SAFETY, COMMUNITY AND ENVIRONMENT
SAFETY HAS SIGNIFICANTLY IMPROVED

KEY TAKEAWAYS

- Significant improvement in safety, lowest TRIFR since operations began in 2011
Award for Hills mining company
By Genevieve Cooper

A decade of co-operation between a copper mine and its local community was recognised with a State Premier’s Award last week.

Hillgrove Resources Limited and the Koombana Callington Community Consultative Committee (KCCCC) received the Excellence in Supporting Communities Award announced by Mines Minister Tim Kneeton at this year’s Premier’s Community Excellence Awards in Mining and Energy.

Hillgrove and the KCCCC was a joint winner in the category along with the BHP Billiton Olympic Dam Corporation and the Art Gallery of SA.

Judges said the company and the committee were recognised for “building durable relationships with their community to deliver projects that are making a tangible difference on many levels”.

BHP Billiton and the gallery were recognised for its partnership in organising the inaugural Torrens Art Prize of Contemporary Aboriginal and Torres Strait Islander Art.

KCCCC member Gary Dyer said a committee meeting last Thursday night that the level of engagement enjoyed by the community and Hillgrove was “something you don’t often see” and he hoped the award would make the Government take notice.

“More now on this is probably going to lead to best practice in terms of what can be achieved if a company has good concepts and willingness to get along with the community,” he said.

Harry Ngai, another KCCCC member, said Hillgrove had spent a lot of time trying to engage with the community over a range of issues.

“When you compare the engagement of this community with other mining operations and I think the Terramin mine is a classic case of how not to do it,” he said.

Hillgrove Resources’ chief executive Steve McClure said the company was proud to be recognised for its level of engagement.

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KEY TAKEAWAYS

- Social licence to operate is a fundamental pillar of future success
KEY TAKEAWAYS

- 17% of site rehabilitation requirements completed in CY15
- High quality rehabilitation, achieved in a progressive and cost effective manner
Copper in concentrate 17,306 tonnes

Underlying EBITDA of $17.3M

Impairment of Assets
- Indonesia $29.9M
- Kanmantoo $69.8M

Revenue $139.5M - average realised copper price of $3.57/lb (US$2.74/lb)

C1 cost $2.81/lb (US$2.11/lb)

$18.1m progressing the Giant Cutback

Corporate moved Sydney to Adelaide (realising a 45% saving)

KEY TAKEAWAYS
- Cutback progressed to plan, costs on plan but copper production below plan
THE PAST 12 MONTHS – POST FINANCING
Lower production in the last 12 months driven by historical oxide stockpiles and upper areas of the Giant Pit,

Significant focus area, addressed with an updated mineral resource estimate,

Confidence in mineral resource estimate:
- Based on back validation of Kavanagh pit,
- Performance over the last 3 months,

Significant value still remains in Kanmantoo Mine,

However cash flow profile has been reshaped, exacerbated by debt repayments, and

Being addressed by working together with our stakeholders

**KEY TAKEAWAYS**

- Directors remain confident significant value in the mine can be achieved
KEY TAKEAWAYS

- Revenue losses from copper only partially offset by lower expenses and higher precious metals revenue. Resulting in minimal buffer.
12 month copper production 4.4kt lower than initially forecast

- 56% historical oxide and transitional stockpiles
- 44% primary feed (satellite pits and upper levels of Giant)

Expected to have minimal impact in the future

- Oxide and transitional completed
- Primary – updated mineral resource estimate

KEY TAKEAWAYS

- Copper production 4.4kt lower than forecast has materially impacted revenue in the last 12 months
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**KEY TAKEAWAYS**

- 2016 Model appropriate for complex orebody
Key Takeaways:

- Mineral Resource Estimate compared to historic mining in Kavanagh
  - Old model over predicted
  - New model is anticipated to under predict
Mineral Resource Estimate comparison of 2016 MRE to 2013 MRE:

- Extra 11,080 tonnes of copper metal for the same deposits despite depletion
- 2016 MRE reconciles favourably
  - against historic production from Kavanagh 11% on tonnes of copper metal
  - Over last three months 13% on tonnes of copper metal

**KEY TAKEAWAYS**

- 2016 Mineral Resource Estimate increases copper metal, despite mining depletion
Current life of mine plan reflects the updated geological model

Last 12 months waste to ore ratio of 5.4:1

Three phases of remaining mine life:

- Phase 1: Capital Investment (Remainder 2016)
  - Relatively high strip ratio (4.3:1)

- Phase 2: Debt Repayment (CY2017)
  - Reduced strip ratio (2.6:1) improves cash generation, used to reduce maturing debt

- Phase 3: Shareholder Returns (CY2018 and Beyond)
  - Very low strip ratio (1.2:1) and reduced mining costs drive rapid cash generation

Production levels modelled to result in a cash shortfall in 2016 and 2017, initiatives progressed to address this gap
EXPLORATION
Contiguous geophysical trend extending up to 1km to NNE of existing Giant orebody

- Observed in recent Gravity, but subtle in historic EM/IP due to near-surface effects and lack of QA/QC
- Untested until recent HGO deep RC hole

**KEY TAKEAWAYS**

- Gravity, Heli TEM and 324m exploration RC hole cast doubt on historic interpretation
- 28m @ 0.61% Cu and 0.14g/t Au (324m RC Hole)
- DHEM - Significant off-hole conductors towards pit & up-dip
- Indicative grades and thickness consistent with current orebody
- Giant orebody remains open at depth

Key Takeaways

- Encouraging hole and associated down hole electro magnetic results but further drilling required
KEY TAKEAWAYS

- Near-mine exploration to recommence once operation stabilised
CLOSING
Directors remain confident significant value in the mine can be achieved.

Updated geological model:
- Robust Estimate appropriate for the complex deposit
- Reinforced with historical validation and actual performance over the last 3 months

Cash flow profile based on the new geological model, exacerbated by debt repayments

Being addressed by working together with our stakeholders
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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.

Competent Person's Statement

The information in this release that relates to the 2016 Mineral Resource for Giant is based upon information compiled by Mr Peter Rolley, who is a Member of The Australian Institute of Geoscientists. Mr Rolley 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 Rolley 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 the 2013 Mineral Resource not including Giant 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 upon 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.