</b>	<b>19,591</b>	<b>70,300</b>	<b>29,091</b>

\* July included replicating a three month quarter for comparative purposes only.

## Shipping

During the two month quarter, Hillgrove shipped its twentieth and twenty-first shipments of copper concentrate of 10,790WMT and 11,230WMT respectively.

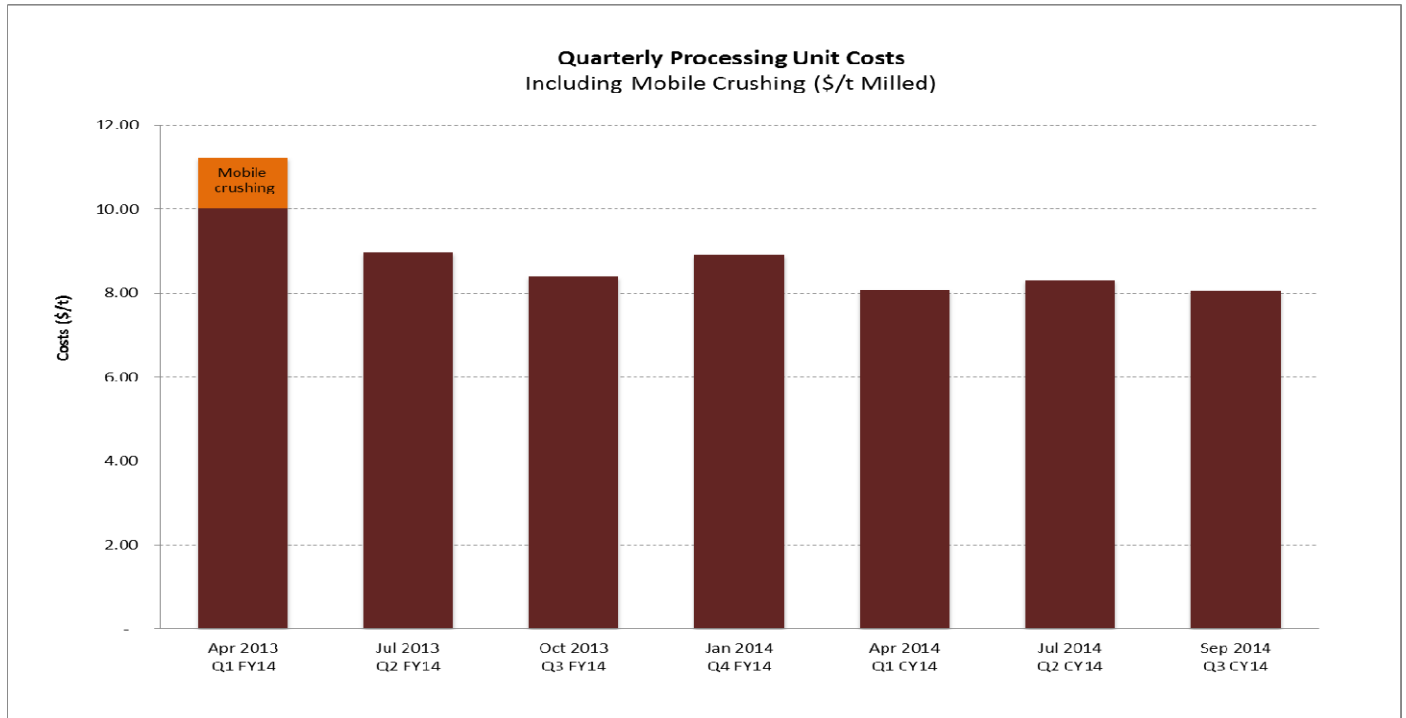
## Revenue

Revenue for the two month quarter was AUD36.0 million at an average realised price for copper of AUD3.50/lb (USD3.29/lb) with year to date revenue of AUD128.5 million.

The Company's hedging strategy continues to provide strong support for Kanmantoo's sales revenue, and debt repayments. Hillgrove previously advised that it entered into additional copper hedging contracts in August to increase the hedge cover to 90% between August and November 2014. Per the previous hedge cover for the first half of the year, this was done at an opportune time of firmer copper prices to cover revenue streams required for upcoming debt repayments. These additional hedges were secured at an average price of AUD7,642/MT (AUD3.47/lb) for the additional 1,487 tonnes. Current copper spot pricing is in the order of USD6,700/mt (AUD7,600/mt) at time of writing.

**Costs**

FIGURE 6. KANMANTOO QUARTERLY PROCESSING UNIT COSTS



The reduced C1 cash cost of USD1.85/lb (AUD 1.99/lb) for the quarter is a result of continued good copper production performance, along with well managed operating costs across the site. The transition of ore mining from the Kavanagh pit to Nugent and Emily Star pits will see a slightly lower grade processed for the coming quarter, which will also increase unit costs slightly.

TABLE 2. KANMANTOO COPPER MINE COSTS

Period	FY14 to JAN 14	APR-14 QTR	JUL-14 QTR	SEP-14 QTR	CY14 YTD	SEP-14* INC. JULY
US cents per lb	12 MTHS	3 MTHS	3 MTHS	2 MTHS	8 MTHS	3 MTHS
Total Mining Cost	165	178	156	145	161	146
Deferred Mining	-14	50	-13	-1	12	-2
Pre-strip	-33	-87	-10	-5	-36	-9
Ore Inventory Adjustment	-1	-30	-44	-43	-39	-44
<b>Mining Costs</b>	<b>117</b>	<b>111</b>	<b>89</b>	<b>96</b>	<b>98</b>	<b>91</b>
Processing Costs	72	47	52	42	48	49
Other Direct Cash Costs	22	16	19	13	17	16
<b>Total Onsite Costs</b>	<b>211</b>	<b>174</b>	<b>160</b>	<b>151</b>	<b>163</b>	<b>156</b>
Transport & Shipping	17	16	17	16	16	16
Treatment, Refining & Smelter Charges	41	42	41	37	41	38
<b>Total Offsite Costs</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>53</b>	<b>57</b>	<b>54</b>
Precious Metals Credits	-30	-21	-24	-19	-22	-21
<b>Total Direct Operating Costs (C1 Cash Costs)</b>	<b>239</b>	<b>211</b>	<b>194</b>	<b>185</b>	<b>198</b>	<b>189</b>
Royalties	4	4	4	4	4	4
D&A	74	71	78	81	76	81
<b>TOTAL COSTS</b>	<b>317</b>	<b>286</b>	<b>276</b>	<b>270</b>	<b>278</b>	<b>274</b>

\* July included replicating a three month quarter for comparative purposes only.

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**Notes to Table 2:**

**Deferred Mining:** Within each pit, the cost of higher waste benches, proportional to the copper contained in the ore, is normalised for the impact of strip ratios and copper grades over the life of specific pits. Kavanagh pit deferred mining costs were fully amortised in Q1, and accumulation of deferred mining in Nugent and Emily occurred during Q2 and Q3.

**Pre-Strip:** Upper levels of pits where the strip ratio is greater than 10:1 (waste:ore) are capitalised and amortised over the life of the mine based on metal.

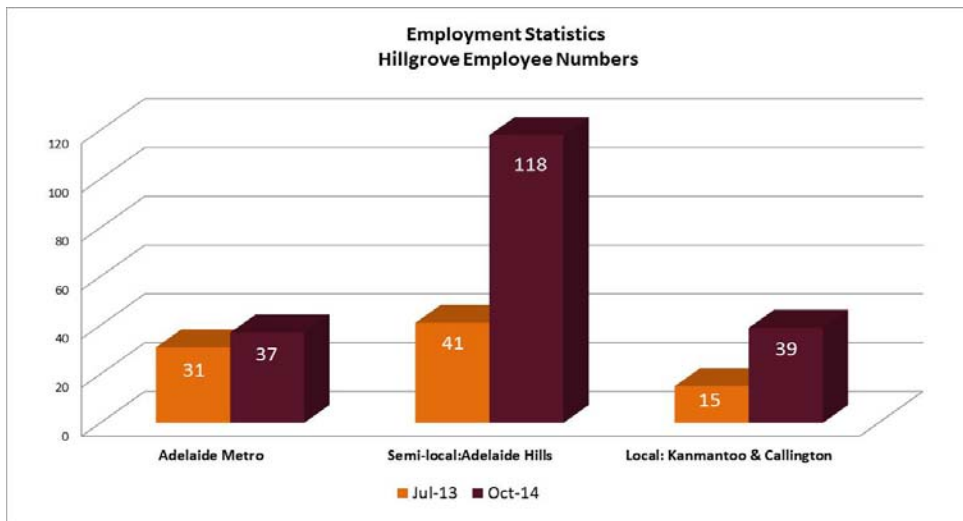
**Ore Inventory Adjustment:** Mining costs per tonnes of ore added to (-'ve) or processed from (+'ve) long term stockpiles. In this quarter, further quantities of oxide and transitional ore were added to long term stockpiles, partially offset by a quantity of low grade primary ore removed from stockpiles and processed. In addition to this, during the quarter a Net Realisable Value (NRV) adjustment of stockpile valuation occurred, which is also reflected in the Ore Inventory Adjustment.

**Staff**

Hillgrove seeks to support the local community and reduce travel safety risks by focussing recruitment on employees who live within the region wherever possible. Currently our workforce is located as follows:

- 20% employees from the immediate Local Region (Callington/Kanmantoo)
- 61% employees from Adelaide Hills Region
- 19% employees from the Greater Adelaide Region

FIGURE 7. KANMANTOO COPPER MINE EMPLOYMENT GROWTH BY REGION



Along with this direct employment, specialist contract services are being undertaken by Andy’s Earthmovers (equipment supply and maintenance), Roc-Drill (blast hole drilling), and Maxam (in hole explosives supply and delivery), which have a combined permanent workforce of some 50 employees on site, with many of these employees also living locally. This represents a total of 244 full time employees (Hillgrove and Contractors) on site at quarter end.

**Outlook for CY14**

The Kanmantoo Copper Mine continues to perform according to our current market guidance for the 11 month period from 1 February through to the new financial year end of 31 December 2014 (CY14). The guidance for CY14 is as follows:

- Ore mined 2,850kt to 3,000kt
- Ore processed 2,900kt to 3,000kt
- Ore grade processed 0.76% to 0.81% Copper
- Copper recovery 91.5% to 92.5%
- Copper produced 20,500t to 22,500t copper contained in concentrates
- Gold produced 6,000oz to 7,800oz gold contained in concentrates
- C1 Costs USD2.00 to USD2.20 per lb at 0.90 exchange rate
- Capital Projects AUD9.4M for CY14, of which AUD6.5M has been spent to date

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Capital projects expenditure will include the Board approved controlled potential sulphidisation (CPS) implementation of AUD3.0M with AUD1.8M to be expended in the current year and AUD1.2M to be rolled over into next year due to timing of construction.

While the copper production is continuing at the higher level of the guidance; the gold production will be at the lower end of the guidance due to lower grades anticipated in the final quarter of the year.

The Company’s continuous improvements in performance at Kanmantoo in the operating and cost structures continue to support the target mine life to 2022 (adjusted for increased production).

**Exploration Program**

Hillgrove has made progress with its exploration plans since the appointment of an Exploration Manager in September. Renewals have been submitted for the principle tenements and relevant reporting has been progressed with the Department of State Development, including a work program approval for the Wheal Ellen prospect. A AUD60,000 program of diamond core and reverse circulation drilling is proposed for November this year, in which a down-dip electromagnetic conductor and strike extensions of the stratiform Cu-Au-Zn mineralisation will be tested.

In the broader exploration tenement package, planning is progressing to implement a AUD220,000 helicopter-borne electromagnetic survey in early 2015. The aim is to interpret and resolve conductive targets derived from a detailed heli-magnetic dataset obtained in 2007. Interpretation of the existing data predicts a number of prospective structures and alteration zones within the Kanmantoo Group stratigraphy, each having the potential to deliver further polymetallic resources to the Kanmantoo operations and extend the life of mine.

Community liaison is key to the success of the survey and to this end Hillgrove has commenced preliminary discussions via the Kanmantoo Callington Community Consultative Committee.

**Next Steps**

The operating performance this quarter has further demonstrated the capability to achieve and exceed plan that is now established at Kanmantoo, with production outcomes being repeated and delivered as forecast and planned. We will continue to work on the improvements identified through the operating, planning and implementation processes. Focus will be on the continued optimisation of both ore mining and processing, and increases in mill capability to maintain a high level of copper production and lower costs.

**INDONESIAN GOLD AND GOLD/COPPER EXPLORATION**

Hillgrove continues to maintain care and maintenance teams at its advanced exploration projects at Bird's Head and Sumba Island.

FIGURE 9. INDONESIAN ARCHIPELAGO



Note: HGO has moved from a 31 January to 31 December year end, so current references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (CY14). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.

There are several parties continuing to express their interest in a potential joint venture for the Indonesian projects. This includes major exploration companies and private investment groups, including direct investment from within Indonesia. Hillgrove is continuing to work with these groups, including providing access under confidentiality to the exploration database.

With the status of the two projects in advanced exploration stage, the recent ban on mining exports does not have a direct impact on the value or the potential progress of the next stage works. Local landholder relationships are being maintained at the Projects.

## **BIRD'S HEAD COPPER/GOLD PROJECT, WEST PAPUA, INDONESIA**

### **IUP40/2010 (Hillgrove 80%)**

Hillgrove is an 80% shareholder in PT. Akram Resources which holds IUP40/2010 in the Bird's Head region of West Papua. Hillgrove is responsible for the management of exploration and development activities up to a decision to mine. The IUP covers 992.3km<sup>2</sup> and is valid until March 2017.

The IUP overlies a variety of forestry class designations, with exploration within the licence restricted to an Izin Pinjam Pakai area of ~8000ha, which covers the primary porphyry target of West Delta. As previously reported, a number of drill targets have now been generated and progress on these will be determined by successful alternate funding arrangements.

## **SUMBA GOLD PROJECT, INDONESIA**

### **IUP 322/KEP/HK/2009 (Hillgrove 80%)**

Hillgrove is an 80% shareholder in PT Fathi Resources which holds IUP 322 on the island of Sumba. Hillgrove is responsible for the management of exploration and development activities, up to a decision to mine. The IUP Explorasi (Exploration and Mining Business Licence) covers 750km<sup>2</sup> and is valid until December 2016.

At this stage there are a number of porphyry and epithermal targets which require drill testing. The timing for this work is dependent on the company's assessment of funding arrangements.

## **HILLGROVE CORPORATE**

### **Capital Management Initiatives**

Hillgrove completed the share consolidation that was approved at the Extraordinary General Meeting held on 10 September 2014. Notices were sent to shareholders on 17 September 2014 with their new holding balances following the conversion of every eight fully paid ordinary shares into one fully paid ordinary share. Consolidating the Company's share capital creates a more appropriate and effective capital structure by reducing the number of shares on issue to 147.7 million.

As previously advised, Hillgrove has proceeded with an Unmarketable Parcel Sale Facility (Sale Facility) that was announced and notices sent to eligible Hillgrove shareholders on 9 October 2014. The Sale Facility will provide a convenient way for eligible shareholders to sell their Hillgrove shares without brokerage costs and is designed to reduce Hillgrove's on-going administrative costs of managing those shareholdings.

The Sale Facility is open to Hillgrove shareholders who held 847 or less Hillgrove shares (market value of less than AUD500) on 1 October 2014. It is anticipated that the shares will be sold on-market by Canaccord Genuity (Australia) Limited as Hillgrove's appointed execution-only broker between 26 November and 3 December 2014. Sale proceeds and a confirmation statement will be sent after 8 December 2014.

### **Gold Loan Cleared**

Hillgrove made a further reduction to its debt balance during the quarter. Total debt was reduced from AUD25.2M as at 31 July 2014 to AUD23.0M at 30 September 2014.

The Company has now fully executed its obligations in regard to the Gold Loan which made up a portion of the Kanmantoo Project Financing package with Macquarie Bank Limited and Barclays Capital PLC. The Gold Loan was put in place in March 2012 for AUD15 million requiring a repayment of 10,413 ounces of gold in quarterly instalments between June 2012 and September 2014. The last repayment has now been made. The Company had total debt in place of AUD55 million in 2012 and now has only AUD23.0 million remaining.

## Cash and Investments

Cash and receivables as at 30 September 2014 was AUD18.8M.

Debt as at 30 September 2014 was AUD23.0M.

The market value of Hillgrove's listed investment portfolio as at 30 September 2014 was approximately AUD0.3M.

CORPORATE INFORMATION	
<b>Issued Share Capital at 30 September 2014</b>	<b>Share consolidation undertaken 17 September 2014:</b>
Ordinary shares	147,711,123
Employee Performance Rights	4,462,500
Unlisted options	6,250,000
<b>Share price activity for the Quarter</b>	
High	0.64
Low	0.55 (adjusted) / 0.069
Last (30 September 2014)	0.62
Average Daily Volume	128,916

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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 with a throughput of 3.0Mtpa, to produce approximately 100,000 dry metric tonnes of copper concentrate per annum, containing approximately 20,000t copper and associated gold and silver per annum over the current life of mine.

### 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
		<b>29.46</b>	<b>0.80</b>	<b>0.20</b>	<b>2.11</b>
Long Term Stockpiles	Measured	1.39	0.46	N/A	N/A
	Indicated	0.50	0.18	N/A	N/A
		<b>1.89</b>	<b>0.39</b>	-	-
	<b>Total</b>	<b>31.30</b>	<b>0.78</b>	<b>0.20</b>	<b>2.11</b>

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
		<b>20.7</b>	<b>0.73</b>	<b>0.18</b>	<b>1.9</b>
Long Term Stockpiles	Proven	1.4	0.46	N/A	N/A
		<b>1.4</b>	<b>0.46</b>	-	-
	<b>Total</b>	<b>22.1</b>	<b>0.71</b>	<b>0.18</b>	<b>1.9</b>

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.