

BUY

HOLD

SELL

ACTION & RECOMMENDATION

We retain our BUY rating. HGO's Dec-14 qtrly came in below expectations, with lower copper production leading to a higher net debt balance than we had forecast. This has pushed back our expected timing for HGO to be in a net cash position to ~Mar-16 qtr. There was no news on the debt restructuring front, but we anticipate this could be finalised during the current qtr, providing an avenue for the company to undertake capital management (HGO has \$21.3m of franking credits). Our 12-mth share price target is \$0.84ps.

Dec-14 qtrly: Production miss, but cost control mitigates impact**What's Changed**

- **Copper production** of 4.8kt was lower than our 5.8kt forecast, and as a result free cashflow for the quarter was below expectations.
- **CY15 guidance:** Contained copper production is guided to 18.5-20.5kt (WHTMe 19.6kt), gold production of 5-6koz and C1 costs of US\$2.00-2.25/lb. We note a strip ratio for the next 12 mths of around 6.2:1 (t:t) will be a drain on free cash, but provide better Cu grades for CY16-17 especially – this was already in our numbers.
- **Revised LOM plan for Kanmantoo:** The revised plan is for the 124.8kt of contained copper production between CY15-21. Our modelling assumes slightly more copper (~130kt), although we note various opportunities for the LOM plan to be expanded via 1) additional tonnes from Emily Star from an extra cutback, 2) resource and reserve extension.
- **CY14 EPS decrease:** We note CY14 EBITDA of \$42.1m was below our forecast, and depreciation for the qtr was also higher – hence the EPS downgrades. But we prefer to focus on free cashflow, which we estimate will be ~\$9m in CY15. **Valuation:** We value HGO at \$0.84ps based on a DCF (11.5% WACC).

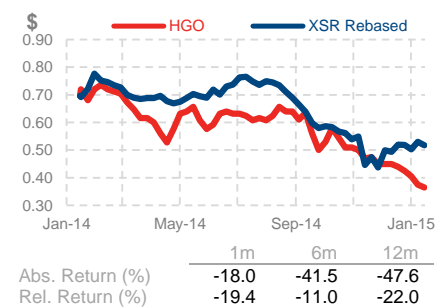
Risks & Catalysts

- **Key risks around HGO:** 1) operational risk at the Kanmantoo mine, especially while it is operating a single open pit with single lane ramp, and 2) future weakness in the copper price.
- **Catalysts:** 1) entry into a new corporate debt facility, 2) any capital management initiatives, and 3) an improved copper market or weaker AUD.

12m Target Price (AUD)	\$0.840
Share Price @ 02-Feb-15 (AUD)	\$0.365
Fcst 12m Capital Return	130.1%
Fcst 12m Dividend Yield	13.8%
12m Total S'holder Return	143.9%

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12m Share Price Performance**WHTM Return Re-Investment Matrix**

		Low	High
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 January (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue (\$m)	115.4	139.2	167.0	158.9	173.5
EBITDA Margin (%)	12	27	25	20	25
NPAT Norm (\$m)	-10.2	1.7	1.8	0.1	7.7
Consensus NPAT (\$m)				-3.4	13.7
EPS Norm (cps)	-9.8	1.3	1.2	0.1	5.2
EPS Growth (%)	-84	113	-7	-95	9024
P/E Norm (x)	-3.7	28.1	30.3	635.4	7.0
EV/EBITDA (x)	4.9	1.8	1.6	2.2	1.6
CFM (x)	2.2	6.8	0.9	1.9	1.3
DPS (cps)	0.0	0.0	0.0	2.5	3.0
Franking (%)	0	0	0	100	100

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

Key Changes	21-Oct	After	Var %
Revenue FY14	175	167	-4.6%
(\$m) FY15	174	159	-8.7%
FY16	174	174	-0.2%
EBITDA: FY14	56.5	42.2	-25.4%
(\$m) FY15	40.7	31.3	-23.3%
FY16	40.9	43.7	6.6%
EPS: FY14	8.8	1.2	-86.3%
Norm FY15	8.7	0.1	-99.3%
(cps) FY16	9.8	5.2	-46.5%
Price Target:	0.93	0.84	-9.7%
Rec:	BUY	BUY	

Mkt Cap: \$54m Enterprise Value: \$68m Shares: 148m Sold Short: 0.1% ASX 300 Wgt: 0.0% Median T'over/Day: \$0.0m

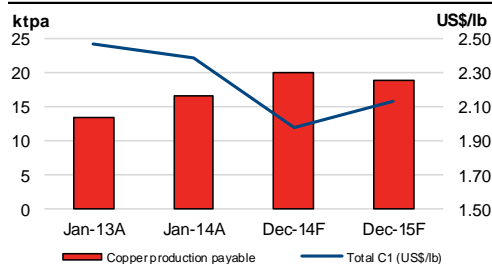
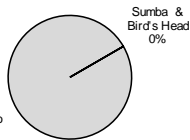
Wilson HTM Equities Research – Hillgrove Resources Limited

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TABLE 1: HGO - FINANCIAL SUMMARY

Capital profile				Now Dec year end						
				Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F	
Number of shares (m)	148			-118	15	18	0.1	7.7	9.8	
Market capitalisation (A\$m)	53			-10.2	1.7	18	0.1	7.7	9.8	
Enterprise value (A\$m)	78			-11	0.2	12	0.1	5.2	6.7	
Enterprise value (US\$m)	62			-0.6	-0.5	12.4	7.3	24.2	25.8	
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	104	0.97	0.90	0.83	0.83	0.81	
Reserves, incl stockpiles (Mt)	22.1	@ 0.7%	157 kt	3.70	3.62	3.22	3.00	3.19	3.20	
EV/t Resource (A\$/t)	A\$323.3	US\$255.4		1669	1412	1267	1261	1250	1241	
EV/t Reserve (A\$/t)	A\$500.2			3113	23.87	18.92	18.75	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	154	1.04		13.3	16.6	20.0	18.9	18.2	18.3	
Sumba & Bird's Head	0	0.00		6.1	5.5	6.3	5.8	9.5	13.0	
Total Operations	154	1.04		14.5	17.6	21.1	20.1	19.9	20.6	
Net (debt) / cash	-9	-0.06		Cash costs @ Kanmantoo						
Corporate overheads (incl WC)	-20	-0.14		Total C1 (US\$/lb)	2.46	2.38	1.97	2.13	2.10	1.99
Franking Credits	0	0.00		Royalties (US\$/lb)	0.05	0.04	0.05	0.07	0.08	0.28
Listed investments	0	0.00		Admin (US\$/lb)	0.28	0.16	0.15	0.17	0.15	0.15
Exploration	0	0.00		EBITDA costs (US\$/lb)	2.79	2.59	2.17	2.37	2.33	2.42
Total Valuation	124	0.84		Sustaining capex (US\$/lb)	0.14	0.08	0.04	0.04	0.04	0.06
Premium (Discount)		0.00		All in cash costs (US\$/lb)	2.93	2.67	2.22	2.41	2.37	2.48
Target Price		0.84		D&A (US\$/lb)	0.90	0.76	0.98	0.87	0.98	0.85
P/NPV		0.43		EBIT costs (US\$/lb)	3.69	3.35	3.16	3.24	3.31	3.27
Operations NPV split				Margin analysis						
				Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F	
Rf rate	5.3%			0.90	1.03	1.05	0.63	0.87	0.78	
MRP	6.0%			All-in cash cost margin (US\$/lb)	0.76	0.95	1.00	0.59	0.82	0.72
Equity beta	1.52			EBIT (US\$/lb)	0.00	0.27	0.06	-0.24	-0.12	-0.07
Ke	14%			Profit and Loss (\$m)						
Kd	7.0%			Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F	
Gearing	30%			Revenue	116	140	167	159	174	183
Tax rate	30%			Costs	103	102	125	128	130	143
WACC	12%			EBITDA	14	38	42	31	44	40
DCF (A\$)	0.84			Depreciation & amortisation	26	29	39	30	33	28
Prem/disc	0%			EBIT	-13	8	3	1	11	12
Target (A\$)	0.84			Interest income	1	0	0	0	0	2
				Interest expense	7	6	3	1	0	0
				MRRT	0	0	0	0	0	0
				Pre tax profit	-8	3	0	0	11	14
				Tax expense (benefit)	-8	1	-1	0	3	4
				NPAT - underlying	-10	2	2	0	8	10
				Significant items	2	0	0	0	0	0
				NPAT - reported	-12	1	2	0	8	10
				Profitability analysis						
				Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F	
				EBIT margin	-	6%	2%	1%	6%	7%
				EBITDA margin	12%	27%	25%	20%	25%	22%
				Effective tax rate	44%	33%	-466%	30%	30%	30%
				ROA - EBIT / (total assets - cash)	-4%	3%	1%	0%	4%	6%
				ROE - NPAT / equity	-5%	1%	1%	0%	3%	4%
				Cashflow						
				Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F	
				EBITDA	14	38	42	31	44	40
				Operating cashflow	28	11	63	30	43	38
				Sustaining Capex	-4	-3	-2	-2	-2	-3
				Growth Capex	-34	-16	-44	-19	-8	0
				Free cashflow	-10	-8	16	9	34	35
				Investing cashflow	-46	-22	-47	-22	-11	-3
				Financing cashflow	24	0	-23	-13	-11	-4
				Net Change in cash	7	-11	-8	-5	21	31
				Balance Sheet Analysis						
				Jan-13A	Jan-14A	Dec-14F	Dec-15F	Dec-16F	Dec-17F	
				Debt	50	42	18	7	0	0
				Equity	221	229	246	241	248	254
				Assets	336	322	305	279	274	277
				Cash	27	16	9	4	25	56
				Net debt	23	25	9	3	-25	-56
				Gearing - net debt/equity	10%	11%	4%	1%	-10%	-22%
				Gearing - net debt/ (net debt + equity)	9%	10%	4%	1%	-11%	-28%
				Net debt / EBITDA	16	0.7	0.2	0.1	-0.6	-1.4
				EBIT / net interest	-2.2	1.4	1.1	1.1	355.7	-7.5
				EBITDA / net interest	2.4	6.4	14.4	33.2	1400.0	-24.4
				Free cashflow yield	-18%	-15%	31%	17%	63%	66%



Source: Company data, Wilson HTM



HIGHLIGHTS

- HGO have released its qtrly production report for the Dec-14 qtr.
- Dec-14 qtr cash costs** were US\$1.97/lb on a C1 basis (WHTMe US\$1.81/lb). CY14 cash costs came in at US\$1.97/lb, below guidance of US\$2.00-2.20/lb. **Copper production** for the qtr was 4.83kt (v WHTMe of 5.86kt), with grades from Nugent pit below the company's expectations.
- CY14 EBITDA** (unaudited) was \$42.1m (v WHTMe \$56.0m). Around \$9m of this miss was due to non-cash charges.
- HGO are continuing to work on **capital management initiatives**, but no news on this in the quarterly. We expect newsflow on debt restructuring in the current quarter, which could pave the way for capital management.
- As at 31-Dec-14, debt was A\$18m. With a cash balance of \$8.8m, **net debt** was ~A\$9.2m, higher than our \$4.1m estimate – this was the key disappointment from the quarterly. We note that the company had a \$8m debt repayment due in January which, with the agreement of the financiers, was reduced to only \$3m. We understand that the revised payment schedule has not yet been finalised, but this is a work in progress – newsflow expected in the near term.
- Production guidance for CY15** is 18.5-20.5kt Cu (WHTMe 18.7kt), and gold production of 5-6koz (WHTMe 10.5koz). CY15 cost guidance is US\$2.00-2.25/lb (WHTMe US\$2.04/lb). Implied pre-strip of ~4Mt was slightly higher than our expectations of 3.5Mt.
- Revised LOM plan:** plan for Kanmantoo is for 124.8kt of contained copper production over CY15-21. We have modelled 131.1kt, which includes a partial mine life extension.

TABLE 2: DEC-14 QTRLY PRODUCTION REPORT SNAPSHOT

	Jan-14	Apr-14	Jul-14	Sep-14*	Dec-14	WilsHTM	QoQ	YoY	v WilsHTM
	QTR	Actual	Actual	Actual	Actual	Estimate			
Copper price (US\$/lb)	n.a.	3.28	3.39	3.34	3.08	3.06	-8%	n.a	1%
Ore to ROM from pit - Mt	0.88	0.98	1.10	0.64	0.95	0.65	49%	9%	47%
Mined w aste - Mt	3.48	2.78	2.14	1.68	3.79	2.34	125%	9%	62%
Total tonnes mined - Mt	4.36	5.26	4.74	2.93	6.12	3.79	109%	40%	62%
Strip ratio (t:t)	3.96	4.36	3.31	3.56	5.42	4.83	52%	37%	12%
Mining grade to ROM - Cu	0.85%	0.87%	0.93%	1.06%	0.76%	1.06%	-28%	-11%	-28%
Ore milled - Mt	0.76	0.76	0.84	0.53	0.89	0.79	67%	18%	13%
Milled grade - Cu (%)	0.83%	0.80%	0.76%	0.90%	0.62%	0.81%	-31%	-25%	-23%
Recovery - Cu	92.4%	92.1%	91.9%	92.2%	86.9%	91.5%	-6%	-6%	-5%
Cu concentrate produced - dmt	25.05	24.34	25.62	18.90	21.31	25.46	13%	-15%	-16%
Contained metal in conc - Cu - kt	5.84	5.55	5.88	4.43	4.83	5.86	9%	-17%	-18%
Contained metal in conc - Au - oz	1.28	1.33	1.64	1.14	2.70	1.58	138%	111%	71%
Total concentrate sold (kt)	24.81	24.43	26.28	19.59	20.28	25.46	4%	-18%	-20%
C1 cash costs (US\$/lb)	2.00	2.11	1.94	1.85	1.97	1.81	6%	-1%	9%
Net debt (\$m)	25.2	26.1	14.1	11.6	9.2	4.1	-21%	-64%	123%

Source: Company data, Wilson HTM

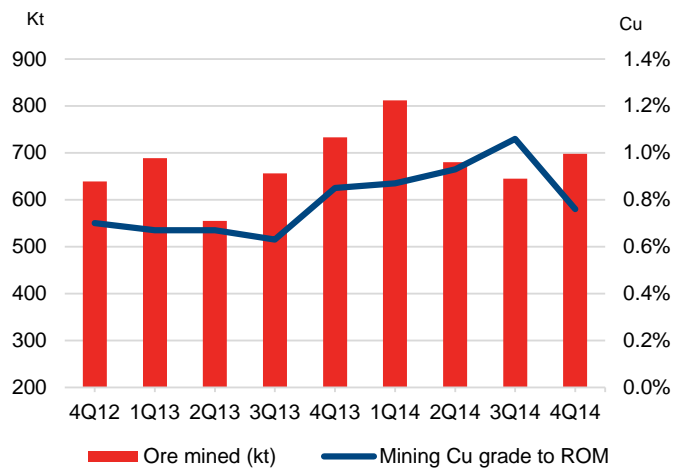
CHANGES TO FORECASTS

	Jan-14A	Dec-14F	Dec-15F	Dec-16F	NPV (A\$ ps)	Target price (A\$ ps)
Underlying NPAT (A\$m) - previous	17	13.0	12.8	14.5	0.93	0.93
Underlying NPAT (A\$m) - revised	17	18	0.1	7.7	0.84	0.84
Change (A\$m)	0.0	-11.2	-12.7	-6.7	-0.09	-0.09
Change (%)	0%	-86%	-99%	-46%	-9%	-10%

Source: Company data, Wilson HTM

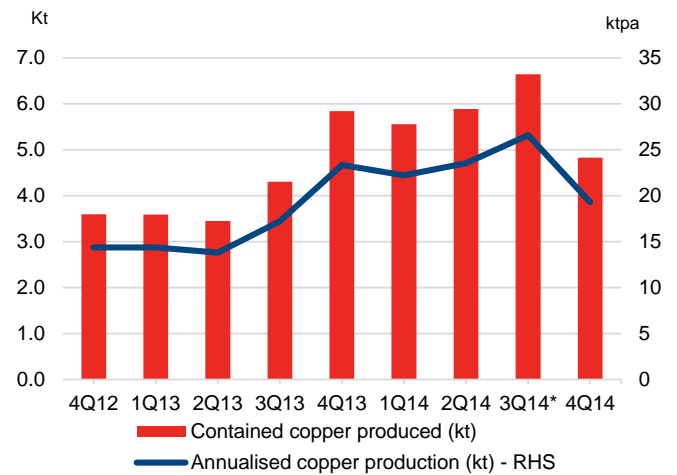


CHART 1: ORE MINED AND MINING GRADE (ORE MINED CONVERTED INTO 3 MTH EQUIV)



Source: Company data, Wilson HTM

CHART 2: CONTAINED COPPER PRODUCTION



Source: Company data, Wilson HTM
 * Converted into 3mth equivalent

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 11.5%. 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	153.964	1.042
<u>Sumba & Bird's Head</u>	<u>0.000</u>	<u>0.000</u>
Total Operations	153.964	1.042
Net (debt) / cash	-9.282	-0.063
Corporate overheads	-20.288	-0.137
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	124.394	0.842
<u>Premium (Discount)</u>	<u>-0.002</u>	
Target Price		0.840

INTERIMS (\$m)				
Half-yr (AUD)	Jul 12	Jan 13	Jul 13	Jan 14
	1HA	2HA	1HA	2HE
Sales	58.6	80.6	92.5	74.5
EBITDA	18.7	18.9	28.0	14.2
EBIT	6.3	2.2	8.1	-4.9
Net Profit	1.7	0.0	5.8	-4.1
Norm. EPS	1.3	0.0	3.9	-2.7
EBIT/Sales	10.7	2.7	8.8	-6.6
Dividend (c)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

FINANCIAL STABILITY			
Year-end January	FY13A	FY14E	FY15E
Net Debt	25.2	9.3	3.2
Net Debt / Equity (%)	11.6	3.8	1.3
Net Debt / EV (%)	37.1	13.6	4.7
Current Ratio (x)	5.0	6.7	11.8
Interest Cover (x)	1.4	1.1	1.1
Adj. Cash Int. Cover (x)	2.5	21.2	30.7
Debt / CashFlow (x)	4.6	0.7	0.6
Net Debt (cash) / share (\$)	0.0	0.1	0.0
NTA / share (\$)	0.2	1.7	1.6
Book Value / share (\$)	0.2	1.7	1.6
Payout Ratio (%)	0	0	>500
Adj. Payout Ratio (%)	0	0	5

EPS RECONCILIATION (\$m)				
	FY13A		FY14E	
	Rep.	Norm.	Rep.	Norm.
Sales Revenue	139	139	167	167
EBIT	8.7	8.4	3.2	3.2
Net Profit	1.9	1.7	1.8	1.8
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	1.8	1.8
Diluted Shrs(m)	1,052	1,052	148	148
Diluted EPS (c)	0.2	1.3	1.2	1.2

RETURNS				
	FY13A	FY14E	FY15E	FY16E
ROE (%)	0.8	0.8	0.0	3.2
ROIC (%)	2.4	0.9	0.3	3.3
Incremental ROE	292.9	1.0	-14.7	625.7
Incremental ROIC	784.8	-603.6	-278.9	-44.2

KEY ASSUMPTIONS								
Year-end January (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
AUD/USD	1.0359	0.9684	0.9024	0.8325	0.8250	0.8050	0.8000	
Copper price (US\$/lb)	3.70	3.33	2.87	2.95	3.25	3.20	3.08	
Copper price (US\$/t)	8,150	7,332	6,356	6,503	7,165	7,054	6,779	
Gold price (US\$/oz)	1,669	1,412	1,267	1,261	1,250	1,241	1,216	
Silver price (US\$/oz)	31.1	23.9	18.9	19.8	19.8	19.6	19.9	
Copper Prod Payable (kt)	13.3	16.6	20.0	18.9	18.2	18.3	18.0	
Gold Prod Payable (koz)	6.1	5.5	6.3	5.8	9.5	13.0	13.0	
Cu. Equiv Prod Payable (kt)	14.5	17.6	21.1	20.1	19.9	20.6	20.4	

PROFIT & LOSS (\$m)								
Year-end January (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
Sales Revenue	115.4	139.2	167.0	158.9	173.5	183.2	175.5	
EBITDA	13.9	37.6	42.2	31.3	43.7	40.1	29.8	
Depn & Amort	26.5	29.2	38.9	30.2	32.6	27.7	27.7	
EBIT	-12.6	8.4	3.2	1.1	11.1	12.4	2.1	
Net Interest Expense	5.7	5.9	2.9	0.9	0.0	-1.6	-2.7	
Tax	-8.1	0.8	-1.5	0.0	3.3	4.2	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	1.8	0.1	7.7	9.8	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	1.8	0.1	7.7	9.8	3.3	

CASH FLOW (\$m)								
Year-end January (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
EBITDA	13.9	37.6	42.2	31.3	43.7	40.1	29.8	
Interest & Tax	-3.1	-2.8	-3.1	-1.3	-0.4	-1.8	0.2	
Working Cap / Other	17.6	-23.8	23.5	0.0	0.0	0.0	0.0	
Operating Cash Flow	28.4	11.0	62.6	30.0	43.3	38.3	30.0	
Maintenance Capex	-4.0	-3.0	-2.0	-2.0	-2.0	-3.0	-3.0	
Free Cash Flow	24.4	8.0	60.6	28.0	41.3	35.3	27.0	
Dividends Paid	0.0	0.0	0.0	-1.5	-4.4	-4.4	-4.4	
Development Capex	-34.1	-16.0	-45.0	-20.4	-8.7	-0.1	-0.2	
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	15.7	6.1	28.1	30.7	22.3	
Funded by Equity	97.5	10.2	0.0	0.0	0.0	0.0	0.0	
Funded by Debt	0.0	-9.8	-23.3	-11.4	-6.7	0.0	0.0	
Funded by Cash	-6.7	11.0	7.6	5.3	-21.4	-30.7	-22.3	

BALANCE SHEET SUMMARY (\$m)								
Year-end January (AUD)	FY12A	FY13A	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
Cash	27.4	16.5	8.8	3.5	24.9	55.6	78.0	
Current Receivables	6.4	5.0	2.6	1.2	0.7	0.4	0.2	
Current Inventories	19.7	26.2	22.4	10.4	6.0	3.2	1.5	
Net PPE	243.5	215.3	226.4	217.4	194.4	169.8	145.3	
Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Intangibles / Capitalised	0.6	0.3	0.1	0.1	0.1	0.1	0.1	
Other	48.7	48.6	45.0	46.2	47.4	47.4	47.4	
Total Assets	346.3	311.8	305.4	278.9	273.5	276.5	272.5	
Current Payables	41.6	23.9	22.1	11.5	5.9	3.3	1.7	
Total Debt	50.3	41.7	18.1	6.7	0.0	0.0	0.0	
Other Liabilities	23.5	28.1	19.4	19.4	19.4	19.4	19.4	
Total Liabilities	115.4	93.7	59.6	37.6	25.3	22.7	21.1	
Minorities / Convertibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Shareholder Equity	231.0	218.2	245.8	241.3	248.2	253.8	251.4	
Total Funds Employed	281.2	259.8	263.9	248.0	248.2	253.8	251.4	



RETURN RE-INVESTMENT MATRIX

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

Currently progressing a 22 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. The Kanmantoo copper mine is located less than 55 km from Adelaide. The open pit mine and processing circuit are operating with throughput of ~3.0-3.3 Mtpa producing ~80 kt of concentrate per annum (~20-22 ktpa of copper metal).

INVESTMENT THESIS

HGO completed a \$19m raising in 2HCY13 to provide sufficient working capital to allow it to address elevated grade dilution and low mining rates at its Kanmantoo mine. Since then, operations have had a significant turnaround, and we value the company at \$0.93/sh. The current share price approximately reflects the replacement value of the Kanmantoo mine. We rate HGO a 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: \$79m (at A\$0.535/sh)
- Cash: \$11.6m (30-Sept-14)
- Debt: \$23.0m (30-Sept-14)

KEY ASSETS

The Kanmantoo copper mine (South Australia) is an open-cut mine with throughput of 3.0-3.3 Mtpa, producing approximately 80,000 tonnes of concentrate and containing about 22,000 tonnes of copper metal and 6-10,000 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

- Maintaining production in excess of 20ktpa.
- Increased resource at Kanmantoo to increase mine life towards 10 years

MANAGEMENT

- Mr Greg Hall (Managing Director)
- Russell Middleton (Chief Financial Officer)
- Shanthy 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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