COMPANY UPDATE AND EQUITY RAISING

STEVE McCLARE CEO & MANAGING DIRECTOR DESIGNATE
RUSSELL MIDDLETON CHIEF FINANCIAL OFFICER
25 MAY 2015
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INTRODUCTION
Hillgrove has today announced:

- A restructure and refinance of Hillgrove’s debt facilities, designed to better match debt repayments to the revised LOM plan and provide flexibility for Hillgrove to pursue initiatives to extend Kanmantoo mine life.

- Initial deferral and then extension of copper price participation arrangements with Freepoint to enhance medium term revenue.

- A 3 for 11 fully underwritten, non-renounceable entitlement offer at an issue price of $0.25 per share to provide for near mine exploration and resources expansion, strengthen the balance sheet, provide working capital and as a condition to the debt financing.

- Kanmantoo is progressing the Giant Pit cutback deeper into the main orebody, producing concentrates from satellite pit primary ore, commissioning the Controlled Potential Sulphidisation (CPS) oxide ore process, and continuing to reduce costs.

The incumbent CEO and Managing Director, Greg Hall, will step down from his role on 26 May 2015. Steven McClare, the existing General Manager – Kanmantoo Copper Mine, will assume the role of CEO and Managing Director, effective 27 May 2015, which reflects the Board’s renewed strategic focus on the operation and development of the Kanmantoo Mine.
THREE PILLARS FOR ENHANCING SHAREHOLDER VALUE

KANMANTOO MINE

Productivity and cost focus to maximise free cash flow generation
Grow reserves and extend mine life through lower costs and exploration

REGIONAL GROWTH

Targeted regional prospects and exploration

CAPITAL MANAGEMENT

Enabling the Company to maximise shareholder value through appropriate gearing, payment of dividends and other capital management initiatives
Productivity and cost improvements have enabled enhanced economic outcomes from the existing resource which provides the potential for a larger ultimate pit.

A two year life extension was granted by the SA Government in July 2014.

To facilitate extension, the Company continued its significant community engagement process and worked closely with various areas of the Local, State and Federal Governments.

Q1 2015 copper production of 5,013t Cu, with CY15 guidance of 18,500 to 20,500t Cu in concentrates maintained (assuming current production levels not impacted by applicable risks, including those on pages 27-31).
Cash reserves have not built as planned over last 6 months:
- Underperformance of Nugent orebody has impacted operation cashflow;
- Giant Pit cutback accelerated, funded from cash reserves.

Existing debt facility repayment obligations mismatched to free cashflow profile and extended Kanmantoo mine life:
- Constrains flexibility to pursue initiatives and enhance shareholder value (e.g. further extensions to Kanmantoo mine life).

Limited reserve tail limits debt potential, and requires equity raise for life extension exploration and drilling work.

Barclays Bank PLC has announced it is exiting the base metals market, and as such advised it would not be participating in the refinance of the Project Loan Facility.

Hillgrove has paid back over A$40 million in debt and A$9 million in interest, plus put in a required A$20 million additional capital into Kanmantoo since production start up, being a significant part of cash generated.
KEY INITIATIVES

- Continue to manage copper price through an active hedging program.
- Continuously drive unit costs lower through ongoing productivity and cost reduction initiatives, including:
  - re-evaluation of all input costs;
  - working with major contractors to continue productivity improvements/cost savings;
  - continuing to rationalise corporate and site overheads.
- Advance the Giant Pit cutback at the required mining rate to access the higher grade ore in the main Kanmantoo orebody by early 2016.
- Commission, then optimise the Controlled Potential Sulphidisation (CPS) plant to process stockpiled oxide and transition ore.
- Evaluate resource and mine life extension potential at Kanmantoo through both second Giant Pit cutback and northern extension exploration.
- Evaluate options for extraction of value from Indonesian exploration assets through joint venture, external investment or sale.
- Complete balance sheet restructure through debt refinance and equity raising to match cashflows to LOM plan, and provide working capital to pursue LOM extension.
DEBT RESTRUCTURE
FUNDING SECURED TO REPAY DEBT AND PURSUE KEY INITIATIVES

- Executed Agreements provide:
  - Pre-export Facility of US$14 million, to refinance existing A$15 million project finance and mezzanine facilities;
  - potential to expand Pre-export Facility to US$20 million, subject to various conditions;
  - A$20 million performance bonds;
  - Ongoing access to extendable hedging arrangements.

- Initial deferral and then extension of copper price participation payment obligations pursuant to Freepoint Metals & Concentrate LLC offtake:
  - Deferral of near-term payment obligations to release additional cash for Giant Pit cutback;
  - extension to repay deferral, and in lieu of establishment and interest charges.

- Equity raising to supplement debt facilities and provide working capital flexibility to complete Giant Pit cutback and pursue exploration in support of further LOM extension:
  - 3 for 11 fully underwritten non-renounceable entitlement offer at $0.25 per share to raise approximately A$10 million.
<table>
<thead>
<tr>
<th><strong>Lender:</strong></th>
<th>Ventures Australia LLC (a subsidiary of Freepoint Commodities LLC).</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Facility:</strong></td>
<td>Tranche A (US$14 million), which is subject to meeting the conditions to financial close.</td>
</tr>
<tr>
<td></td>
<td>Tranche B (US$6 million), which is subject to, among other conditions:</td>
</tr>
<tr>
<td></td>
<td>- Freepoint approval and arranging bank funding to provide the loan; and</td>
</tr>
<tr>
<td></td>
<td>- extension of Kanmantoo LOM plan through further ore reserve additions.</td>
</tr>
<tr>
<td><strong>Maturity:</strong></td>
<td>30 June 2018, with 12 month option to extend subject to extension to Kanmantoo LOM and further ore reserve additions.</td>
</tr>
<tr>
<td><strong>Interest rate:</strong></td>
<td>Fixed, 8.5% p.a.</td>
</tr>
<tr>
<td><strong>Amortisation:</strong></td>
<td>Quarterly principal payments begin March 2016. Amortisation matched to cashflow (“sculpted”).</td>
</tr>
<tr>
<td>Lender:</td>
<td>Macquarie Bank Limited (MBL) providing performance bonds and hedging.</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Commitment:</td>
<td>□ until 30 March 2017: A$20 million;</td>
</tr>
<tr>
<td></td>
<td>□ from 31 March 2017 until 29 June 2017: A$10 million;</td>
</tr>
<tr>
<td></td>
<td>□ from 30 June 2017 until 29 September 2017: A$7.5 million;</td>
</tr>
<tr>
<td></td>
<td>□ from 30 September 2017 until 30 March 2018: A$5 million; and</td>
</tr>
<tr>
<td></td>
<td>□ from 31 March 2018 until 29 June 2018: A$2.5 million.</td>
</tr>
<tr>
<td>Maturity:</td>
<td>30 June 2018, with option to extend for 12 months, subject to approval.</td>
</tr>
<tr>
<td>Establishment:</td>
<td>2.0% of commitment at financial close.</td>
</tr>
<tr>
<td>Line fee:</td>
<td>3.5% p.a. on aggregate face value of all issued bonds, and 1.25% on any bonds for which cash collateral has been provided.</td>
</tr>
<tr>
<td>Use:</td>
<td>Bonds to support Hillgrove Copper's environmental rehabilitation bond to SA Government and project document security requirements.</td>
</tr>
<tr>
<td>Hedging:</td>
<td>Initial Minimum Hedging Program of ~25,000 tonnes of AUD copper swaps from July 2015, includes current 17,000 tonnes at average A$7,770 price; and Discretionary Hedging Facility (allows for up to 30,000 tonnes of AUD Copper and 10,000 ounces of Gold hedging).</td>
</tr>
</tbody>
</table>
Financial close conditions precedent include:

- delivery of security documents;
- copper hedging is in place (or being conducted concurrently);
- repayment of existing debt;
- required liquidity balances are met;
- amendment and restatement of offtake contract delivered; and
- A$10 million equity raising has been initiated and underwritten.

Both the Pre-Export Facility and the Performance Bond Facility, as well as hedging, will be supported by a security package and will benefit from agreed financial undertakings and required minimum account balances.
Dividend restrictions:
- subject to lender approval;
- compliance with financial undertakings;
- distributions in a financial year do not exceed 50% of net profit after tax of the guarantor group;
- minimum cash account balances met;
- cash backing for the performance bonds as required; and
- sufficient reserves for contested taxes.

Events of Default and Review Events:
- Market standard for a financing of this kind, including if the equity raise is not completed or the underwriting agreement is terminated due to a breach.
EQUITY RAISING OVERVIEW
## EQUITY RAISING OVERVIEW

### RIGHTS ISSUE OVERVIEW

#### Structure
- A 3 for 11 fully underwritten non-renounceable rights issue in order to raise A$10 million.
- Approximately 40.3 million shares to be issued.

#### Offer
- Rights issue will be priced at A$0.25 per share, which represents:
  - 25.4% discount to last close of A$0.335 (as at 22 May 2015);
  - 26.5% discount to 5 day VWAP\(^1\); and
  - 21.1% discount to TERP\(^2\).

#### Underwriters
- Freepoint and Wilson HTM Corporate Finance Ltd have fully underwritten the offer.
- Wilson HTM is Lead Manager.

#### Eligibility
- Australia and New Zealand and such other jurisdictions\(^3\) as Hillgrove determines, having regard to applicable securities laws, including the Corporations Act and the ASX Listing Rules.

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1. Volume weighted average price for the 5 days up to and including 22 May 2015.
2. Theoretical ex-rights price of $0.317 per share is the theoretical price at which Hillgrove shares should trade immediately after the end date.
3. Refer to slide 32 (Foreign Selling Restrictions) for other jurisdictions.
### Purpose of Capital Raising

<table>
<thead>
<tr>
<th>Sources (A$M)</th>
<th>Uses (A$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Cash</td>
<td>Restricted Cash</td>
</tr>
<tr>
<td>$5.0</td>
<td>$8.0</td>
</tr>
<tr>
<td>Available Cash</td>
<td>Repayment of Debt</td>
</tr>
<tr>
<td>$1.0</td>
<td>$15.0</td>
</tr>
<tr>
<td>Freepoint Debt and PP Deferral</td>
<td>Exploration</td>
</tr>
<tr>
<td>$21.3</td>
<td>$5.0</td>
</tr>
<tr>
<td>Rights Issue</td>
<td>Giant Cutback (12 Months)</td>
</tr>
<tr>
<td>$10.0</td>
<td>$17.1</td>
</tr>
<tr>
<td>Kanmantoo Cash Generation</td>
<td>Other Capex</td>
</tr>
<tr>
<td>$32.9</td>
<td>$3.4</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>Total Uses of Funds</strong></td>
</tr>
<tr>
<td><strong>$70.2</strong></td>
<td><strong>$70.2</strong></td>
</tr>
</tbody>
</table>

1 The sources and uses take into account various inputs, including the pricing structure under the off-take agreement with Freepoint, existing cost structures and current production levels at Kanmantoo Copper Mine, processing and mine-site operating expenses, and existing hedging arrangements, which are subject to the Risk Factors referred to in the "Important Notices" section of this presentation. It is important to recognise that the proposed use of funds is subject to change in line with emerging results, circumstances and opportunities, and may be changed by the Board at its discretion.
## EQUITY RAISING OVERVIEW

### BALANCE SHEET EXTRACT

<table>
<thead>
<tr>
<th></th>
<th>Audited 31 Dec 2014</th>
<th>Pro Forma 31 Mar 2015</th>
<th>Debt and Equity Raise</th>
<th>Pro Forma Post Equity Raise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Receivables</td>
<td>13,866</td>
<td>12,579</td>
<td>7,200</td>
<td>19,779</td>
</tr>
<tr>
<td>Inventories</td>
<td>32,664</td>
<td>33,592</td>
<td></td>
<td>33,592</td>
</tr>
<tr>
<td>Financial Instruments</td>
<td>1,477</td>
<td>1,477</td>
<td></td>
<td>1,477</td>
</tr>
<tr>
<td>Other / Borrowing Costs</td>
<td>229</td>
<td>251</td>
<td>1,300</td>
<td>1,551</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>48,236</strong></td>
<td><strong>47,899</strong></td>
<td><strong>8,500</strong></td>
<td><strong>56,399</strong></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>29,703</td>
<td>30,236</td>
<td>(4,000)</td>
<td>26,236</td>
</tr>
<tr>
<td>Borrowings</td>
<td>18,363</td>
<td>15,533</td>
<td>(15,000)</td>
<td>533</td>
</tr>
<tr>
<td>Financial Instruments</td>
<td>1,269</td>
<td>1,269</td>
<td></td>
<td>1,269</td>
</tr>
<tr>
<td>Other</td>
<td>3,911</td>
<td>4,315</td>
<td></td>
<td>4,315</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>53,246</strong></td>
<td><strong>51,353</strong></td>
<td><strong>(19,000)</strong></td>
<td><strong>32,353</strong></td>
</tr>
<tr>
<td><strong>Current Ratio</strong></td>
<td>0.91</td>
<td>0.93</td>
<td></td>
<td>1.74</td>
</tr>
<tr>
<td>Borrowings (Non-Current)</td>
<td>673</td>
<td>524</td>
<td>17,500</td>
<td>18,024</td>
</tr>
</tbody>
</table>

Note: Proceeds from equity raise presented net of estimated transaction costs. Adjustments for three months trading to 31 March 2015 based on unaudited management accounts. FX on debt raising is assumed to be 0.80.
## EQUITY RAISING OVERVIEW

### RIGHTS ISSUE TIMETABLE

<table>
<thead>
<tr>
<th>EVENT</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement of the Offer</td>
<td>Monday, 25 May 2015</td>
</tr>
<tr>
<td>Shares traded on an ex basis</td>
<td>Wednesday, 27 May 2015</td>
</tr>
<tr>
<td>Record date for Offer</td>
<td>Friday, 29 May 2015, 7.00pm (AEST)</td>
</tr>
<tr>
<td>Despatch of Offer Booklet / Offer Opens</td>
<td>Wednesday, 3 June 2015</td>
</tr>
<tr>
<td>Close of Offer</td>
<td>Monday, 15 June 2015, 5.00pm (AEST)</td>
</tr>
<tr>
<td>Shortfall notification to ASX</td>
<td>Thursday, 18 June 2015</td>
</tr>
<tr>
<td>Shortfall settlement</td>
<td>Friday, 19 June 2015</td>
</tr>
<tr>
<td>Allotment and issue of New Shares under the Offer</td>
<td>Monday, 22 June 2015</td>
</tr>
<tr>
<td>Commencement of trading for New Shares (normal basis)</td>
<td>Tuesday, 23 June 2015</td>
</tr>
</tbody>
</table>

Note: This timetable is subject to change. Subject to its obligations under the Underwriting Agreement, Hillgrove reserves the right to vary the timetable without notice. The commencement of trading of New Shares is subject to confirmation from the ASX.
Provides balance sheet flexibility and funding certainty throughout the important Giant Pit cutback program.

Enables evaluation and drilling for extension of Kanmantoo mine life, including second Giant Pit cutback on existing resource, and immediate northern extension to Kavanagh/Giant orebody.

Facilitates completion of debt refinance and better matches debt repayments to Kanmantoo mine life and cashflows.

Targeting longer term and reliable copper production through the period of anticipated copper price strength based on market consensus.
COMPANY UPDATE
Additional resource and exploration target range drilling around the existing mine has commenced, along with broader exploration lease work.

Further work is also underway on:

- Potential additional Giant Pit cutback giving extended mine life enabled by lower mining and processing costs.

- Exploration target range drilling into the northern extension of the Giant Pit.

- Incremental plant operational improvements to further reduce costs and increase copper recovery.

- New CPS plant for effective transitional and oxide ore treatment.
Lower costs potentially allow a second cutback on the Giant Pit with existing resource.
- 6,500mt of copper hedges added in April 2015 at a price of AUD7,917/mt (AUD3.59/lb) before margins. Post this transaction, Hillgrove has 19.6kmt of hedging at an average price of AUD7,765/mt (AUD3.52/lb).

- An additional 7,500mt hedging to be completed within 14 days of financial close.
Bird’s Head (porphyry copper/molybdenum) and Sumba (epithermal gold/porphyry copper) are advanced greenfields projects with historical databases and 4,000-5,000m initial drill programs completed by Hillgrove.

Full socialisation with local communities undertaken prior to work commencing, and IUP’s in place allowing foreign ownership.

After analysis and geochemical sampling, further walk up targets are ready to drill.

Projects moved to care and maintenance and Perth and Jakarta offices closed to minimise expenditure, with only small local teams maintaining lease requirements and our local JV partners in Jakarta maintaining socialisation and Government contact.

Searching for a local Joint Venture or funding partner for both projects, with the process to be further explored post the refinance.
IMPORTANT NOTICES
The business activities of Hillgrove are subject to risks, which include those which apply generally to investments in equity markets, and those which apply specifically to Hillgrove’s business and the present stage of Hillgrove’s operations. Some of the specific risks may be mitigated through the use of safeguards and contingency plans. However, many risks are outside the control of Hillgrove and its Directors and cannot be fully mitigated.

The future performance of Hillgrove and the future investment performance of its shares may be influenced by a range of factors, many of which are outside the control of Hillgrove or of any manager of any of its assets.

The following matters and summary of material risk factors set out below should be carefully considered in evaluating the prospects of Hillgrove. The summary of risks that follows is not exhaustive and this document does not take into account the personal circumstances, financial position or investment requirements of any particular person. Additional risks and uncertainties of which Hillgrove is unaware or currently considers to be immaterial may also become important factors that adversely affect future performance. It is important therefore for investors, before investing in Hillgrove shares, to consider these (and any other) risks and uncertainties carefully. Investors should have regard to their own investment objectives and financial circumstances and should seek advice from their professional adviser(s) before deciding whether or not to invest.

Specific risks of the Kanmantoo Mine

The mining and processing operations present a range of complex, inherently higher-risk working environments which are closely regulated by existing mining, environmental and occupational health and safety legislation. Hillgrove ensures a risk-based approach is applied to enable effective development and implementation of appropriate, practical engineering controls and safe systems of work to minimise workplace risks as far as reasonably practicable, or to find alternate approaches to essential tasks with lower inherent risks.

A significant amount of Hillgrove’s resources are directly focused on the development of the Kanmantoo Mine. Certain specific risks could affect the viability and success of the project, including:

- Resource estimates at Kanmantoo may not be robust;
- The resource classification basis may not be appropriate;
- The conversion ratio of resources to reserves may be inaccurate or inappropriate;
- Mining methods proposed may be unable to deliver on required production forecasts and recovery and dilution parameters;
- Metallurgical test work may not be sufficient to provide adequate inputs to the metallurgical process design;
- Proposed process and equipment specifications may be inappropriate for the application/duty required;
- Strategies for environmental protection and monitoring and pollution controls may be inappropriate;
- Project implementation timing may not be achieved;
- If the project fails to meet operating performance and financial tests incorporated into the project financing arrangements, the financiers have the ability to restrict cash flow being directed from Kanmantoo back to the parent company;
- Hedging undertaken for the project may not achieve its objectives;
- Ore reserves may be lower than currently expected;
- Mineralisation yields may be lower than currently expected;
- There may be limited or no availability of skilled labour or necessary contractor services;
Significant cash flows may not materialise from the project within the expected timeframe;

A significant operational failure requiring unplanned capital expenditure or a level of required capital expenditure which is higher or is needed sooner than anticipated;

The production plant may fail to perform as expected;

Operational risks such as mechanical difficulties, human error, incorrect technical assumptions, unanticipated conditions, equipment failures, weather conditions, civil unrest, wars and natural disasters, blowouts, cratering, explosions, pollution, seepage or leaks, fire and earthquake, unexpected shortages, delays or increases in costs of fuel or other consumables, spare parts or plant and equipment, and other accidents which may result in injury or loss of human life and consequential employee compensation claims; and

There may be an unexpected increase in operating or production costs, the majority of which are not fixed.

Any materially adverse development in relation to Kanmantoo, such as any of those referred to above, would be likely to have a materially adverse effect on the success of Hillgrove.

Copper and other metals prices
Hillgrove’s potential revenue will primarily be derived from the sale of copper and other metals. The price for copper and other metals fluctuate and are affected by many factors beyond Hillgrove’s control. Relevant factors include supply and demand fluctuations, technical advancements, forward selling activities and other macro-economic factors. Hillgrove has a hedging strategy to partially mitigate this risk.

Foreign exchange
Hillgrove is subject to the risk of unfavourable movements in exchange rates. To the extent that Hillgrove has exposure to foreign currency denominated earnings that are not hedged, fluctuations in the Australian Dollar relative to the US Dollar may materially affect the cash flow and earnings which Hillgrove will realise from its operations in Australian Dollar terms.

Dependence on key employees
Hillgrove’s success and growth strategy depends heavily upon its managing director and a relatively small number of other senior executive employees. The loss of the services of any of them could have a material and adverse effect on Hillgrove’s business, operating results and financial condition.

Risks in securing refinancing or additional financing
Further exploration and development of mineral properties by Hillgrove may require Hillgrove to obtain further future financing through operational cash flow, joint venture, debt financing or refinancing, equity financing or other means. There is no assurance that Hillgrove would be successful in obtaining further financing if and when needed. Volatile markets for mineral commodities may make it difficult for Hillgrove to obtain debt financing or equity financing on favourable terms, or at all. Failure to obtain additional financing on a timely basis may cause Hillgrove to postpone development plans or forfeit rights in some or all of its properties. Furthermore, any material and adverse change in the capital markets could have a material and adverse impact on the ability of Hillgrove to raise further capital.

Joint venture and reliance on third parties
Hillgrove does not own 100% of all projects in which it is involved. Through Hillgrove’s participation in joint ventures and its use of contractors and other third parties for development, exploration, mining and other services, it is reliant on a number of third parties for the success of its current operations and for the development of its exploration projects. Problems caused by third parties may arise which have the potential to impact on the performance and operations of Hillgrove. Any failure by counterparties to perform their obligations may have a material adverse effect on Hillgrove and there can be no assurance that Hillgrove would be successful in attempting to enforce any of its contractual rights through legal action.
Government

Government approvals and permits are currently required and may in the future be required in connection with the operations of Hillgrove. To the extent such approvals are required and not obtained, Hillgrove may be curtailed or prohibited from continuing its operations or from proceeding with planned exploration or development of mineral properties. Government policies are subject to review and change from time to time and Hillgrove relies upon government agencies promptly and favourably dealing with applications and consents. Such matters are likely to be beyond the control of Hillgrove. Changes in community attitudes on matters such as taxation, environment and landholder issues may bring about reviews and possible changes in government policies and regulations. Any such government action or inaction may limit or prohibit operations or require increased capital or operating expenditure and could adversely impact Hillgrove’s financial position and performance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Hillgrove and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production, or delays in development.

Licences and Permits

Interests in permits are governed by the granting of licences or leases by the appropriate government authorities. The conduct of operations and steps involved in acquiring all licences and permits involve compliance with numerous procedures and formalities. It is not always possible to correctly interpret, or comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly completed, or that it is possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the titles. Failure to obtain any necessary licences or permits, any material non-compliance with such licences or permits or the revocation or non-renewal of such licences or permits could adversely impact Hillgrove’s financial position and performance.

Taxation

Hillgrove is subject to various forms of taxation in Australia and other jurisdictions. There is an ongoing risk that changes to taxation legislation or the interpretation or enforcement of taxation laws or regulations could adversely impact Hillgrove’s financial position and performance.

International operations

In Indonesia, in which Hillgrove has assets and operations, such assets and operations are subject to various political, economic and other uncertainties, including, among other things:

- The risks of expropriation, nationalisation, renegotiation or nullification of existing concessions, licences, permits, approvals and contracts;
- Taxation policies, foreign exchange and repatriation restrictions;
- Changing political conditions;
- International monetary fluctuations;
- Currency controls;
- Community relations and Hillgrove’s relationship with local employees; and
- Foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

In addition, in the event of a dispute arising from foreign operations, Hillgrove may be subject to the exclusive jurisdiction of foreign courts, and may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for Hillgrove to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on Hillgrove’s operations.
Environmental risks

Hillgrove’s operations are subject to extensive Federal, State and local environmental laws and regulations. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for violation of such standards. Significant liability could be imposed on Hillgrove for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage or non-compliance with environmental laws or regulations. Compliance or non-compliance with environmental laws or regulations may require Hillgrove to incur significant costs and may have a significant material impact on Hillgrove’s financial performance.

Insurance

Insurance of risks associated with mining operations is sometimes unavailable and sometimes attracts large premiums. If Hillgrove incurs uninsured losses or liabilities, its assets, profit and prospects will be adversely affected.

Contractual risks

Hillgrove is a party to various contracts (including the Freepoint off-take agreement). Hillgrove’s ability to achieve its objectives will depend on the counterparties to those contracts performing their obligations. All contracts entered into by Hillgrove are subject to interpretation. There is no guarantee that Hillgrove will be able to enforce all of its presumed rights under its contracts. Any default or dispute under those contracts may adversely affect Hillgrove’s financial position or performance.

Dividends

There are restrictions on Hillgrove’s ability to pay dividends to its shareholders under the newly executed finance facilities. Any future determination as to the payout of dividends will be at the discretion of directors and will depend on the availability of distributable earnings, operating results and the financial position of Hillgrove, its future capital requirements and other relevant factors. No assurance in relation to the payment or franking of dividends can be given by Hillgrove.

Reserve and resource estimates

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and drilling plans which may, in turn, adversely affect Hillgrove’s operations.

Underwriting risks

The Underwriting Agreement contains customary termination rights for capital raisings, including (but not limited to) the occurrence of a material adverse change, ASX not granting or refusing to grant approval for quotation of New Shares, a breach by Hillgrove of any laws, and the occurrence of a significant drop in the level of the S&P/ASX 200 Index. Termination of the Underwriting Agreement would have an adverse impact on the proceeds raised under the Offer and Hillgrove’s sources of funding for its intended purpose. Termination could also materially adversely affect Hillgrove’s business, cash flow and financial condition.

Risks related to the offer

There are risks related to the offer, including:

- Dilution of percentage holding in Hillgrove for investors that do not take up their entitlements; and
- Changes to the balance of control of Hillgrove as a result of the underwriting arrangements where there is a shortfall following the close of the Offer.
Production estimates
Actual future production may vary materially from targets and projections of future production for a variety of reasons. There is greater risk that actual production will vary from estimates of production made for properties under exploration or not yet in production or from operations that are to be expanded.

General business and market risks
There are business and market risks inherent in any listed security, which could materially affect Hillgrove’s earnings and the pricing of its shares, including:

- Movements in local and international economies and share and capital markets, including general market volatility;
- Changes in interest rates and other general economic conditions;
- Changes in investor sentiment and perceptions;
- Upheaval and uncertainty due to terrorist activities, insurrection, war and general conflict;
- Changes in government fiscal, monetary and regulatory policies and statutory changes (including the impact of government actions in relation to access to lands and infrastructure, compliance with environmental obligations, taxation and royalties);
- Changes in accounting standards, or in the interpretation of accounting standards, which have an adverse impact on Hillgrove;
- The risk of claims, litigation and other liabilities directed at the Hillgrove;
- The risk of industrial action and work stoppages by employees and contractors; and
- Changes in metal prices.

There is a risk that there will be illiquidity in the market for Hillgrove shares. This may increase the volatility in the price of those shares or may impede an investor’s ability to realise an investment in Hillgrove.

One of the Underwriters, Freepoint Metals and Concentrates LLC (formerly part of the J.P. Morgan group), is currently a holder of approximately 4.7% of Hillgrove’s issued share capital and is also party to the Off-take Agreement referred to in this presentation. That entity or its holding companies, as appropriate, have the ability to deal with those interests or interests in any entities that hold that stake and have not given any commitments to maintain any stake at any particular level.

General exploration and development risks
Similar to other enterprises in the natural resources sector, there are certain risks that could affect Hillgrove which are substantially outside its control. These risks include:

- Unforeseen adverse geological or mining conditions and/or changes to predicted mineral grades;
- Increases in production costs;
- The state of demand and supply for copper and gold in Australia and overseas markets and the effect on copper and gold prices;
- Changes in government regulations (including environmental regulation) and government imposts, such as royalties, rail freight charges and taxes; and
- Risks to land titles, mining titles and use thereof as a result of native title claims.
This document and the Placement do not constitute an offer of new ordinary shares in Hillgrove (“New Shares”) in any jurisdiction in which it would be unlawful to do so. New Shares may not be offered or sold in any country outside Australia except to the extent permitted by law.

**United Kingdom**

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no approved prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to fewer than 150 persons (other than ‘qualified investors’ (within the meaning of section 86(7) of FSMA)) in the United Kingdom and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may any of its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstance in which section 21(1) FSMA does not apply to Hillgrove.

**Singapore**

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of New Shares may not be circulated or distributed, nor may New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to, and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing shareholder of Hillgrove Shares. In the event that you are not such a shareholder, please return this document to Hillgrove immediately. You may not forward or circulate this document to any other person in Singapore. The Offer is not made to you with a view to the New Shares (or any of them) being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

**United States**

This document has been prepared for publication in Australia and may not be released, distributed or published, directly or indirectly, in or into the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any “US person” as defined in Regulation S (“US Person”) under the US Securities Act of 1933 (“US Securities Act”). Any securities described in this document have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to any US Person, except in transactions exempt from, or not subject to, registration under the US Securities Act and other applicable US state securities laws.
No representation or warranty is or will be made by any person (including Hillgrove Resources Limited ACN 004 297 116 ("Hillgrove", “HGO”, or the “Company”) and its officers, directors, employees, advisers and agents) in relation to the accuracy or completeness of all or part of this document (the “Document”), or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, this Document or any part of it. This Document includes information derived from third party sources that has not been independently verified.

This Document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Hillgrove and certain plans and objectives of the management of Hillgrove. Forward-looking statements can generally be identified by the use of words such as ‘project’, ‘foresee’, ‘plan’, ‘expect’, ‘aim’, ‘intend’, ‘anticipate’, ‘believe’, ‘estimate’, ‘may’, ‘should’, ‘will’ or similar expressions. Indications of, and guidance on, production targets, targeted output, mine development or timelines, exploration or expansion timelines, infrastructure alternatives and financial position and performance are also forward-looking statements. Any forecast or other forward-looking statement contained in this Document involves known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Hillgrove, and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Various factors may cause actual results or performance to differ materially. These include without limitation the following: risks specific to Hillgrove’s operations; credit risk; levels of supply and demand and market prices; legislation or regulations throughout the world that affect Hillgrove’s business; insurance expenses; the risk of an adverse decision or other outcome relating to governmental investigations; class actions or other claims; growth in costs and expenses; and risk of adverse or unanticipated market, financial or political developments (including without limitation in relation to commodity markets).

You are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are based on information available to us as of the date of this Document. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

This Document is provided for informational purposes only and is subject to change without notice. Subject to any obligations under applicable laws, regulations or securities exchange listing rules, Hillgrove disclaims any obligation or undertaking to release any updates or revisions to this Document to reflect any change in expectations or assumptions. Nothing in this Document should be interpreted to mean that future earnings per share of Hillgrove will necessarily match or exceed its historical published earnings per share, or that there has been no change in the affairs of Hillgrove since the date of this Document.

Nothing contained in this Document constitutes investment, legal, tax or other advice. The information in this Document does not take into account the investment objectives, financial situation or particular needs of any recipient. Before making an investment decision, each recipient of this Document should make its own assessment and take independent professional advice in relation to this Document and any action taken on the basis of this Document.

All currency referred to is Australian dollars ($) unless otherwise indicated (e.g. US$).

Hillgrove moved to a 31 December year end in 2014, so prior year references are for CY14 and the current year is FY15, with Q1 Jan-Mar, Q2 Apr-Jun, Q3 Jul-Sep and Q4 Oct-Dec.
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.

Competent Person’s Statement

The information in this release that relates to Mineral Resources is based upon information compiled by Ms Michaela Wright, who is a Member of The Australasian Institute of Mining and Metallurgy. Ms 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)’. Ms 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.

The information in this release that relates to Exploration Results is based on information compiled by Dr David Rawlings, who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Rawlings consults independently as the Kanmantoo Project Exploration Manager for Hillgrove Resources Limited and has sufficient relevant experience 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)’. Dr Rawlings consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Kanmantoo Global Mineral Resource Estimate at End February 2013

<table>
<thead>
<tr>
<th>JORC 2012 Classification</th>
<th>Tonnage (Mt)</th>
<th>Cu (%)</th>
<th>Au (g/t)</th>
<th>Ag (g/t)</th>
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<tbody>
<tr>
<td>In Situ Resource</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Measured</td>
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<td>0.88</td>
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<tr>
<td>Indicated</td>
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<td>Inferred</td>
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<td>29.46</td>
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<tr>
<td>Long Term Stockpiles</td>
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<td></td>
<td>1.89</td>
<td>0.39</td>
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<td>-</td>
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<tr>
<td>Total</td>
<td>31.30</td>
<td>0.78</td>
<td>0.20</td>
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Note: In Situ Resource >0.20% Cu, Long Term Stockpiles >0.15% Cu.

Kanmantoo Global Ore Reserve Estimate at End February 2013

<table>
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<tr>
<th>JORC 2012 Classification</th>
<th>Tonnage (Mt)</th>
<th>Cu (%)</th>
<th>Au (g/t)</th>
<th>Ag (g/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Situ Reserve</td>
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<tr>
<td>Proven</td>
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<tr>
<td>Long Term Stockpiles</td>
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<td>0.71</td>
<td>0.18</td>
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Note: In Situ Reserve >0.20% Cu. Long Term Stockpiles >0.15% Cu.