

Chairman's Address
Hillgrove Resources Limited - Annual General Meeting- May 2018

Ladies and Gentlemen, on behalf of the Board of Directors and the management team, I welcome you to the 2018 Annual General Meeting of Hillgrove Resources Limited.

In the 2017 calendar year, Hillgrove completed the investment phase of the Giant Pit cutback after a difficult 2016, when depressed copper prices and deferred copper production impacted the company.

Following a review of the resource model, a more conservative production plan was adopted, and this required the adoption of a range of initiatives to cope with forecast cash flow shortages. A range of initiatives that we articulated in the Chairman's and MD's statement in the 2017 Annual Report, were implemented and included commercial, financial and operational changes that enhanced cashflows, but at the cost of a very strained balance sheet.

This year we are reaping the benefits of the cutback being completed with ore stockpiles building to protect mill production, and it's pleasing to note that we have almost 2 million tonnes on stockpile now. This is set to increase to above 4 million tonnes when mining at the Giant Pit is completed in mid-2019.

However, increasing pit depth and consequent smaller working areas provide their own challenges in equipment utilisation and geotechnical issues. Thus, it's always comforting to have significant ore stockpiles waiting on the surface ready for milling once again.



Now that we are into 2018, production of copper and gold has been increasing steadily, and this is allowing us to fulfil our obligations to our creditors, employees and lenders. By later in the year, we hope to have our creditors back to normal terms. I must say how welcome that is for us all in the company, and also I am sure for our very supportive and loyal creditors, who have stood by us during the tough times. They know who they are and we owe them a debt of gratitude for their support.

I am pleased to advise the crusher recommenced operation yesterday, and despite the unscheduled stoppage our guidance for the 2018 year remains as previously stated- between 22-24,000 tonnes of copper metal and 2,500 to 3,500 ounces of gold to be produced. Revenues from the 2018 production will be enhanced as we have been able to fix the pricing of 12,500 tonnes of copper at a price of almost A\$9000/tonne, so our EBITDA for 2018 should also improve significantly above the \$16.2M achieved for the 2017 year.

With just over two years of milling ore left from the Giant Pit, the focus on growth opportunities has continued using internal resources that were at our disposal, as we were very focussed on improving the company's creditors and employee obligations while dealing with the regular day to day production issues that arose during the year.

Now those issues are getting under control, we are looking forward to seeing some of the potential that we talked about last year coming to fruition. We have been seeing some exciting results from our exploration work at Mt Rhine and Kanappa, and we continue to advance studies on the underground resources while simultaneously pursuing the Pumped Hydro Project. We have recently appointed an advisor with the necessary experience and contacts to assist us to take the hydro project to the next stage. The prospects of getting a

financial return from this project as well as further success and upgrading of the resources at Mt Rhine and Kanappa give us confidence that Hillgrove has an exciting future beyond the open pit operations.

We have also identified other prospects within the mine area and have taken out further exploration licences to the South East of our current licenses which we believe have the potential to host other copper and gold resources. Steve McClare and Peter Rolley, our Chief Geologist, will review these in more detail after the meeting.

With our large stockpiles remaining to be milled, and given we are in a cash generating phase, we are well positioned to explore these other opportunities responsibly and with a modest investment.

The Board is absolutely focussed on delivering the best result for the company and shareholders, and as such will be rigorously assessing these opportunities against the base case of returning cash back to shareholders. Our aim is to return creditors to normal terms, clear debt and reward shareholders for their patience and continued support. In early 2019, we will also be considering the payment of a dividend on the completion of the 2018 accounts.

I would like to thank all our shareholders, our employees and staff, the local and state governments, and our contractors and suppliers for assisting us to overcome what has been a tough few years. The continuing support of the local community has been essential and is appreciated.

And I would also like to thank my fellow board members for their wisdom and support and would like to acknowledge our former chairman Dean Brown who stepped down in mid 2017, for his dedicated and energetic contribution during his long tenure.

Many thanks and I trust that you find this meeting, and later the presentations by Steve McClare and Peter Rolley, informative and interesting.

Thank you for your support and interest.

John Gooding

Chairman