



Hillgrove Resources Limited (ASX: HGO) report for the quarter ended 30 June 2019

HIGHLIGHTS

Mining and Processing Operations – a solid quarter with:

- Quarterly production of 4,223 tonnes of copper and 801 ounces of gold; and
- Safe completion of open pit mining activities, significantly reducing cash operating costs.

Pumped Hydro – sale of the rights to develop, own, and operate the Kanmantoo pumped hydro energy storage (PHES) project to AGL Energy Limited (AGL) for \$31M, subject to satisfaction of a number of conditions and payable in staged payments with the first \$1.0M received during the quarter. Progress was made on satisfying conditions for the next milestone payment.

Cash Flow – the Company distributed \$8.7M in fully franked dividends during the quarter (1.5c/share). Notwithstanding this, working capital remained steady, with current assets exceeding current liabilities at quarter end by \$18.1 million (unaudited), including cash of \$4.8 million.

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 quarter end.

Underground Exploration and Development – commencement of the diamond drilling program of the down-dip extensions of the Kavanagh lode systems beneath the Giant open pit and evaluation of Nugent underground mining targets and nearby South Hub exploration targets.

Rehabilitation – progressive rehabilitation continues with 84 hectares now shaped to their final landform and planted with native vegetation. This reduces closure liabilities, which is expected to be reflected in a reduced environmental bond.

LOOKING FORWARD

Processing Operations – with the completion of mining, focus continues to be on maximising the accumulation of cash from the remaining approximately 2.8 million tonnes of stockpiled low grade ore to be processed.

Pumped Hydro – continue to undertake work with AGL to achieve the milestones for staged payments.

Growth Opportunities – ongoing work underway, including:

- Underground development – evaluate and assess feasibility of underground opportunity as drill hole data is received.
- Exploration – resource outlines suitable for evaluation studies are being developed for the Kanmantoo South Hub underground opportunities.

Cashflow – with the completion of mining activities eliminating significant operating costs, combined with the fixed pricing contracts, the Company is focused on cash accumulation.





MANAGING DIRECTOR'S STATEMENT

The open pit mining activities were completed safely during the quarter. Low grade stockpiles have been built adjacent to the processing plant during the mining phase, when higher grade ore was preferentially treated to optimise cash generation in order to pay down creditors and accumulate cash.

This cash accumulation enabled the Company to return surplus cash to shareholders during the June quarter through the first dividend payment since operations commenced at Kanmantoo.

The cessation of mining significantly reduces the operating costs. The combination of the reduced cash cost structure, together with fixed pricing will allow ongoing accumulation of cash as the remaining stockpiles are treated.

During the quarter Hillgrove sold the rights to develop, own and operate the PHES project to AGL¹ and received the first payment of \$1.0M. A further \$4.0M will be payable by AGL on the completion of a number of conditions precedent which are currently being worked on.

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.

While Hillgrove remains committed to assisting AGL work through a number of stages as they assess the potential for the Kanmantoo site to be South Australia's first pumped hydro energy storage facility, PHES is not our core business. Renewed focus has ramped up activities this quarter to determine the viability of an underground mining operation at Kanmantoo to maximise value from existing infrastructure, including the low cost 3.6Mtpa processing plant and permitted tailings storage facility.

The first phase of this strategy focusses on accessing the depth extensions of the orebody directly below the pit before the pumped hydro project prohibits access. This concept utilises the haul road into the 350m deep Giant Pit as a "quasi decline" to be able to access the ore below the open pit. 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, if viable, the underground mining opportunity has sufficient time to extract the ore prior to the commencement of the pumped hydro water filling program. In addition, negotiations continue with AGL regarding the interaction of the underground and pumped hydro to ensure that both projects proceed without hindering one another.

The second phase is centred on the Nugent orebody which sits entirely outside of the pumped hydro area. The conceptual design envisions a decline into Nugent passing in close proximity to the Critchley, Paringa and Emily exploration targets (collectively known as South Hub), providing opportunities for ore production at relatively low incremental costs. The viability of this is subject to further exploration of the South Hub.

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 exciting targets identified, Hillgrove is considering exploration funding options which may include the introduction of JV partners.

This is an exciting period for Hillgrove as we evaluate the growth potential of the Hillgrove tenements.

In closing, I would like to acknowledge the stewardship of Steve McClare as Managing Director over the past three years, and in particular his unwavering confidence in the Hillgrove team to navigate through difficult operating conditions and very tight financial challenges. Steve departed from Hillgrove in May and on behalf of the Company, I wish Steve every success in his future.

¹ Refer to ASX announcement dated 16 April 2019 for further details.

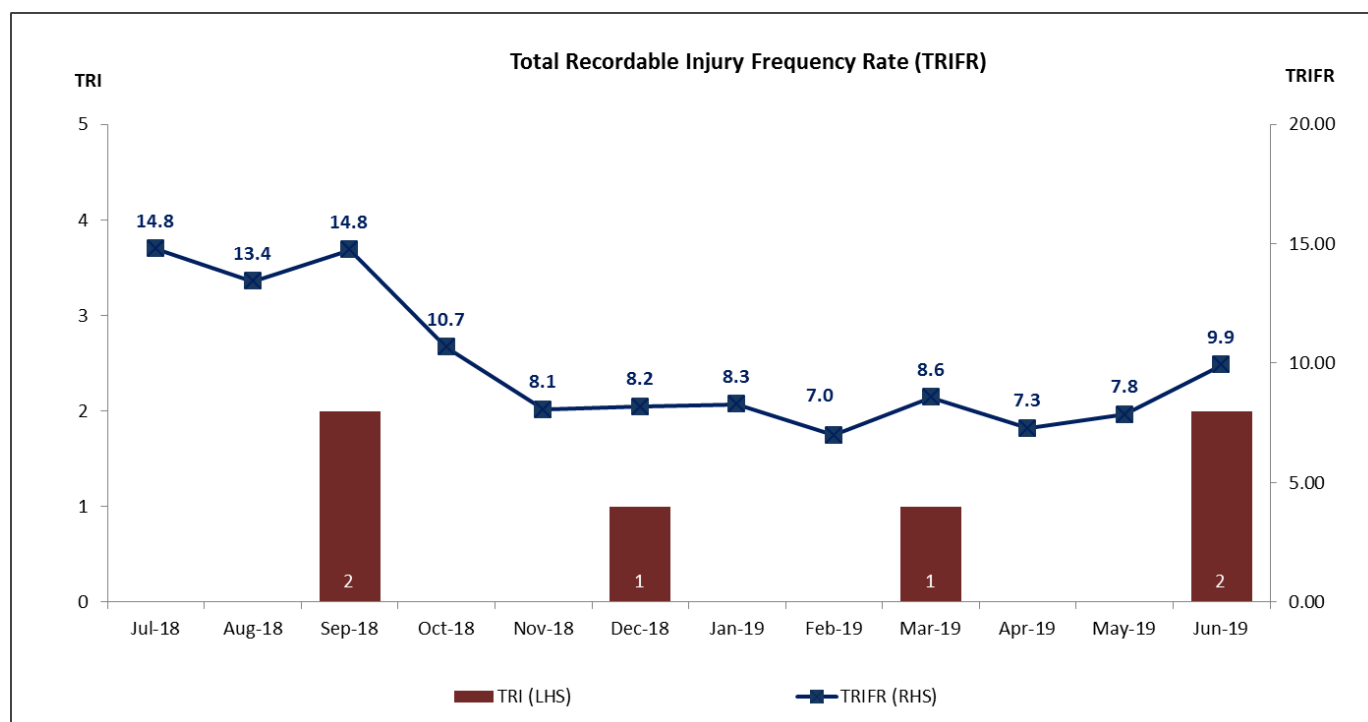
CURRENT OPERATIONS

Kanmantoo Open Pit (Hillgrove 100%)

Safety

There were two recordable injuries during the quarter, both occurring in June. These injuries were cuts to fingers requiring stitches. In each case, following treatment, the injured employee returned to site to continue their shift. As a result of these injuries, and lower numbers of hours worked (completion of mining operations), the TRIFR increased to 9.9 at quarter end. Please refer to **Figure 1** below.

FIGURE 1. TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)



Note to Figure 1: TRIFR is calculated per million hours worked

Operations Overview

Completion of open pit mining occurred in late May, refer **Figure 2** below which shows the final bench of the Giant open pit being extracted.

This has now resulted in a significant reduction in cash costs with regards to equipment hire, diesel, staffing and contractors. As per recent quarters, difficult mining conditions continued due to single lane ramps, tight working areas, geotechnical conditions and wet weather.

At the end of the quarter, there was an estimated 2.8 million tonnes of stockpiled low grade ore to be processed (refer **Figure 3**). As processing of these stockpiles is critical to future cashflows, the Company has commenced a process to confirm the stockpile Reserves.

Mining production was 204k BCM for the quarter, down from 582k BCM for the previous quarter (refer **Figure 6**). This included 515kt of ore mined at a grade of 0.61%. This high grade ore was processed prior to the transition to processing low grade stockpiled ore in the second half of June.

In addition to mining production, there was 165k BCM of material movement associated with shaping and covering the final landform with topsoil as a growth medium. A further 4 hectares of landform were seeded in May (refer **Figure 4**) taking the total area seeded to 84ha.

Mill throughput for the quarter was 842k tonnes at a 93.5% mill run-time. The mill run-time was slightly lower than the previous quarter due to a planned shutdown undertaken in June. The copper feed grade for the quarter

was 0.55% with a 90.8% copper recovery rate (refer **Figure 7**). The depletion of high grade ore stocks in June resulted in the lower feed grade relative to recent quarters. The copper recovery rate was also lower than previous quarters, driven by the lower feed grade processed, but was in line with expectations.

FIGURE 2. OPEN PIT – THE FINAL BENCH



FIGURE 3. LOW GRADE ORE STOCKPILE





FIGURE 4. REHABILITATION – HYDROSEEDING



FIGURE 5. REHABILITATION – AFTER ONE YEAR





FIGURE 6. KANMANTOO QUARTERLY MINING PERFORMANCE

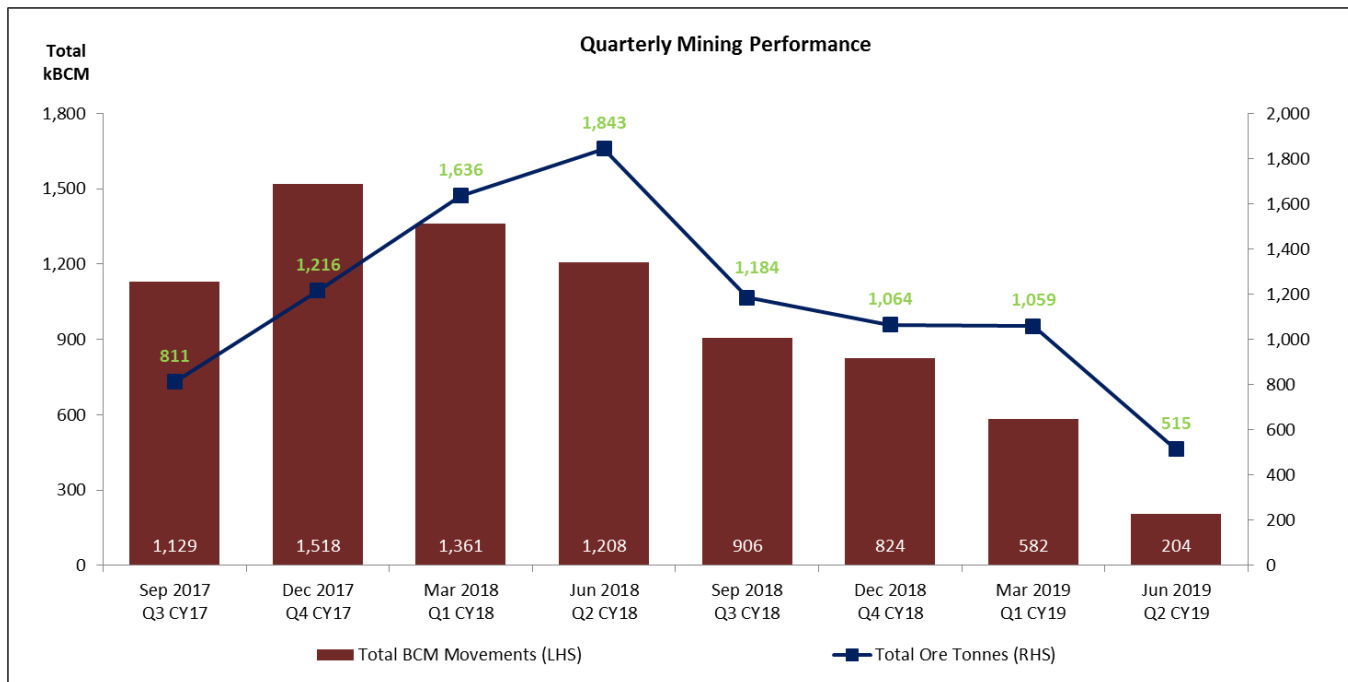
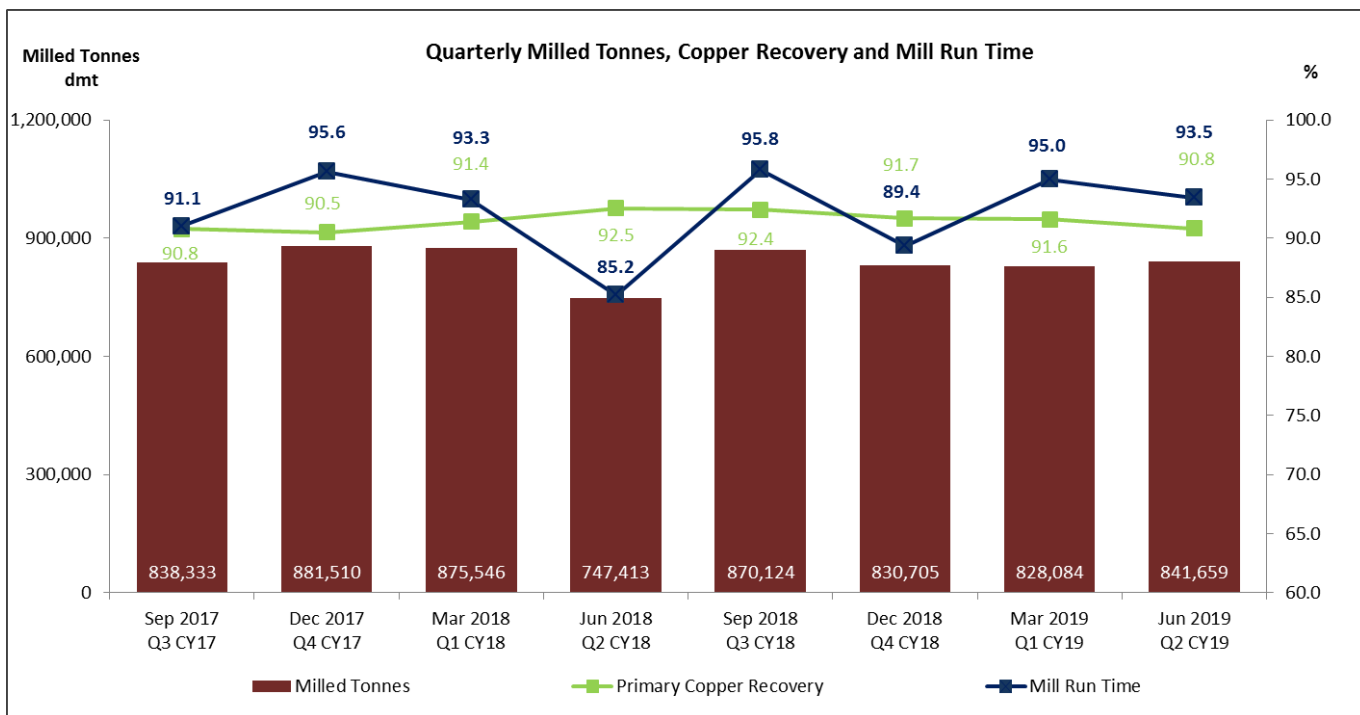


FIGURE 7. KANMANTOO QUARTERLY PROCESSING PERFORMANCE



Total production for the quarter was 17,701 DMT of concentrate, containing 4,223 tonnes of copper metal and 801 ounces of gold (refer **Table 1**).

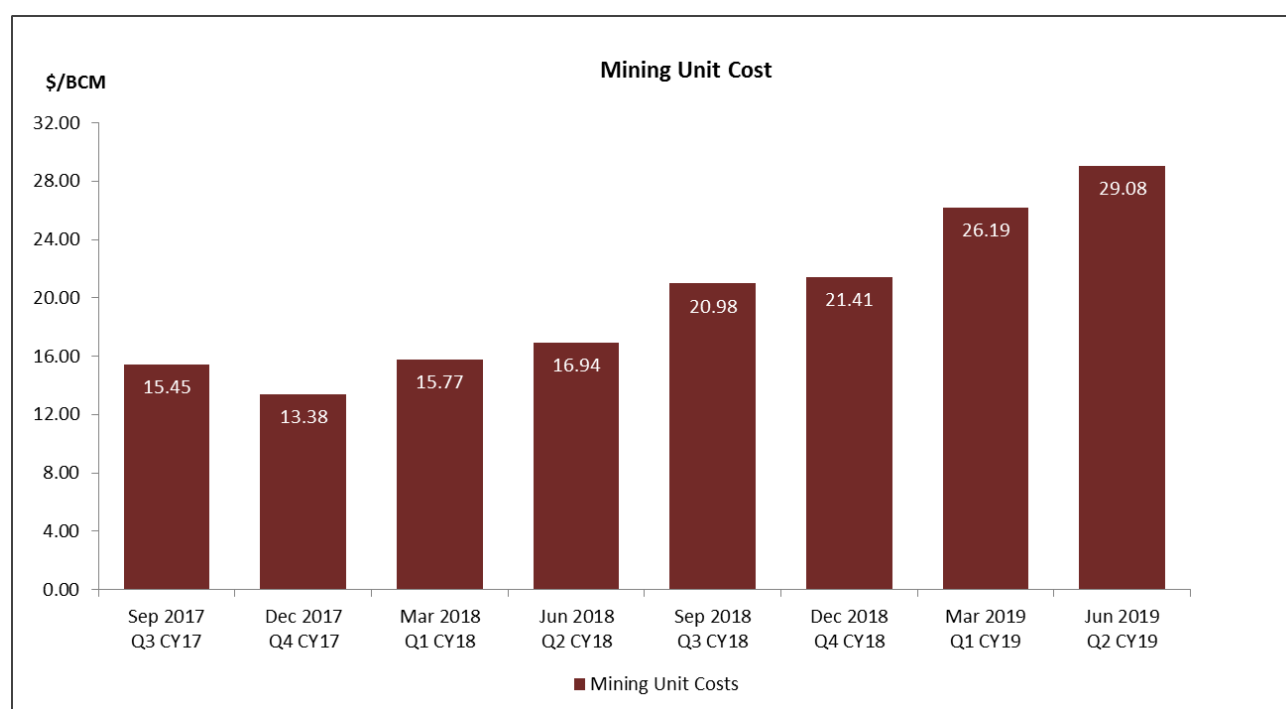
TABLE 1. KANMANTOO COPPER MINE PRODUCTION STATISTICS

| | | JUN-18 QTR 3 MTHS | SEP-18 QTR 3 MTHS | DEC-18 QTR 3 MTHS | MAR-19 QTR 3 MTHS | JUN-19 QTR 3 MTHS | CY19 YTD 6 MTHS |
|---------------------------------|--------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Ore to ROM from Pit | kt | 1,843 | 1,184 | 1,064 | 1,059 | 515 | 1,574 |
| Mined Waste | kt | 1,889 | 1,614 | 1,483 | 739 | 116 | 855 |
| Total Tonnes Mined | kt | 3,733 | 2,799 | 2,547 | 1,797 | 631 | 2,428 |
| Strip Ratio | W:O | 1.0:1 | 1.4:1 | 1.4:1 | 0.7:1 | 0.2:1 | 0.5:1 |
| Closing Ore Stocks ² | kt | 2,331 | 2,643 | 2,893 | 3,128 | 2,846 | 2,846 |
| Mining Grade | % | 0.54 | 0.62 | 0.52 | 0.60 | 0.61 | 0.60 |
| Ore Milled | kt | 747 | 870 | 831 | 828 | 842 | 1,670 |
| Milled Grade - Cu | % | 0.82 | 0.80 | 0.70 | 0.65 | 0.55 | 0.60 |
| - Au | g/t | 0.15 | 0.08 | 0.06 | 0.06 | 0.06 | 0.06 |
| Recovery - Cu | % | 92.5 | 92.4 | 91.7 | 91.6 | 90.8 | 91.2 |
| - Au | % | 55.5 | 58.5 | 54.4 | 56.3 | 53.1 | 54.8 |
| Cu Concentrate Produced | Dry mt | 24,023 | 26,794 | 22,106 | 20,821 | 17,701 | 38,522 |
| Concentrate Grade - Cu | % | 23.5 | 24.1 | 24.3 | 23.8 | 23.9 | 23.8 |
| - Au | g/t | 2.6 | 1.5 | 1.2 | 1.4 | 1.4 | 1.4 |
| Contained Metal in Con. - Cu | t | 5,642 | 6,454 | 5,366 | 4,963 | 4,223 | 9,186 |
| - Au | oz | 2,042 | 1,306 | 885 | 961 | 801 | 1,761 |
| - Ag | oz | 40,139 | 45,247 | 39,211 | 37,034 | 30,140 | 67,174 |
| Total Concentrate Sold | Dry mt | 23,335 | 26,391 | 22,981 | 20,189 | 18,536 | 38,725 |

Costs

In line with expectations, the mining unit cost increased from \$26.19 to \$29.08 per BCM (refer **Figure 8**), which reflected the lower mining rates associated with the completion of mining.

FIGURE 8. KANMANTOO QUARTERLY MINING UNIT COSTS

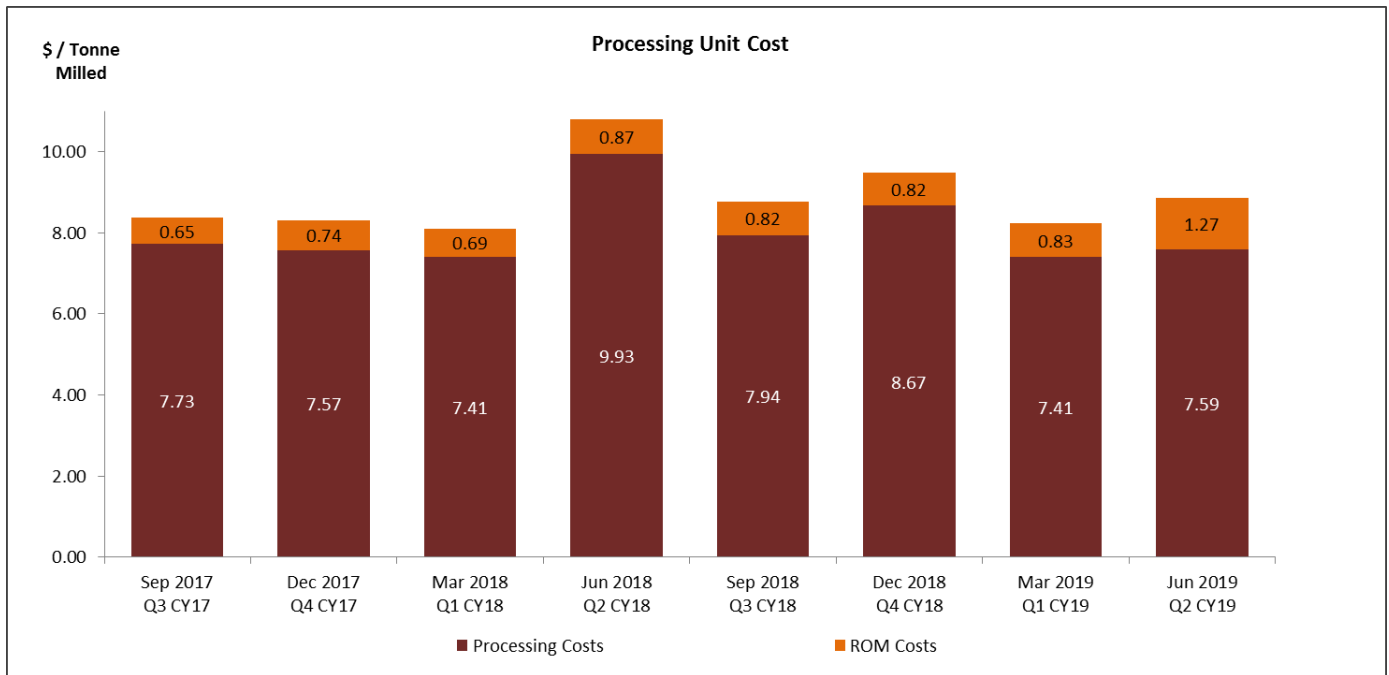


² Stockpile estimate is based on loose density of 2.53 t/m³ derived from in-situ density of 3.09 t/m³ and swell factor of 22%.



The processing unit cost of \$7.59 per tonne (refer **Figure 9**) remained in line with those experienced in previous quarters. ROM costs increased as per expectations as a result of the movement of ore from the low grade stockpile to the ROM pad which commenced in June. This reclaim of the low grade ore to the ROM is being undertaken using a small fleet of haul trucks and a production excavator.

FIGURE 9. KANMANTOO QUARTERLY PROCESSING UNIT COSTS



C1 unit cost for the June 2019 quarter was US\$1.80/lb (refer **Table 2**). As the Company begins the consumption of ore stockpiles as a result of the completion of mining, Ore Inventory Adjustments will no longer be a credit because the past expenditure incurred in mining and stockpiling the ore is now effectively booked as a cost when that ore is processed into saleable product.

TABLE 2. KANMANTOO COPPER MINE COSTS (USC/lb at AUD/USD of 0.699)

| US cents per lb | JUN-18 QTR | SEP-18 QTR | DEC-18 QTR | MAR-19 QTR | JUN-19 QTR | CY19 YTD |
|--|------------|------------|------------|------------|------------|----------|
| | 3 MTHS | 3 MTHS | 3 MTHS | 3 MTHS | 3 MTHS | 6 MTHS |
| Total Mining Cost | 138 | 109 | 119 | 107 | 50 | 81 |
| Deferred Mining ³ | 42 | 31 | 39 | 45 | 11 | 29 |
| Ore Inventory Adjustment ⁴ | -45 | -13 | -30 | -19 | 30 | 4 |
| Mining Costs | 135 | 127 | 128 | 133 | 91 | 114 |
| Processing Costs | 47 | 37 | 46 | 42 | 55 | 48 |
| Other Direct Cash Costs | 9 | 6 | 9 | 8 | 9 | 8 |
| Total Onsite Costs | 191 | 170 | 183 | 183 | 155 | 170 |
| Transport & Shipping | 15 | 13 | 13 | 13 | 13 | 13 |
| Treatment, Refining & Smelter Charges | 39 | 35 | 30 | 26 | 27 | 27 |
| Total Offsite Costs | 54 | 48 | 43 | 39 | 40 | 40 |
| Precious Metals Credits | -25 | -15 | -13 | -16 | -15 | -15 |
| Total Direct Operating Costs (C1 Costs) | 220 | 203 | 213 | 206 | 180 | 195 |
| Royalties | 13 | 13 | 13 | 13 | 13 | 13 |
| D&A | 26 | 26 | 26 | 28 | 36 | 32 |
| TOTAL COSTS | 259 | 242 | 252 | 247 | 229 | 240 |

³ Within each pit, the cost of higher waste benches, proportional to the copper contained in the ore, is normalised for the impact of strip ratios and copper grades over the life of specific pits

⁴ Mining costs per tonne of ore added to (-'ve) or processed from (+'ve) long term stockpiles.

DEVELOPMENT PROJECTS

Hillgrove aims to utilise and maximise the value from the existing Kanmantoo Open Pit and other infrastructure to continue processing ore from the mining lease (which includes the low cost 3.6Mtpa processing plant and permitted tailings storage facility).

This would be undertaken under a staged approach and subject to successful exploration and drilling results.

Kavanagh Underground

The first phase focusses on the depth extensions of the orebody directly below the pit before the pumped hydro project prohibits access. This includes utilising the 350m deep Kanmantoo Open Pit as a “quasi decline” to be able to access the ore below, 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 PHES project. 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 progress and costs.

If the drilling successfully intersects the Cu-Au mineralisation of significant grade and continuity, then this drilling information will be used to allow Hillgrove to estimate an Indicated Resource and to assess the viability of conducting underground mining during the period before the PHES project is commissioned.

Nugent Underground

The second phase is centred on the Nugent orebody which sits entirely outside of the pumped hydro 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.

South Hub

The third stage involves following up on a series of exciting 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. The following results were reported in the form and context of the original ASX releases of 23 November 2004, 14 December 2006, 25 June 2007, 24 July 2008, and 1 December 2008.

In addition to Nugent, there are:

Paringa

KTTC956 6m @ 3.4% Cu, 0.2g/t Au from 133m

KTDD129 7m @ 2.0% Cu, 0.1g/t Au from 74m

Emily Star

KTTC833 9m @ 2.4% Cu, 0.2g/t Au from 84m

KTTC794 7m @ 2.5% Cu, 0.2g/t Au from 95m

Wheal Fortune

KTTC742 5m @ 2.5% Cu, 0.8g/t Au from 13m

FIGURE 10. NUGENT & SOUTH HUB TARGETS (RED)



EXPLORATION

Hillgrove holds, or has under application 6,145 square kms of exploration licences in south-east South Australia. The exploration activities utilises the knowledge from Kanmantoo in an attempt to discover large magmatic Cu-Au deposits in the wider south-east South Australia region, employing low cost exploration techniques not used before in the region.

With a number of exciting targets identified, Hillgrove is considering exploration funding options, which may include the introduction of JV partners or a spin-off of these assets.

FIGURE 11. PLAN VIEW OF THE LOCATION OF HGO EXPLORATION PROJECTS IN SOUTH AUSTRALIA



Near Mine (Kanmantoo Surrounds)

Stella⁵

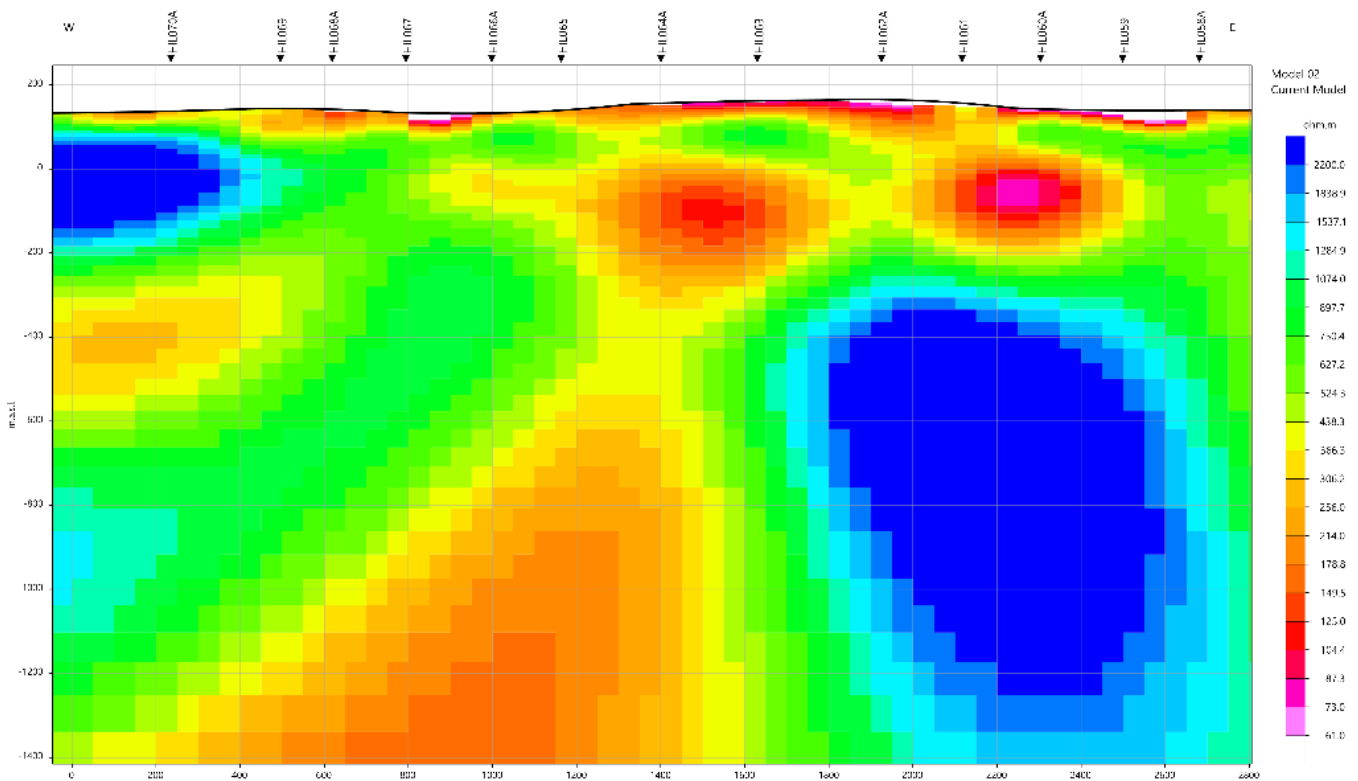
The Stella area is located around 1.5 kms south east of the Kanmantoo processing plant. The Company has previously reported the results of a single line of an MT⁶ survey through the area (ASX release 17 October 2018) and **Figure 12** below. The conductive zone identified by that 2018 survey was then subjected to an infill (200m by 200m) MT survey in 2019. In addition, a gravity survey and field mapping have been completed over the area.

Within the 2019 MT survey area, Aberfoyle drilled a diamond drill hole in 1999, KAN001. The drill core now resides in the State Government drill core library and has been inspected by HGO geologists. The original assay laboratory certificates have also been located and viewed. This drill hole is located approximately 300m north of the 2018 MT section line. As reported by Aberfoyle, KAN001 intersected a 60m wide zone of chlorite-pyrrhotite-Fe-garnet altered sediments (128-170m downhole), within which:

- 3.6m @ 0.39% Cu, 2.43 g/t Au, from 156.4m downhole, including
 - 0.9m @ 9.28 g/t Au, 0.18% Cu from 156.4m downhole; and
- 6.56m @ 0.77% Cu, 0.84 g/t Au from 173m downhole.

This drill hole is considered to indicate that the Stella area is prospective for significant Cu-Au mineralisation.

FIGURE 12. CROSS SECTION OF CONDUCTIVITY AT STELLA



⁵ Refer to ASX release 29 April 2019 for all results.

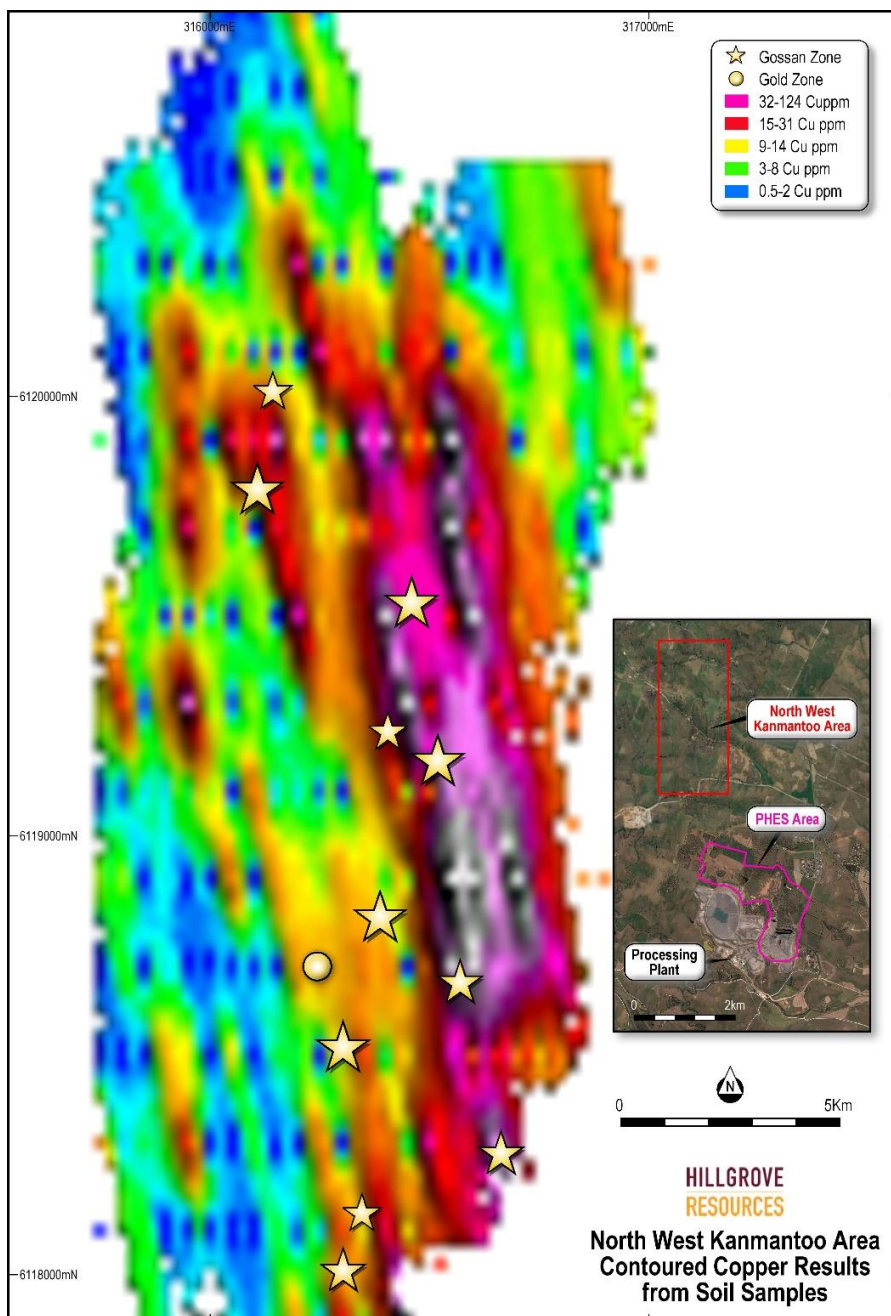
⁶ Magnetotelluric (MT) survey is a deep penetrating electrical resistivity technique.

North West Kanmantoo

HGO has completed stage 1 of a soil sampling programme centred 4.5kms north west of the Kanmantoo processing plant (refer **Figure 13**). This soil sampling work was undertaken as a result of a regional mapping program that identified a large area of high Fe zones and Fe-quartz breccias which the field portable XRF analysed with elevated copper and other base metals. These iron-rich zones are coincident with a strike extensive magnetic anomaly, and evident on the state magnetic survey.

The infill results confirm the previously announced⁷ 2.3km long copper-gold soil and geophysical anomaly with attendant strong Fe alteration. Cu, Mo, Au mineralisation is of significant interest for further work by the Company.

FIGURE 13. CONTOUR OF COPPER RESULTS FROM NORTH WEST KANMANTOO SOIL SAMPLE PROGRAMME



There has not been any drilling by the Company or its predecessors in the area. In 1962-1963 the Department of Mines drilled 3 diamond drill holes in the area and reported the results in Report 57/00039. The location of the three holes is now uncertain, as the recorded collars do not match the geology of that location. However, the drill holes intersected zones of specular haematite, magnetite, pyrrhotite and chalcopyrite. The drill core has been inspected by Company geologists at the State Government core library facility to confirm the logging.

⁷ Refer to ASX release 29 April 2019.

South East South Australia

Hillgrove continues to compile the previous explorers' exploration activities within the tenement area now held by the Company. As part of the compilation, drill core stored at the State Government Core Library has been retrieved, re-logged and selectively sampled. In addition, the Company has been undertaking field activities to validate past observations, to undertake orientation partial-leach soil geochemical surveys and to trial passive-seismic geophysical tools to model the depth of the Murray valley Sediments cover over the prospective Cambrian basement.

Colebatch

The most significant discovery to date has been the re-location of the Colebatch molybdenum occurrences. **Figure 14** below shows a face of one of the vein sets "spackled" with molybdenite. The molybdenite is associated with fluorite, visible chalcopyrite, and quartz through a chloritized, pyritic Quartz Monzonite. Two occurrences were located, approximately 1.6 kms apart. There is no report of this area having been drilled or investigated for its copper endowment.

FIGURE 14. MOLYBDENITE, CHALCPYRITE, QUARTZ VEIN



Other Copper Prospects in the South East Exploration Project

Drill core for a number of drill holes held at the State Government Core Library were inspected and re-logged, with special regard for the occurrence and style of the copper mineralisation therein.

Figure 11 above, has several localities of copper mineralisation marked as a result of this work.

For example, the Alamil prospect was discovered by Red Metal with drill hole KMD-07-01. This drill hole intersected narrow veins and chlorite/epidote zones of chalcopyrite and sulphides over 267m, from 86m to 353m downhole (vertical drill hole). **Figure 15** is an example of one of these zones.

FIGURE 15. MINERALISED PORTION OF NQ DRILL HOLE KMD-07-01 AT 326.6M DOWNHOLE



Another example is the Sherlock prospect. The Pasmaenco drill core from Sherlock now resides in the State Government drill core library and is available for inspection. The original assay laboratory certificates have been located and viewed. This drill hole is located within the Company's EL6174. As reported by Pasmaenco in SARIG Envelope 9015⁸, SHR08 intersected a 38m wide zone of chlorite-biotite-pyrite altered volcanics-sediments and cherts, within which Pasmaenco reported an intersection of SHR08 0.5m @ 11.6% Cu, 1.1% Zn from 102m in basalts and volcanoclastics.

Kanappa

The Kanappa Cu-Au zone is 50kms from the Company's Kanmantoo operation. It is a large epigenetic Cu-Au system associated with diorite and syenite intrusives into a carbonate and greywacke sequence. The soil copper and geophysical anomaly is over 4.4kms long.

Petrology shows the alteration overprints both sediments and intrusives and is high magnetite, pyrrhotite with Fe-Cu-W-Mo-Au-Zn.

Limited drilling in 2018⁹ intersected a 250m wide zone of alteration with magmatic related magnetite and calc-silicate alteration and veining including KPDD003 45m @ 0.2% Cu from 45m downhole.

Peak values from the drill holes include (separate samples) 1m @ 2.7% Cu and 1m @ 2.5 g/t Au.

No further work was undertaken at Kanappa this quarter.

Mt Rhine

The Mt Rhine copper-gold zone is 10kms from Kanappa. The soil anomaly identified from soil sampling is 1.7kms long and 500m wide, with peak rock chips¹⁰ of

- 13% Cu, and
- 49.8g/t Au (separate samples)

Mt Rhine has a much higher gold tenor compared to Kanappa and has not been drilled.

No further work was undertaken at Mt Rhine this quarter.

⁸ Refer to ASX release of 29 April 2019 for a description of the drilling and assaying for SHR08.

⁹ Refer to ASX release 30 January 2019.

¹⁰ Refer to ASX release 25 October 2017.



PUMPED HYDRO ENERGY STORAGE

The sale to AGL of the rights to develop, own and operate the Kanmantoo Pumped Hydro Energy Storage (PHES) project for \$31 million, payable in staged payments and subject to completion of certain conditions over an estimated 18-36 month period, was completed during April 2019 (refer ASX announcement dated 16 April 2019 for further details).

The initial \$1.0M payable on the signing of the agreements has been paid by AGL.

The next \$4.0M will be payable by AGL on the completion of a number of conditions precedent, primarily relating to site environmental management, ground stability and execution of an early works agreement. During the quarter, three of the seven conditions were satisfied and work was progressed on satisfying all conditions in the December 2019 quarter.

HILLGROVE CORPORATE

Appointment of Managing Director

Management changes were announced during the quarter – with Steve McClare stepping down from his role as Managing Director and CEO and Lachlan Wallace (previously the General Manager at Kanmantoo) taking over the role.

Cash Flow (Unaudited)

With the continued higher levels of production during the June 2019 quarter, the improvement in working capital announced in the March quarter has been sustained – with a cash balance of \$4.8M (including \$2.1M unrepresented cheques for the 1.5c dividend paid during the June quarter).

The payment of a fully franked dividend during the June quarter comes after free cash flow generation has been used to pay down the Company's creditors, borrowings, and other payables by \$50M from \$65M in September 2017 to \$15M at the end of June 2019.

Fixed Pricing

The Company continues to actively manage its Australian Dollar copper price exposure through fixed pricing contracts, which underpin revenues for the remaining copper production from the Kanmantoo Open Pit. As at the end of the quarter, it had 5,175 tonnes of future sales priced at an average copper price of \$8,750 per tonne.

Revenue

Gross revenue for the quarter (including precious metals credits) was \$38.8M, with the average realised price for copper metal sold being \$8,759 per tonne.

INDONESIAN GOLD AND GOLD/COPPER ASSETS

The Company is continuing to progress its withdrawal from Indonesia.

The Indonesian projects have been on care and maintenance since 2013 and the carrying value of both projects were fully impaired in 2015.

**CORPORATE INFORMATION****Issued Share Capital at 30 June 2019**

| | |
|-----------------------------|-------------|
| Ordinary shares | 585,588,518 |
| Employee Performance Rights | 18,875,000 |

Share price activity for the Quarter

| | |
|---------------------|-------|
| High | 0.099 |
| Low | 0.072 |
| Last (28 June 2019) | 0.072 |
| Dividends Paid | 0.015 |

SHARE REGISTRY

Boardroom Limited
GPO Box 3993
Sydney NSW 2001, Australia
F: +61 2 9290 9655
T: (within Australia) 1300 737 760
T: (outside Australia) +61 2 9290 9600

REGISTERED OFFICE

Hillgrove Resources Limited
Ground Floor
5-7 King William Road
Unley, South Australia, Australia
E: info@hillgroveresources.com.au
T: +61 8 7070 1698

**Mineral Resource Estimate for All Deposits at 31 December 2018**

| Mine | JORC 2012 Classification | Tonnage (Mt) | Cu (%) | Au (g/t) | Ag (g/t) | Cu Metal (kt) |
|--------------|--------------------------|--------------|------------|------------|------------|---------------|
| Kanmantoo | Measured | 5.1 | 0.6 | 0.1 | 1.3 | 33 |
| Copper Mine, | Indicated | 9.0 | 0.6 | 0.1 | 1.5 | 57 |
| All Deposits | Inferred | 10 | 0.6 | 0.1 | 1.0 | 60 |
| | Total | 24 | 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

| Mine | JORC 2012 Classification | Tonnage (Mt) | Cu (%) | Au (g/t) | Ag (g/t) | Cu Metal (kt) |
|----------------|--------------------------|--------------|------------|------------|------------|---------------|
| Kanmantoo | Measured | 3.8 | 0.6 | 0.1 | 1.1 | 21 |
| Copper Mine, | Indicated | 3.5 | 0.5 | 0.1 | 0.9 | 18 |
| Giant Pit Only | Inferred | 8 | 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

| Mine | JORC 2012 Classification | Tonnage (Mt) | Cu (%) | Au (g/t) | Ag (g/t) | Cu Metal (kt) |
|-------------|--------------------------|--------------|------------|------------|------------|---------------|
| Kanmantoo | Proved | 1.2 | 0.6 | 0.1 | 1.2 | 8 |
| Copper Mine | 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. The stockpiles are not assayed for gold or silver so no estimate for gold or silver grades are provided, however gold and silver are expected to be recovered from the stockpiles.

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.

For more information contact:

Lachlan Wallace, Managing Director, Tel: +61 8 7070 1698