HILLGROVE RESOURCES

ASX RELEASE

Monday, 26 August 2019

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2019

HIGHLIGHTS

- The Company distributed $8.8M in fully-franked dividends (1.5c/share). Working capital improved, with current assets exceeding current liabilities at 30 June 2019 by $17.6 million, including cash of $2.7 million.
- Safe completion of open pit mining activities with a Total Recordable Injury Frequency Rate at 30 June 2019 of 9.9 (17.2 for corresponding period).
- Pumped Hydro Energy Storage (PHES) – sale of the rights to develop, own, and operate the Kanmantoo PHES project to AGL Energy Limited (AGL) for $31 million, subject to satisfaction of a number of conditions and payable in staged payments with the first $1.0 million received during the period. Progress has been made on satisfying conditions for the next milestone payment.
- Fixed Pricing – continued prudent management of fixed pricing contracts, with pricing fixed for 5,175 tonnes of copper at an average of $8,750 per tonne at the half year end.
- Underground – commencement of the diamond drilling program to test the down-dip extensions of the Kavanagh lode systems beneath the Giant open pit to assess the viability of underground mining before the PHES project is commissioned.
- Progressive rehabilitation continued with 84 hectares now planted with native vegetation, reducing closure liabilities, which should result in a reduced environmental bond.

HALF YEAR FINANCIAL PERFORMANCE

- Underlying EBITDA of $17.2m was down 24% from the corresponding half year, following the completion of the mining in the Giant Pit and commencement of processing of low-grade ore stockpiles.
- Cashflow from operating activities was $12.7 million, an increase of $6.2 million on the corresponding period.
- Net concentrate revenue of $74.9 million was down 14% at an average cash realised copper price of A$8,806/t (June 2018: A$8,984/t).
- The statutory profit after tax of $4.7 million was down 66% (June 2018: a profit of $13.9 million).
- Improved balance sheet - total liabilities have decreased by $18.5 million since 31 December 2018.

Results for the period ($ million)	6 months to 30 June 2019	6 months to 30 June 2018	Change
Revenue	**74.9**	**86.9**	(12.0)
Statutory profit	**4.7**	**13.9**	(9.2)
EBITDA	**17.2**	**22.7**	(5.5)
Underlying profit	**4.7**	**13.9**	(9.2)

OUTLOOK

Looking forward, following the completion of mining and the associated reduction in operating costs, the focus will be on maximising the accumulation of cash from the treatment of the remaining low grade stockpiles with the majority of copper to be sold at fixed pricing. Processing is expected to continue until the first half of 2020.

Work will also continue on the PHES, assisting AGL to achieve the milestones for staged payments. The next $4.0M will be payable by AGL on the completion of a number of conditions precedent relating to site environmental assessment, mining lease relinquishment, ground stability and execution of an early works agreement for the first fill. To date, three of the seven conditions have been satisfied with completion of the remaining conditions targeted in the December 2019 quarter.

Cash generation from processing of stockpiles together with pumped hydro proceeds should position the Company to make further returns to shareholders, and prudently consider growth opportunities.

A drilling programme is currently underway to assess the depth extensions of the orebody below the pit. This drill hole data is being used to design underground access to the orebody from the haul road into the 350m deep Giant Pit as a "quasi decline". Preliminary modelling indicates the potential for a viable underground operation for a relatively low capital investment. Drilling to prove up this target commenced in June. Hillgrove has also begun the associated studies required for the permitting process to ensure that underground mining has sufficient time to extract the ore prior to the commencement of the pumped hydro water filling program.

Negotiations continue with AGL regarding the interaction of the underground and pumped hydro to ensure that both projects can proceed without hindering one another.

In parallel, Hillgrove is employing low cost exploration techniques not used before in South East South Australia to establish this region as a highly prospective porphyry / IOCG (iron oxide copper gold) province. With a number of encouraging targets identified, Hillgrove is considering exploration funding options which may include the introduction of joint venture partners.

Previous guidance on 2018 copper and gold production, C1 cost, capital and exploration expenditure remains unchanged.

For more information contact:

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CFO & Company Secretary
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Appendix 4D

Interim Report

Half year ended 30 June 2019

Name of entity	Hillgrove Resources Limited
ABN	73 004 297 116
Half year ended	30 June 2019
Previous corresponding reporting period	30 June 2018

Results for announcement to the market

Revenue from ordinary activities	down	14%	to	$74,969,000
Profit from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited	down	66%	to	$4,747,000
Profit for the period attributable to the owners of Hillgrove Resources Limited	down	66%	to	$4,747,000

Dividends

During the half year ended 30 June 2019 a dividend of 1.5 cents per share was paid to members on 28 June 2019. No dividend was paid or proposed in 2018.

Brief explanation of results

A net profit after tax of $4,747,000 is reported by the Group for the half year (30 June 2018: profit of $13,913,000).

Refer to the directors' report, financial statements and supporting notes in the attached Interim Report for the half year ended 30 June 2019 for additional detail.

Statements

The following statements are included in the attached Interim Report for the half year ended 30 June 2019:

- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows.

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Net tangible assets per security

NTA backing	Current period 30 June 2019	Previous period 31 December 2018
Net tangible asset backing per ordinary security (undiluted)	7.0 cents	7.7 cents

Control gained or lost during the period

Control gained

There were no transactions entered into by the Group during the half year ended 30 June 2019 that resulted in control being gained over any entities.

Control lost

There were no transactions entered into by the Group during the half year ended 30 June 2019 that resulted in control being lost over any entities.

Subsidiaries

The consolidated results incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of Share	Equity Holding 2019	Equity Holding 2018
Controlled entity			**%**	**%**
Hillgrove Copper Pty Ltd	Australia	Ordinary	100	100
Hillgrove Copper Holdings Pty Ltd	Australia	Ordinary	100	100
Hillgrove Exploration Pty Ltd	Australia	Ordinary	100	100
Hillgrove Mining Pty Ltd	Australia	Ordinary	100	100
Hillgrove Operations Pty Ltd	Australia	Ordinary	100	100
Hillgrove Wheal Ellen Pty Ltd	Australia	Ordinary	100	100
Kanmantoo Properties Pty Ltd	Australia	Ordinary	100	100
Mt Torrens Properties Pty Ltd	Australia	Ordinary	100	100
SA Mining Resources Pty Ltd	Australia	Ordinary	100	100
Hillgrove Indonesia Pty Ltd	Australia	Ordinary	100	100
Hillgrove Singapore Holdings Pte Ltd	Singapore	Ordinary	80	80
Hillgrove Singapore No 2 Pte Ltd	Singapore	Ordinary	80	80
Hillgrove Singapore No 3 Pte Ltd	Singapore	Ordinary	100	100
Hillgrove Singapore No 4 Pte Ltd	Singapore	Ordinary	100	100
PT Akram Resources Pte Ltd	Indonesia	Ordinary	80	80
PT Fathi Resources Pte Ltd	Indonesia	Ordinary	80	80
PT Hillgrove Indonesia Pte Ltd	Indonesia	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

Associates and joint venture entities

PT Akram Resources and PT Fathi Resources are Joint Ventures with Indonesian partners in accordance with the terms of the Joint Venture agreement.

Commentary on results for the period

Review of operations

Refer to the directors' report, financial statements and supporting notes in the attached Interim Report for the half year ended 30 June 2019.

Foreign entities

International Accounting standards have been used in compiling the report.

Report based on audited accounts

This report has been based on the attached accounts which have been reviewed by the Group's auditors.

Interim Report
for the Half Year Ended
30 June 2019

Hillgrove Resources Limited
and its Controlled Entities

ACN 004 297 116

Contents

Note: All dollars in this report are Australian unless otherwise noted.

Directors' Report

The Directors present their report on the consolidated entity consisting of Hillgrove Resources Limited ("Hillgrove" or the "Company") and its controlled entities (the "Group" or the "Consolidated Entity") for the six month period to 30 June 2019.

Directors

The Directors of the Company during this period were:

- John Gooding
- Philip Baker
- Anthony Breuer
- Lachlan Wallace (appointed 27 May 2019)
- Murray Boyte (appointed 10 May 2019)
- Steven McClare (resigned 2 May 2019)
- Maurice Loomes (resigned 10 May 2019)

Principal Activities

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on copper production from its Kanmantoo Copper Mine in South Australia and creating value from its exploration tenements in South Australia.

Kanmantoo Copper Mine

The Kanmantoo Copper Mine in South Australia is located 55 kilometres from Adelaide. A main highway passes close to the project and being approximately 90 kilometres by road to Port Adelaide enables the trucking of copper concentrate to the port. The mine site is connected to the electricity grid and has process water supplied by the District Council of Mount Barker's treated waste water programme with additional water capacity from the Murray River which provides 100% redundancy if required. Open cut mining was completed in late May 2019 with processing of ore stockpiles expected to continue until the first half of 2020. Hillgrove's direct workforce has reduced from approximately 200 to 60 employees.

The Kanmantoo Copper Mine is an open-cut operation with a Mineral Resource at December 2018 of 24 million tonnes (5Mt Measured, 9Mt Indicated, 10Mt Inferred) grading 0.6% copper and 0.1g/t gold (*based on the most recent Mineral Resource Estimate. Refer About Hillgrove at end of report*). Following construction of the plant in late 2011, capital enhancements and continuous improvements have increased plant throughput capacity from a nominal 2.4Mtpa to between 3.0Mtpa and 3.6Mtpa, allowing production in recent years of up to 90,000 dry metric tonnes of copper concentrate per annum, containing approximately 20,000tpa copper and associated gold and silver. With the grade of stockpiled ore at around 0.3% copper, the annual copper production rate is likely to be halved from mid-June 2019. Sales of copper concentrate are made to Freepoint Metals and Concentrates LLC under a 100% copper concentrate offtake agreement.

Operating and Financial Review

Operations – Mining

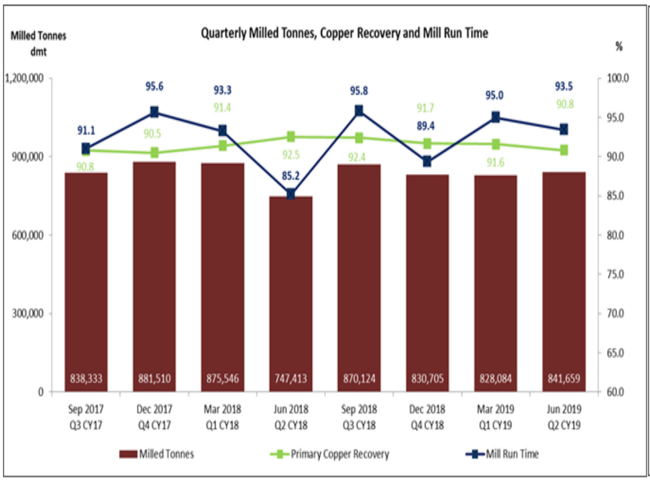
Mining production rates during the period reduced as expected as the pit approached completion with reduced working areas and single lane ramps. As always, safety is paramount so production delays were experienced in the final months of open pit mining as several rock falls and wet weather events necessitated a cautious approach in order to remediate the pit walls and to continue to mine safely.

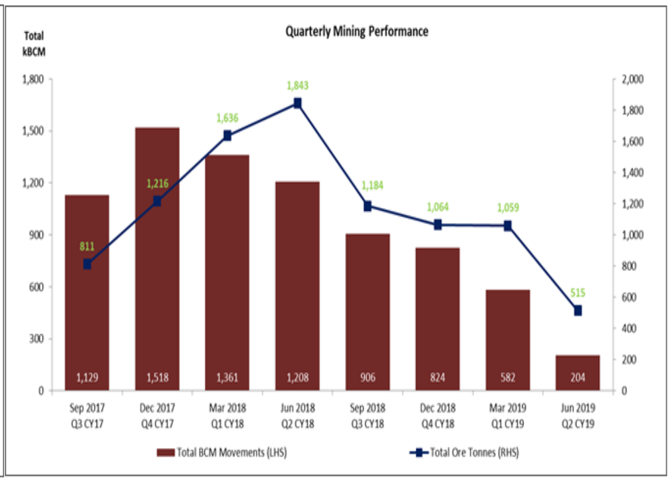
Total material mined for the half year to 30 June 2019 was 786k BCM including 1.6M tonnes of ore (six months to 30 June 2018: 2,569k BCM and 3.5M tonnes of ore).

Directors' Report (continued)
Operating and Financial Review (continued)

Open pit mining was completed in late May 2019. There remains some blasted ore in the pit that was not able to be mined due to safety concerns associated with rock falls. Nevertheless, the ore recovered was above the Ore Reserve estimate at 31 December 2018. The slower mining rates over a longer period increased unit costs as expected.

The delays in mining provided the opportunity to accelerate rehabilitation civil works including 407k BCM of material movement associated with final landform shaping and topsoil cover.





Operations – Processing

While the substantial increase in ore stockpiles enabled the mill to preferentially treat higher grades during the period, by mid-June the transition to ore feed solely from stockpiled low-grade ore (0.3% Cu) was in full effect. Mill throughput for the half year to 30 June 2019 was 1,670kt at 0.60% copper head grade (30 June 2018: 1,623kt at 0.72% Cu). The average copper recovery achieved for the half year was 91.2% and target mill throughput was achieved even after a significant three-day maintenance shut in June.

Total production for the half year to 30 June 2019 was 38,522 dmt of concentrate containing 9,186 tonnes of copper metal (30 June 2018: 45,676 dmt containing 10,764 tonnes of copper metal).

Total gold produced was 1,761 ounces (30 June 2018: 3,812 ounces) as feed grade returned to normal average levels following completion of the areas where higher gold grades existed.

Unit Cash Costs

Albeit occurring late into the half year period, the completion of open pit mining In May 2019 resulted in a significant reduction in cash costs for equipment hire, diesel, staffing and contractors. The C1 unit cost for the half year to 30 June 2019 was US$1.95 (A$2.76) per lb payable copper compared to the half year to 30 June 2018 C1 unit cost of US$2.03 per lb. Mining costs and the allocation of deferred mining costs has ceased and both are now replaced by the book cost of stockpiled inventory as it is fed to the mill which averages around A$1.70 per pound.

The total unit cost including depreciation and royalties was US$2.40 (A$3.40) per lb payable copper compared to US$2.43 (A$3.15) per lb in the previous corresponding half year.

Directors' Report (continued)
Operating and Financial Review (continued)

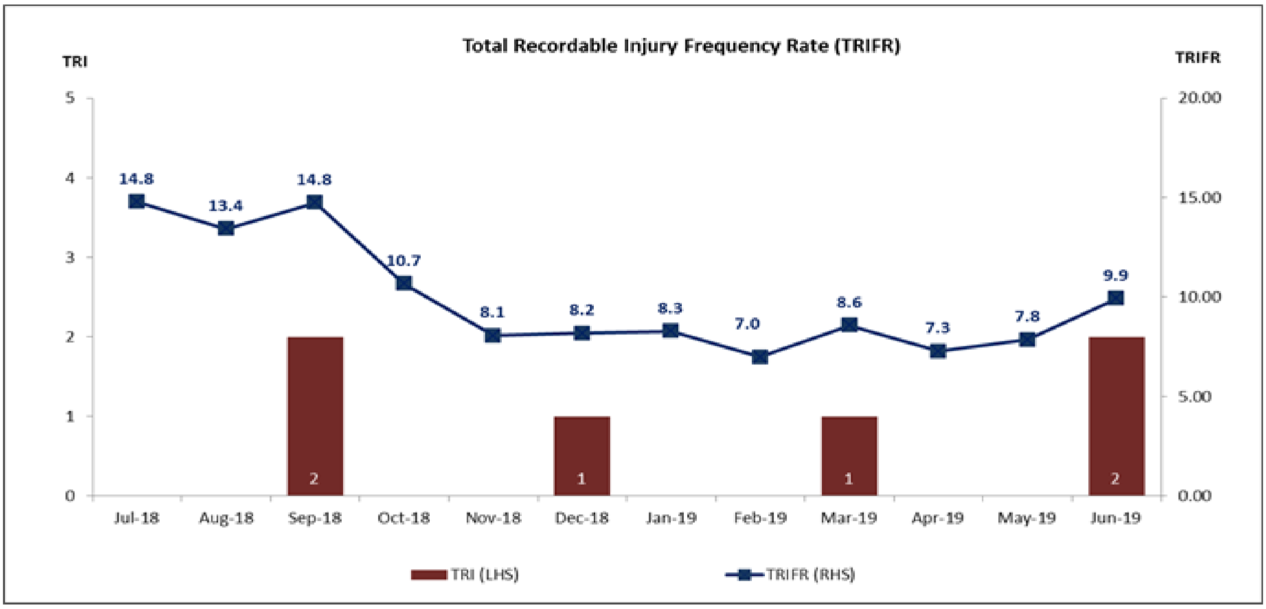
Concentrate Sales

Hillgrove has a 100% life of mine offtake agreement with Freepoint Metals and Concentrates LLC ("Freepoint"). Copper concentrate is trucked from the mine site to Port Adelaide, and is then sold on a CIF basis (cost, insurance, freight) to Freepoint. In the half year to 30 June 2019, four ships were loaded and despatched all of which went to smelters in China. Total copper metal sold for the half year was 8,720 payable tonnes of which 6,609 tonnes was sold at fixed pricing as arranged with Freepoint and the remainder sold at prevailing spot prices. The average price realised for the half year was A$8,806 per tonne.

Hillgrove has been able to protect itself from downside copper price risk by fixing the price for some future ship loads with Freepoint. As at 30 June 2019, the Company had committed 5,175 tonnes of copper metal at agreed fixed prices averaging A$8,750 per tonne.

Safety

The 12-month Total Recordable Injury Frequency Rate (per million manhours) at 30 June 2019 was 9.9 compared to 17.2 same time last year. The average TRIFR was even lower for most of the first half but there were two recordable injuries in June, both relatively minor finger cuts requiring treatment without lost time.



Environment and Community

Hillgrove continues to progressively rehabilitate the Kanmantoo Mining Lease and convert former pasture areas into high quality native vegetation to meet its environmental offset obligations. During the half year the reshaping of landforms to their final shape and revegetation continued with 84 hectares now planted with native vegetation. During March to May 2019, about 14 hectares of the Integrated Waste Landform (IWL) was hydro-seeded with locally collected and cultivated native seeds.

Hillgrove continues to actively engage with local communities and landowners around the Kanmantoo mine through regular meetings of the Kanmantoo Callington Community Consultative Committee and the Master Planning Committee which has the ongoing amenity of the mine site post-closure as an objective.

Directors' Report (continued)
Operating and Financial Review (continued)

Exploration and Development

Hillgrove is aiming to maximise the value from the mining lease through continued use of the existing infrastructure at Kanmantoo including the 3.6Mtpa processing plant and permitted tailings storage facility. This could be undertaken under a staged approach, subject to successful exploration and drilling results.

The first phase focusses on the depth extensions of the orebody below the pit before the pumped hydro project prohibits access. This includes utilising the haul road into the 350m-deep Kanmantoo Open Pit as a "quasi decline" to be able to access the orebody, with a relatively low capital intensity underground mining development. The objective of the underground development is to extract value from the Kanmantoo Exploration Target of 5 -10 million tonnes at 1.7% to 2.2% Cu and 0.4g/t to 1.0g/t Au, whilst AGL progresses the Pumped Hydro Energy Storage (PHES) project but before the pit is filled with water. Diamond drilling to prove up this target commenced in June 2019, with the aim of commencing production around the start of 2020. Drilling is still in progress and in line with budget schedule and costs.

The second phase is centred on the Nugent orebody which sits entirely outside of the PHES area. The conceptual design envisions the Nugent decline passing in close proximity to other exploration targets within the Mining Lease (Critchley, Paringa, and Emily Star), providing opportunities to increase ore production for relatively low incremental costs.

The third stage involves following up a series of encouraging drill hole intersections within the Mining Lease that were drilled in the early 2000's, before resources were focused on establishing the Kanmantoo Open Pit.

Regionally, the Company has been granted five Exploration Licences in the South East of South Australia along the Padthaway Magmatic Ridge.

Notwithstanding the 2018 decisions of the Indonesian Department of Mines to cancel the Indonesian tenements at Bird's Head in West Papua and on Sumba Island, Hillgrove has continued to fund the projects on a care and maintenance basis. Discussions have continued with third parties interested in the tenements.

Pumped Hydro Energy Storage (PHES) project

During the half year Hillgrove sold the rights to develop, own and operate the PHES project to AGL for $31M, subject to satisfaction of a number of conditions and payable in staged payments with the first $1 million received on signing of the project agreements in April 2019.

A further $4 million will be payable by AGL on completion of a number of conditions precedent which are expected to be satisfied in the next half year. Hillgrove is committed to assisting AGL with the development of the PHES project including early works and services as contracted and negotiating water supply.

Under Accounting Standard AASB 15 "Revenue from Contracts with Customers", PHES milestone receipts will not be booked as revenue until the project completes. The $1 million already received has been recorded as deferred income on the balance sheet.

Directors' Report (continued)
Operating and Financial Review (continued)

Review of consolidated financial results

The underlying EBITDA for the half year was $17.2 million which was down $5.5 million on the previous corresponding half due to higher unit costs from reduced mining rates plus lower copper production from declining average feed grades as the pit reached completion and as ore from low-grade stockpiles became more prevalent through the mill.

Net profit after tax for the half year was $4.7 million compared to a net profit of $13.9 million in the comparative period. The 2019 result was achieved after higher depreciation and amortisation charges due to adjustments to take into account copper tonnes unable to be mined following the pit wall geotechnical issues encountered early in the half.

Income Statement

	Half Year	Half Year	
$ million	**June 2019**	**June 2018**	**Change**
Copper revenue	78.2	91.2	(13.0)
Gold revenue	2.8	5.1	(2.3)
Silver revenue	1.2	1.4	(0.2)
Less: Treatment and refining costs	(7.3)	(10.8)	3.5
NET REVENUE FROM SALE OF CONCENTRATE	**74.9**	**86.9**	**(12.0)**
Mining costs	(21.2)	(41.9)	20.7
Pre-strip and deferral	(7.9)	(7.3)	(0.6)
Processing costs	(14.3)	(15.1)	0.8
Transport and shipping costs	(4.6)	(5.1)	0.5
Other direct costs	(2.3)	(2.6)	0.3
Inventory movements	(1.7)	13.8	(15.5)
Royalties	(3.5)	(4.1)	0.6
Corporate costs	(2.7)	(2.2)	(0.5)
TOTAL COSTS	**(58.2)**	**(64.5)**	**6.3**
Net realised gains/(losses)	0.1	0.1	-
Other income	0.4	0.2	0.2
EBITDA	**17.2**	**22.7**	**(5.5)**
Depreciation and amortisation	(9.5)	(7.8)	(1.7)
Exploration and feasibility costs	(0.1)	(0.1)	-
EBIT	**7.6**	**14.8**	**(7.2)**
Net interest and financing charges	(0.5)	(0.9)	0.4
Income tax benefit/(expense)	(2.4)	-	(2.4)
NET PROFIT AFTER TAX	**4.7**	**13.9**	**(9.2)**

Directors' Report (continued)

Operating and Financial Review (continued)

Income Statement (continued)

Revenue

Revenue in the six months to 30 June 2019 was from the sale of 38,725 dmt of copper concentrate containing 8,720 payable copper tonnes (six months to 30 June 2018: 46,730 dmt and 10,407 tonnes payable copper). Gross metal revenue before treatment and refining deductions was $82.2 million compared to $97.7 million for the same period last year.

For the half year to June 2019, the average realised cash price was A$8,806 per tonne or A$4.00/lb (vs A$8,984 per tonne in the previous corresponding period). The average realised price has continued to reflect the benefit of the majority of sales being conducted at contracted fixed prices as prevailing spot prices in 2019 were generally lower than the previous period.

Treatment and refining charges were $7.3 million for the half year to June 2019 which was $3.5 million less than the same period last year. About half the variance relates to the lower volume of concentrate sold in 2019 and the other half reflects the benefit of reduced refining and treatment charges.

Costs

Total cost of sales was $58.2 million compared to $64.5 million for the previous corresponding half year. The decrease of $6.3 million is explained below:

- Mining costs were $21.2 million in the six months to 30 June 2019 compared to $41.9 million for the same period last year. Even though total material moved to 30 June 2019 was 70% lower than last year, the strip ratio was also lower with the result that the volume of ore mined was 1,574k tonnes compared to 3,479k tonnes in 2018. Unit costs increased as a result of the lower mining volumes as the pit reached completion due to the fixed cost components within mining expenses.

- Pre-strip and deferral – with the completion of the Giant Pit cutback in late 2017, the Company switched from deferring mining costs to the balance sheet, to taking deferred mining costs back from the balance sheet and expensing these to profit and loss. Operating costs in 2019 include $7.9 million representing the remainder of these deferred costs.

- Processing costs were $0.8 million lower as the 2018 costs included the one-off cost to repair the primary crusher bearing failure and to rotate the SAG mill girth gear.

- Transport and shipping costs and SA Government royalty costs were in line with the amount of gross revenue and in 2019 both remain at the same relative proportions.

- During 2018, the mine strip ratio was at its lowest and enabled the Company to stockpile ore which was in excess of the processing capacity of the plant. The net mine cost associated with building the stockpiles during the first half of 2018 was $13.8 million which is reported as a credit for inventory movement. During 2019 the Company commenced drawing-down from the stockpiles to provide mill feed post-mine closure so the cost of that net drawdown is a charge of $1.7 million.

- Depreciation and amortisation expense was $1.7 million higher in the first half of 2019 than in the previous corresponding period due to increased depreciation rates with lower ore tonnes to be extracted from the pit as a result of the mine design changes to remediate the rock falls reported during the period.

Directors' Report (continued)
Operating and Financial Review (continued)

Cash flow overview

$ million	Half Year June 2019	Half Year June 2018	Change
Net cash inflows from operating activities	12.7	6.5	6.2
Net cash used in investing activities	(3.0)	(3.5)	0.5
Net cash inflows/ (outflows) from financing activities	(9.5)	(3.0)	(6.5)
Net increase/(decrease) in cash held	0.2	0.0	0.2
Cash and cash equivalents at the end of half year	**2.7**	**0.5**	**2.2**

Operating activities cash flow

Net cash inflows from operating activities for the six months ended 30 June 2019 were $6.2 million higher than the previous corresponding period mainly because a higher proportion of operating cashflow was being used to repay and reduce trade creditors during that corresponding period. Cash paid in the course of operations to contractors, suppliers and employees was $66.2 million which was substantially less than the $80.4 million paid in the same period last year. Trade creditors and other payables continued to be paid down during 2019 but to a much lesser extent than the year before.

Cash received in the course of operations from the sale of copper concentrate in the first half of 2019 was $78.9 million which aligns to reported revenue plus the reduction in receivables.

Investing activities cash flow

Net cash used in investing activities was $3.0 million in the current six months compared to an outflow of $3.5 million in the previous corresponding period. Capital expenditure in 2019 includes over $1.3 million spent on preparing the PHES project for advancement. Exploration and underground evaluation activity also increased in this half year with cash expenditure of approximately $0.6 million. Expenditure on geotechnical measures to help safeguard the pit walls from rockfalls was the major investment activity in the previous half year.

Financing activities cash flow

In the six months to 30 June 2019 there was a net cash outflow of $9.5 million for financing activities of which $8.8 million was the dividend paid to shareholders in late June and is the major reason for the variance to last year. The balance in 2019 comprised final repayment of a contractor promissory note borrowing ($0.4 million), finance lease repayments of $0.2 million and interest paid of $0.1 million.

Directors' Report (continued)
Operating and Financial Review (continued)

Statement of financial position

Total equity has decreased by $3.5 million from 31 December 2018 due to dividend paid to shareholders of $8.8 million outweighing the net profit result for the current period of $4.7 million. In addition, there was a $0.6 million increase in employee share options reserve to reflect the value of performance rights granted during the period.

Assets

Total assets were $70.7 million as at 30 June 2019 which was a $22.0 million decrease from December 2018. Ore stockpiles have decreased in aggregate value as they have commenced being drawn as the sole source of mill feed. The $16.5 million decrease in property, plant and equipment is mainly due to depreciation and the transfer of the final $7.9 million of deferred mining costs to the P&L.

Project costs and exploration expenditure capitalised to the balance sheet have increased since December 2018 due to the ongoing work to assess Kavanagh underground and progress the PHES project for AGL.

Liabilities

Total liabilities have decreased by $18.5 million to $30.0 million as at 30 June 2019. The decrease is mainly due to the pay down of trade creditors, payment of leave entitlements to terminated employees, performance of rehabilitation civil works and the repayment of debt.

Creditors have returned to normal trading terms and are also lower in value due to the cessation of mining-related activities. Borrowings now only comprises vehicle finance lease obligations and no other lease commitments require inclusion on the balance sheet. As at 31 December 2018, the Group's current liabilities exceeded its current assets by $2.1 million. As at 30 June 2019, the Group no longer has a deficit and the value of current assets exceeds current liabilities by $17.6 million.

Rehabilitation provisions for Kanmantoo and Comet Vale were $12.5 million and $0.3 million respectively as at 30 June 2019. This has decreased by $1.8 million with expenditure during the half year of $1.9 million, offset by present value unwind of $0.1 million which is recorded as an interest expense.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded in accordance with that Class Order to the nearest thousand dollars.

Directors' Report (continued)
Operating and Financial Review (continued)

Outlook

Looking forward, following the completion of mining and the associated reduction in operating costs, the focus will be on maximising the accumulation of cash from the treatment of the remaining low grade stockpiles with the majority of copper to be sold at fixed pricing. Processing is expected to continue until the first half of 2020.

Work will also continue on the PHES, assisting AGL to achieve the milestones for staged payments. The next $4.0M will be payable by AGL on the completion of a number of conditions precedent relating to site environmental assessment, mining lease relinquishment, ground stability and execution of an early works agreement for the first fill. To date, three of the seven conditions have been satisfied with completion of the remaining conditions targeted in the December 2019 quarter.

Cash generation from processing of stockpiles together with pumped hydro proceeds should position the Company to make further returns to shareholders, and prudently consider growth opportunities.

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Negotiations continue with AGL regarding the interaction of the underground and pumped hydro to ensure that both projects can proceed without hindering one another.

In parallel, Hillgrove is employing low cost exploration techniques not used before in South East South Australia to establish this region as a highly prospective porphyry / IOCG (iron oxide copper gold) province. With a number of encouraging targets identified, Hillgrove is considering exploration funding options which may include the introduction of joint venture partners.

Previous guidance on 2018 copper and gold production, C1 cost, capital and exploration expenditure remains unchanged.

Directors' Report (continued)

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

This report is made in accordance with a resolution of the Directors:

Dated at Adelaide this 26th day of August 2019

Mr John Gooding	**Mr Lachlan Wallace**
Chairman	Managing Director

Auditor's Independence Declaration

As lead auditor for the review of Hillgrove Resources Limited for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hillgrove Resources Limited and the entities it controlled during the period.

AG Forman
Partner
PricewaterhouseCoopers

Adelaide
26 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 30 June 2019

	Note	Half Year June 2019 $'000	June 2018 $'000
Concentrate revenue	2	**74,969**	86,950
Other income	3	**373**	217
Expenses	4	**(67,762)**	(72,369)
Interest and finance charges	5	**(464)**	(885)
Profit before income tax		**7,116**	13,913
Income tax benefit/(expense)		**(2,369)**	-
Profit for the half year attributable to owners		**4,747**	13,913
Other comprehensive income			
Items that may be reclassified to profit or loss:			
		-	-
Total comprehensive income for the period attributable to equity holders of Hillgrove Resources Limited		**4,747**	13,913
Earnings per share for income attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share		**0.82**	2.44
Diluted earnings per share		**0.78**	2.34

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2019

	Note	30 June 2019 $'000	31 Dec 2018 $'000
Current assets			
Cash and cash equivalents		**2,715**	2,451
Trade and other receivables		**2,764**	5,421
Inventories	6	**31,373**	25,616
Total current assets		**36,852**	33,488
Non-current assets			
Inventories	7	**-**	8,000
Property, plant and equipment	8	**27,454**	44,008
Exploration and evaluation expenditure		**2,332**	2,034
Project costs		**2,774**	1,515
Deferred tax asset		**1,316**	3,685
Total non-current assets		**33,873**	59,242
Total assets		**70,725**	92,730
Current liabilities			
Trade and other payables		**12,273**	26,647
Provisions		**3,984**	3,277
Borrowings	9	**149**	836
Employee benefits payable		**2,044**	3,448
Deferred income		**757**	1,383
Total current liabilities		**19,207**	35,591
Non-current liabilities			
Provisions		**9,637**	12,402
Borrowings	10	**135**	145
Employee benefits payable		**-**	331
Deferred income	1(b)	**1,000**	58
Total non-current liabilities		**10,772**	12,936
Total liabilities		**29,979**	48,527
Net assets		**40,746**	44,203
Equity			
Contributed equity	11	**234,322**	234,327
Reserves		**26,787**	34,986
Retained earnings / (accumulated losses)		**(220,363)**	(225,110)
Total equity		**40,746**	44,203

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the half year ended 30 June 2019

Consolidated	Contributed equity $'000	Reserves $'000	(Accumulated losses) / retained earnings $'000	Total equity $'000
Balance 1 January 2018	234,334	3,128	(223,709)	13,753
Profit for the period	-	-	13,913	13,913
Other comprehensive income	-	-	-	-
Transactions with owners:				
Share-based compensation	-	380	-	380
Options exercised	(5)	-	-	(5)
Balance 30 June 2018	234,329	3,508	(209,796)	28,041
Balance 1 January 2019	234,327	34,986	(225,110)	44,203
Profit for the period	-	-	4,747	4,747
Other comprehensive income	-	-	-	-
Transactions with owners:				
Share-based compensation	-	585	-	585
Dividend paid		(8,784)	-	(8,784)
Options exercised	(5)	-	-	(5)
Balance 30 June 2019	**234,322**	**26,787**	**(220,363)**	**40,746**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half year ended 30 June 2019

	Half-year June 2019 $'000	Half-year June 2018 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	**78,886**	86,913
Cash payments in the course of operations	**(66,173)**	(80,419)
Net cash generated from operating activities	**12,713**	6,494
Cash flows from investing activities		
Payments for exploration, evaluation and development	**(583)**	(424)
Payments for property, plant and equipment and project costs	**(2,481)**	(3,104)
Proceeds on disposal of property, plant & equipment	**95**	-
Net cash used in investing activities	**(2,969)**	(3,528)
Cash flows from financing activities		
Transaction costs of borrowings	**-**	(135)
Repayment of borrowings	**(430)**	(2,390)
Repayment of finance leases	**(195)**	(137)
Interest paid	**(75)**	(293)
Interest received	**3**	-
Dividends paid	**(8,783)**	-
Net cash used in financing activities	**(9,480)**	(2,955)
Net increase in cash held	**264**	11
Cash at beginning of the half year	**2,451**	471
Cash at end of the half year	**2,715**	482

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
For the half year ended 30 June 2019

1. Basis of preparation

This consolidated interim financial report for the half year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Hillgrove Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated financial statements have been prepared on a going concern basis, which assumes the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

a. Working capital

As at 31 December 2018, the Group's current liabilities exceeded its current assets by $2.1 million and the small working capital deficit at that time was, in turn, a significant improvement on the 2017 financial year. As at 30 June 2019, the Group no longer has a deficit and the value of current assets exceeds current liabilities by $17.6 million.

The improvement in working capital position has been largely as a result of the generation of free cashflow to reduce trade payables and borrowings, as well as the build-up of ore inventories on stockpile for future processing. The Directors believe they have reasonable grounds to expect that the Group will have sufficient funds to settle its liabilities and meet its debts as and when they fall due throughout 2019 and beyond.

b. Critical accounting judgements and key sources of estimation uncertainty

<u>Recoverability of non-current assets</u>
The carrying value of non-current assets such as property plant and equipment and deferred tax assets is assessed for impairment whenever there is an indicator that the asset may be impaired. Determining whether property plant and equipment is impaired requires an estimation of the recoverable value of the Cash Generating Unit ("CGU") to which property plant and equipment has been allocated. Impairment is recognised when the carrying amount exceeds the recoverable amount. In its impairment assessment, the Company determined the recoverable amount based on a Value in Use ("VIU") calculation. The VIU assessment was undertaken using a discounted cash flow approach. Cash flow projections are based on the CGU's life of mine plan. In assessing the VIU, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessment of the time value of money and business risk. Assets that have suffered an impairment charge are reviewed for possible reversal of the impairment at each reporting date.

<u>Ore Reserve estimates</u>
The Group's disclosed reserves are its best estimate of product that can be economically and legally extracted from the relevant mining properties. Estimates are developed after taking into account a range of factors including quantities, ore grades, production techniques and recovery rates, exchange rates, forecast commodity prices and production costs. The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each ore body. Significant judgement is required to generate an estimate based on the geological data available. Changes in reported Ore Reserves can impact the carrying value of property, plant and equipment including deferred mining expenditure, provision for mine rehabilitation, recognition of deferred tax assets and the amount of depreciation and amortisation charged to the profit or loss.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2018 (continued)

1. Basis of preparation (continued)

b. Critical accounting judgements and key sources of estimation uncertainty (continued)

Inventory valuation
Inventory is recognised at the lower of cost and net realisable value. Net realisable value is based on the estimated amount expected to be received when the inventory is completely processed and sold. The estimation of net realisable value of ore stockpiles involves judgements about the quantity of metal that can be recovered, future commodity prices, production costs and selling costs.

Pre-strip mine development and deferred mining costs
The Group capitalises pre-strip mining costs associated with the development of pit structures prior to normal production. The amount deferred is calculated according to the waste removal ratio when that ratio is significantly higher than the normal waste removal ratio expected to be experienced during ore production, as indicated by the mine plan. Capitalised pre-strip mining costs are classified under Mine Development within Property Plant and Equipment in the balance sheet and are being amortised to the Income Statement over the remaining life of the Kanmantoo mine. Deferred mining costs represent the mining costs which are normalised for the impact of waste removal ratios and copper grades over the productive life of specific pits. Costs are usually deferred in the upper benches of the pit when the waste removal ratio is generally higher and the copper grade is generally lower than the average of all the ore-producing benches in the pit. The deferred costs are returned to the cost of production as the relevant pit reaches its floor depth.

Restoration, rehabilitation and environmental obligations
Expenditures related to ongoing restoration, rehabilitation and environmental obligation activities are accrued and expensed as incurred and included in the relevant cost of mining activities. These expenditures are estimated either on the basis of detailed cost estimates or are in accordance with statutory provision requirements. Provision is made for the costs of decommissioning and site rehabilitation costs when the related environmental disturbance takes place. The provision represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine.

Pumped Hydro Energy Storage (PHES) project income recognition
The Hillgrove Group has sold the rights to develop, own and operate a PHES project at its Kanmantoo mine site to AGL Energy Limited. Consideration is payable by AGL in instalments which are linked to the achievement of conditions precedent forming agreed project milestones. Completion of all project milestones is estimated to take between 18-36 months and would result in total consideration of $31 million. The first receipt for Hillgrove was $1 million on signing of the project agreements in March 2019.

The future milestones are;

- $4 million upon confirmation of ground stability, execution of an early works agreement, preparation of a baseline study on the land to be used for the PHES project and a relinquishment plan dealing with mine closure and rehabilitation of the project site,
- $5 million once AGL has acquired necessary water supply and transportation arrangements, approvals and licenses,
- $10 million on later of AGL obtaining development approval and an offer of a connection agreement to the grid for the project,
- $11 million on the Final Investment Decision (FID) by AGL

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2018 (continued)

1. Basis of preparation (continued)

b. Critical accounting judgements and key sources of estimation uncertainty (continued)

PHES project income recognition (continued)
Accounting Standard AASB15 *Revenue from Contracts with Customers* governs the recognition of revenue arising from contracts with customers who purchase output of an entity in exchange for consideration. However, its principles are also followed for the disposal of tangible and other intangible assets to determine when an asset is derecognised. Under the terms of AASB 15, a sale cannot be recognised by an entity until it has met its obligations under the contract and transferred control of a distinct “good or service” to a customer. Additionally, AASB 15 requires that where amounts are received in connection with an option for the customer to purchase goods or services at a later date, the entity recognises revenue when control of those future goods and services (to which the right relates) are transferred or when the right expires. These amounts may also include non-refundable up-front fees.

The most significant performance obligation under the PHES project agreements is in respect of the land asset transfer which would occur on FID by AGL, at which point Hillgrove would transfer control of the Giant Pit and a portion of adjacent land to AGL and relinquish its right to undertake any further mining under the Giant Pit.

Accordingly, notwithstanding that the $1m received by Hillgrove on signing of the PHES project agreements is non-refundable, it has been accounted for as deferred income on the balance sheet under non-current liabilities and not recorded as revenue in the Profit & Loss. Costs incurred which are associated with this contract have been capitalised onto the balance sheet under “Project Costs” to the extent that they meet the criteria for capitalisation.

c. Changes in accounting policy

The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting periods except for the adoption of new and amended standards as set out below.

d. New and amended standards adopted by the Group

AASB 16 *Leases* became applicable for the current reporting period and has the impact of requiring certain operating lease arrangements to be recorded on the balance sheet. There has been no significant impact on the financial statements from the application of this new standard as the majority of the Group’s leasing arrangements expired upon cessation of mining during the half year period. Whilst there was one lease arrangement in place for equipment used in stockpile rehandle and rehabilitation activities, it is not required to be recognised as a lease liability and related asset as it is cancellable at short notice and the option to extend is not reasonably certain.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2019 (continued)

	Half Year	
	June 2019	June 2018
	$'000	$'000
2. Revenue		
Copper in concentrate	**78,209**	91,255
Gold in concentrate	**2,820**	5,105
Silver in concentrate	**1,204**	1,364
Treatment and refining deductions	**(7,264)**	(10,774)
Concentrate revenue	**74,969**	86,950

The Group sells copper concentrate under an offtake contract and the Group trades using CIF terms (i.e. Seller's cost, insurance and freight) for vessel chartering. Under AASB 15, the Company has three performance obligations relating to the sale of concentrate which include delivery and transfer of title of concentrate at the port of loading, loading of concentrate onto the ship and transporting the shipment to the port of destination. The transaction price applied to the delivery of concentrate to the port is value of the concentrate delivered adjusted for treatment and refining charges, the transaction price allocated to the final two performance obligations are cost of loading and chartering a vessel for shipment to destination at cost recovery.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2019 (continued)

	Half Year	
	June 2019	June 2018
	$'000	$'000
3. Other Income		
Interest	**8**	2
Grant income	**144**	214
Other	**221**	1
Total other income	**373**	217

4. Expenses

	June 2019 $'000	June 2018 $'000
Total production costs	**58,174**	64,608
Depreciation and amortisation	**9,519**	7,803
Exploration and feasibility costs	**140**	106
Net (gain)/loss on sale of assets	**(47)**	-
Net realised foreign exchange (gains)/losses	**(24)**	(148)
Total expenses per Profit or Loss	**67,762**	72,369

5. Interest and finance charges

	June 2019 $'000	June 2018 $'000
Discount on unwind of rehabilitation provision	**137**	181
Bank fees and other borrowing costs	**68**	88
Interest on borrowings	**-**	180
Interest on financial liabilities	**259**	436
Total interest and finance charges	**464**	885

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2019 (continued)

6. Current assets – Inventories

	30 Jun 2019 $'000	31 Dec 2018 $'000
Concentrates	**1,615**	1,803
Ore stockpiles	**26,872**	20,756
Stores and consumables	**2,886**	3,057
	31,373	25,616

7. Non-current assets – Inventories

	30 Jun 2019 $'000	31 Dec 2018 $'000
Ore stockpiles (at net realisable value)	**-**	8,000

Notes to the Consolidated Financial Statements
For the half year ended 30 June 2019 (continued)

8. Non-current assets – Property, plant and equipment

	30 Jun 2019 $'000	31 Dec 2018 $'000
Land and buildings		
At cost	**5,524**	5,524
Accumulated depreciation	**(379)**	(379)
	5,145	5,145
Plant & equipment		
At cost	**73,345**	73,264
Accumulated depreciation	**(59,051)**	(58,112)
	14,294	15,152
Motor vehicles		
At cost	**771**	1,281
Accumulated depreciation	**(611)**	(761)
	160	520
Mine development		
At cost	**161,508**	161,054
Accumulated depreciation	**(153,655)**	(145,768)
	7,853	15,286
Deferred mining costs – at cost	**-**	7,905
Total property, plant and equipment	**27,452**	44,008

Notes to the Consolidated Financial Statements
For the half year ended 30 June 2019 (continued)

9. Current liabilities – Borrowings

	30 Jun 2019	31 Dec 2018
	$'000	**$'000**
Unsecured		
Lease liabilities	**149**	333
Promissory note (i)	**-**	503
	149	836

(i) A contractor creditor of the Company agreed to receive a deferred payment in lieu of a portion of an amount owed for past services. This liability was repaid in February 2019.

Notes to the Consolidated Financial Statements
For the half year ended 30 June 2019 (continued)

10. Non-current liabilities – Borrowings

	30 Jun 2019 $'000	31 Dec 2018 $'000
Unsecured		
Lease liabilities	**135**	145

Contractual maturities of financial liabilities (non-derivatives)

($'000)	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Total contractual cash flows
At 30 June 2019						
Trade and other payables	**12,273**		**-**	**-**	**-**	**12,273**
Borrowings and interest	**149**	**135**		**-**	**-**	**284**
	12,422	**135**	**-**	**-**	**-**	**12,557**
At 31 December 2018						
Trade and other payables	26,647	-	-	-	-	26,647
Borrowings and interest	836	145	-	-	-	981
	27,483	145	-	-	-	27,628

Financing arrangements

The Group had no undrawn borrowing facilities as at 30 June 2019.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2019 (continued)

11. Contributed equity

	30 Jun 2019	31 Dec 2018
	$'000	$'000
Share capital		
Issued and paid up capital 585,588,518 shares (2018: 577,477,118) fully paid	**234,322**	234,327
Ordinary Shares - movements during the year		
Balance as at beginning of year	**234,327**	234,334
Shares Issued		
Transaction costs arising from share issues	**(5)**	(7)
Balance at end of year	**234,322**	234,327

12. Financial reporting by segment

Through its ownership of the Kanmantoo copper mine, the Group continues to have one operating segment being in the resources industry, in Australia. The agreement recently executed with AGL, whereby the Group has granted the right for AGL to develop a pumped hydro facility adjacent to the copper mine, will generate cashflows independent of the revenue derived from the ongoing recovery of copper in the mining business, however the PHES project income is at this stage not material nor is PHES core to the Company's business.

13. Contingent liabilities

	30 Jun 2019	31 Dec 2018
	$'000	$'000
Guarantees		
Electranet performance bond for installation of transmission infrastructure at the Kanmantoo site (1)	**620**	620
Security bonds on rental properties and tenements	**16**	16
	636	636

(1) In June 2019, Hillgrove cash-backed the Electranet $620k performance bond, which is now recorded as other receivables on the balance sheet. Prior to this the bond was provided a third party insurer.

The Group has obligations to restore land disturbed under exploration and mining licences for which a rehabilitation provision is already on the balance sheet. The maximum obligation to the South Australian Government in respect of the Kanmantoo copper mine has been assessed at a value of $9.2 million and is secured by the SA Government on a first ranking basis against the assets of the consolidated entity.

The Group had no other contingent liabilities at 30 June 2019.

14. Events subsequent to balance date

There are no subsequent events to report.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 14 to 27 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half year ended on that date.

(b) there are reasonable grounds to believe that Hillgrove Resources Limited will be able to pay its debts as and when they become due and payable.

This report is made in accordance with a resolution of the directors:

Dated at Adelaide this 26th day of August 2019

Mr John Gooding
Chairman

Mr Lachlan Wallace
Managing Director

Independent auditor's review report to the members of Hillgrove Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hillgrove Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Hillgrove Resources Limited. The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hillgrove Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hillgrove Resources Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

AG Forman
Partner

Adelaide
26 August 2019

Mineral Resource Estimate for All Deposits at 31 December 2018

	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu Metal (kt)
Kanmantoo Copper Mine, all deposits	Measured	5.1	0.6	0.1	1.3	33
	Indicated	9.0	0.6	0.1	1.5	57
	Inferred	10.0	0.6	0.1	1.0	60
	Total	**24.1**	**0.6**	**0.1**	**1.3**	**150**

Note: Economic cut-off grade is 0.20% Cu.

Mineral Resource Estimate for Giant Pit only at 31 December 2018

	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu Metal (kt)
Kanmantoo Copper Mine, Giant Pit only	Measured	3.8	0.6	0.1	1.1	21
	Indicated	3.5	0.5	0.1	0.9	18
	Inferred	8.6	0.6	0.1	0.8	47
	Total	**15.9**	**0.5**	**0.1**	**1.0**	**86**

Note: Economic cut-off grade is 0.20% Cu.

Kanmantoo Open Pit Ore Reserve Estimate at 31 December 2018

	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu Metal (kt)
Kanmantoo Copper Mine	Proved	1.2	0.6	0.1	1.2	8
	Probable	0.3	0.5	0.1	0.8	1
	Total	**1.5**	**0.6**	**0.1**	**1.2**	**9**
Stockpiles		2.9	0.3			9

Note: Economic cut-off grade is 0.20% Cu.

Competent Person's Statement

The Ore Reserve and Mineral Resource estimates were prepared by Competent Persons in accordance with the JORC Code 2012.

Further information on the Kanmantoo Mineral Resources and Ore Reserves is available in the Hillgrove Updated Mineral Resource and Ore Reserve Estimate released to the ASX on 28 February 2019, which is also available on the Hillgrove Resources website at www.hillgroveresources.com.au.

Hillgrove Resources confirms that it is not aware of any new information or data that materially affects the information included in that market announcement and, in the case of estimates of Mineral Resources and Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Hillgrove Resources confirms that the form and context in which the findings of the Competent Persons (Peter Rolley in relation to Exploration Results and the Mineral Resource estimates and Lachlan Wallace in relation to the Ore Reserve estimates) are presented, have not been materially modified from the original market announcement. Mr Rolley MAIG and Mr Wallace MAusIMM are employees of Hillgrove Resources.