

Thursday, 26 February 2015

**HILLGROVE REPORTS STATUTORY PROFIT AFTER TAX OF \$3.8 MILLION
UNDERLYING PROFIT AFTER TAX OF \$10.1 MILLION**

Hillgrove Resources Limited (ASX:HGO) today announced a Statutory Profit after Tax of \$3.8 million for the 11 months ended 31 December 2014, reflecting consistent production and cost reductions from the Kanmantoo mine.

Underlying Profit after Tax for the 11 months to 31 December 2014 was \$10.1 million. This was an increase of 288% on the previous reporting period of 12 months to 31 January 2014.

Underlying EBITDA for the 11 months to 31 December 2014 was \$53.4 million, a 41% increase over the previous reporting period primarily a result of reducing unit costs in both mining and processing.

Results for the period (\$ million)	11 months to 31 December 2014	12 months to 31 January 2014	Change
Statutory Profit	3.8	1.5	2.3
EBITDA	42.7	37.3	5.4
Statutory EPS	2.56 cents	1.11 cents	1.45 cents
Underlying Profit	10.1	2.6	7.5
Underlying EBITDA	53.4	37.8	15.6

The result has provided a solid platform for Hillgrove to establish the next phase of its operations in 2015. The Company continues to invest in maximising the value of the Kanmantoo mine through undertaking the next phase of mining with the cut back of the Giant pit, while focusing on near mine exploration to extend the life of the mine.

Hillgrove Managing Director and CEO, Greg Hall said, "The improvement to operating performance of the Kanmantoo mine during 2014 has been very pleasing, particularly with the unit cost of production reducing quarter on quarter throughout the year."

Mr Hall continued, "In 2015 the cutback of the Giant pit, which is over the main ore body of the Kanmantoo mine, will be largely completed. We continue to have a high level of confidence that the exploration program that was recommenced at the end of 2014 will add to the mining inventory. A successful exploration program will support our plans to submit the next mining program for South Australian Government approval by the end of 2016 and seek approvals beyond the current approved life of 2019 to align with the production profile of the life of mine plan."

Hillgrove reported an Underlying Profit of \$10.1 million and an Underlying EBITDA of \$53.4 million. The main adjustment to the Statutory Profit was the write off of \$13.7 million of oxide and transition ore stockpiles due to the lower copper price at the end of December.



HILLGROVE RESOURCES LIMITED

The Chairman of Hillgrove, Dean Brown, stated “The Board has reviewed the carrying value of all assets in the Company in significant detail and is satisfied the value is reflected in the balance sheet. This is particularly pleasing when compared to the Company’s current market capitalisation which is significantly below the book value.”

Hillgrove also reaffirmed the guidance provided recently for the 2015 year. The guidance is underpinned by the robust copper hedge position put in place over the last couple of years as part of the Company’s risk management program, which provides strong protection on downside copper prices over the near to medium term.

Hillgrove has continued to strengthen its balance sheet with Net Debt as at 31 December 2014 at \$9.2 million. Over the last 11 months bank debt has reduced from \$40.8 million to \$18.0 million, with the gearing ratio reducing from 17.8% to 7.5% over the same period. In this context, the Company has continued its discussions with financiers regarding the potential restructuring of its debt repayment profile.

The Hon. Dean Brown also advised “While we are not declaring a dividend now, we have a strong desire to do so and release the value of some \$21 million of franking credits but it must be at the appropriate time. Hillgrove will continue to evaluate this and other capital initiatives in future periods once its debt has been restructured and cash flows permit.”

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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
		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.