SAEMC PRESENTATION ON PROPOSED OXIDE TREATMENT OPERATIONS AT KANMANTOO

Please find attached a presentation made by representatives of Hillgrove Resources Limited (ASX:HGO) at the 11th SA Exploration and Mining Conference in Adelaide today.

This presentation provides some detail of the Kanmantoo Copper Mine’s proposed Controlled Potential Sulphidisation (CPS) plant and process operations. The CPS plant is being constructed for the batch treatment of previously stockpiled oxide copper ore, using conditioning tanks which allow the ore to be processed through the normal sulphide processing plant.

The cost of the CPS plant is $3 million, with expenditure well advanced and some overflow into the next financial year (after 1 January 2015). The intent is to run two or three 7-day trials, and then operate the CPS plant for a two to four month period during the latter part of the upcoming calendar year, with operation potentially rolling into the following year. Total running time will be approximately four months. The CPS plant will provide flexibility of production during the cutback of the Giant pit, augmenting the processing of primary sulphide ore.

Further details of the proposed operation, including upcoming financial year CY15 guidance will be provided in the end of year Fourth Quarter Report due out late January.

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Company Secretary
Tel: +61 (0)2 8247 9300

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.
### Kanmantoo Global Mineral Resource Estimate at end February 2013

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### Kanmantoo Global Ore Reserve Estimate at end February 2013

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### 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.

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- 100%-owned by Hillgrove
- 55km from Adelaide, South Australia
- Mining Lease is within 500km² exploration license, and relatively unexplored
- Organic growth potential considered high
- Project enjoys infrastructure advantages
  - Close to power (National Grid)
  - Recycled water pipeline
  - 3km from main highway
  - 90km to export port
- Attractive employment costs compared to remote fly-in/fly-out mine operations
- Quality of life attracts mature, experienced workforce with low turnover
Historic copper mining area from 1840’s

BH South developed and operated open pit mine and plant from 1971 to 1976

HGO acquired leases in 2004, resource development 2005-08, feasibility and construction 2009-11, initial production December 2011

Current production +20,000t copper in concentrates, from processing of 3Mt ore @ ~0.8% Cu – minor gold and silver

Current workforce of ~200 and 50 contractors

Strong community focus and engagement
Cross section through main Kanmantoo orebody with interim Kavanagh pit and final Giant pit (above)

Plan view of all Kanmantoo pits (right)

Note: Giant will include Kavanagh, Spitfire, Falcon, Lean, Matthew and Valentine
Geological Context

- Located in Adelaide Fold Belt
- Early Cambrian Kanmantoo Group Metasediments
- Deposit hosted in the Tapanappa Formation – longest formation in the Kanmantoo Group
- Several deformation stages related to Delamerian orogeny
- Same metasediment formation host as Bremer Cu-Au deposit as well as Aclare, Wheal Ellen, Angas Pb-Zn+/-Ag

Figure Adapted from Toteff (1999)
Lithology

- Regionally hosted in Biotite Schist (BS)
- Mineralisation hosted in a 6km wide Fe rich pelite (GABS)
- Staurolite with minor Muscovite also present
- Main zone mineralisation hosted in chlorite alteration (BGCS)
- Deposit Fe-rich; Na/Ca-poor
- Magnetite in particularly Fe enriched pods
Mineralisation

- Most likely epigenetic, though a SEDEX system is still argued
- Fe-rich fluid metasomatism
- Mineralisation usually hosted in stockwork vein selvages or podiform lenses
- Hosted commonly in quartz veins, but also magnetite/chlorite rich fluid intrusions
- Likely to be multiple generations precipitated/reactivated during rotational stress field
Mineralogy - Oxides

- ‘Oxides’ encountered at shallow depths are predominately the Cu-carbonate malachite
- Azurite is also common in higher grade areas
- Atacamite, Cu in magnesium oxides, and Cu sulphates are minor occurrences
Mineralogy - Primary

- Most common Cu-bearing sulphide mineral is chalcopyrite
- Others include chalcocite, covellite and rare bornite
- Pyrite is mostly ubiquitous, transitioning to pyrrhotite at depth
- Rare galena and sphalerite along with bismuth
- Silver and gold (usually in native form) are accessory minerals
INTRODUCTION

- Started processing primary sulphide copper (chalcopyrite) ore November 2011
- Low cost capital throughput improvement projects have resulted in accelerated processing rates (2.4 to 3.2 Mtpa)
- 1.2 Mt of high grade copper oxide / transitional ore (sulphide/oxide blend) stockpiled available for treatment to enhance cash flow during the cut back of Kavanagh and Spitfire pits
- Options considered for treatment of copper oxide / transitional material – Acid heap leaching and CPS flotation
- Based on highest NPV, lowest capital and operational costs it was decided that Controlled Potential Sulphidisation (CPS) Flotation would be used for the treatment of oxide / transitional ore
- Modification of the existing plant currently underway, including extra float cell, conditioning tanks, reagent area to allow for the successful treatment of oxide and transitional ore
PRIMARY ORE

- Primary copper sulphide ore is coarse grained chalcopyrite with fast flotation kinetics (P80 -212um)
- Kanmantoo Mineral Resource (Feb 13) 31.30Mt @ 0.78% Copper, 0.20 g/t Gold, 2.11 g/t Ag
- Ore beneficiation via two stage crushing, SAG milling, standard flotation with regrind, dewatering
- Previously used processing facility (Lennard Shelf –Xstrata, Teck)
- Float feed density very high – 50% solids, Recovery ~ 92%, 24% Copper Concentrate
OXIDE / TRANSITION ORE

- Extensive metallurgical testwork undertaken – 4 in-depth studies completed
- Operational parameters and modified process flow sheet developed
- Comminution - Oxide ore less competent, exhibits slight rheology difference
- Flotation – Controlled Potential Sulphidisation (CPS) – 4 stages
- Metallurgical performance optimized by increasing flotation circuit retention time enabling lower pulp density (40%)
- Cost savings by ‘owners team’ approach utilizing suppliers and local CPS expertise (Kwan Wong – KYSPY)
- Thickening and Filtration tests indicate host rock similarities between ore types leads to acceptable settling rates and filter moistures – no upgrade to thickeners or filters is currently foreseen
Sulphidise the copper oxide mineral surface (provide a copper sulphide layer)

- Sodium Hydrosulphide (NaHS) employed as sulphidising agent
- Process involves a sulphidising or conditioning stage followed by collector addition and flotation
- Sulphidisation is critical – Too much or too little NaHS = poor metallurgical response
- No CPS on oxide minerals = poor floats, poor recovery
- Controlling the pulp potential utilising Eh ORP probes (correlated to an Es set point of -600mV) cascaded to NaHS addition to conditioning tanks
- CPS much more effective than un-metered additions of sulphidising agent (utilised by Kanmantoo Mines limited 1970’s 1.12% Cu @ 62.2% recovery)

**Metallurgical test work to date:**

- Oxide Ore: 70-75% Recovery, low to mid 30’s % Oxide Concentrate grade employing 4 stage of CPS conditioning and 5 flotation stages – no cleaning
- Transitional Ore: Process flow design completed, cleaning tests to be completed, will involve a sulphide prefloat followed by three stages of CPS conditioning and floats. Test work still to be finalised, expected 65-70% recovery
FLOAT FEED

CONDITIONING TANK 1

ROUGH 0
OK100TC

CONDITIONING TANK 2

ROUGH 1 / SCAV 1-2

CONDITIONING TANK 3

SCAVENGER 1-2

CONDITIONING TANK 4

SCAVENGER 4-7

SCAVENGER 8-12

FINAL TAIL

FINAL CONCENTRATE
For further information please contact:

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  Suite 1709 Australia Square
  Level 17, 264 George Street
  Sydney NSW 2000

- E: info@hillgroveresources.com.au

- T: 61 2 8247 9300
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All currency referred to is Australian Dollars (AUD) unless otherwise indicated.

Hillgrove 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.