



# Preliminary Signals



**Wilson HTM**  
INVESTMENT GROUP  
A Leading Wealth Manager and  
Adviser to Emerging Companies

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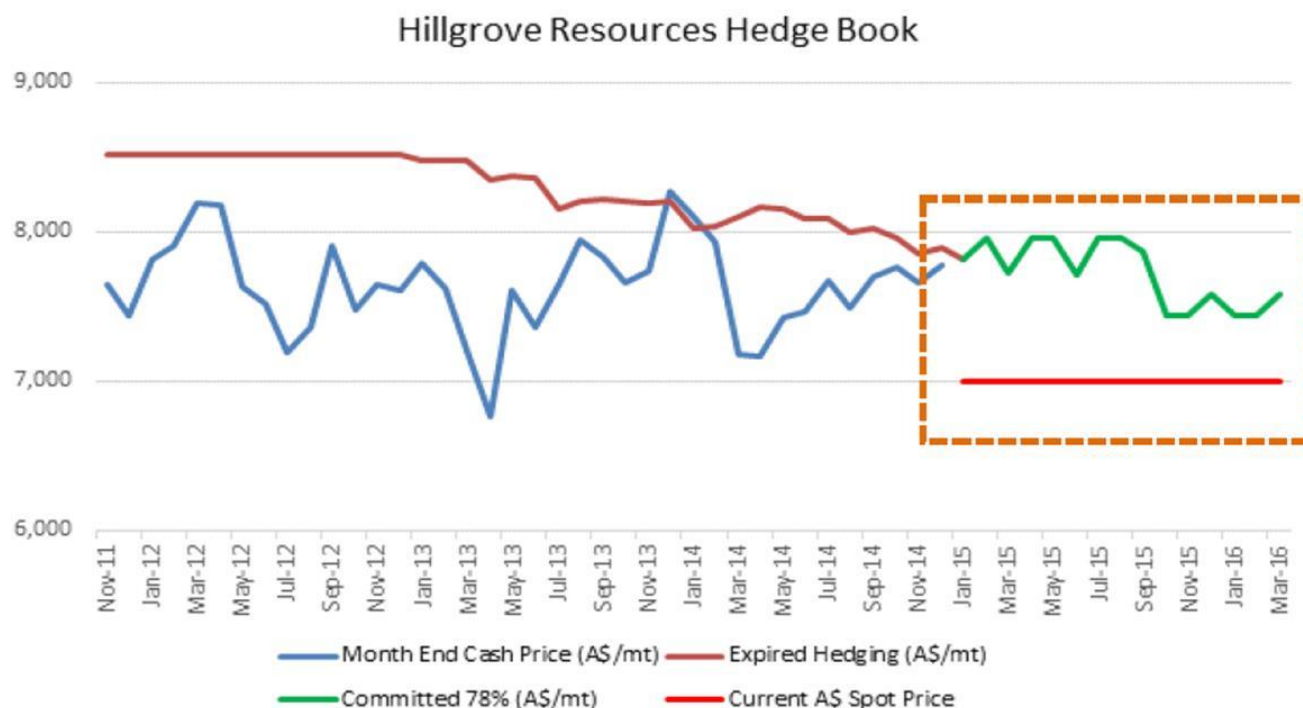
## HILLGROVE RESOURCES LIMITED (HGO)

### Hedging program expands; current hedge book worth \$11.9m

#### ANNOUNCEMENT HIGHLIGHTS

- HGO has announced additional copper hedging which was entered into in Dec-14. The company hedged an additional 2,887mt at A\$7,749/mt (A\$3.52/lb).
- As a result of this additional hedging HGO now has hedged 78% of payable copper production to Mar-2016, at an avg price of A\$7,726/mt (A\$3.50/lb). This compares favourably with the current copper price of A\$3.17/lb.
- HGO value this hedge book alone at A\$11.9m (mark to market). Compare this to a current EV for the company of ~\$60m (WHTMe).

#### CHART: HGO'S HEDGE BOOK FOR COPPER PRODUCTION



Source: Company data

#### WHTM VIEW

##### Initial analysis

- This is a great strategic move by the company, and the price achieved for the additional hedging is a pleasant surprise.
- The statement from the company that they are now hedged for 78% of payable copper production between now and the end of Mar-16 qtr (~18.5kt) implies payable production for CY15 of ~19-20kt, inline with our forecast.

#### Wilson HTM Equities Research – Preliminary Signals – Hillgrove Resources Limited

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### **Earnings implications**

- We expect slight consensus CY15 earnings upgrades on the back of today's announcement.

### **Investment view**

- We have a BUY rating and a target price of A\$0.90ps.



**Traffic light key: The traffic lights are a prioritisation tool, and are designed to assist the reader in prioritising work-flow.**

- |   |   |
|---|---|
| ● | <b>Red light:</b> Announcement substantially different to WHTM expectations - <b>STOP</b>                                       |
| ● | <b>Orange light:</b> Announcement largely as per WHTM expectations, but some factors need closer examination - <b>SLOW DOWN</b> |
| ● | <b>Green light:</b> Announcement in line with or better than WHTM expectations - <b>GO</b>                                      |
| ○ | <b>White light:</b> Due to compliance reasons coverage or investment view is restricted at this time                            |

### **Return Reinvestment Matrix and Risk Measures**

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### **Recommendation Structure and Other Definitions**

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