

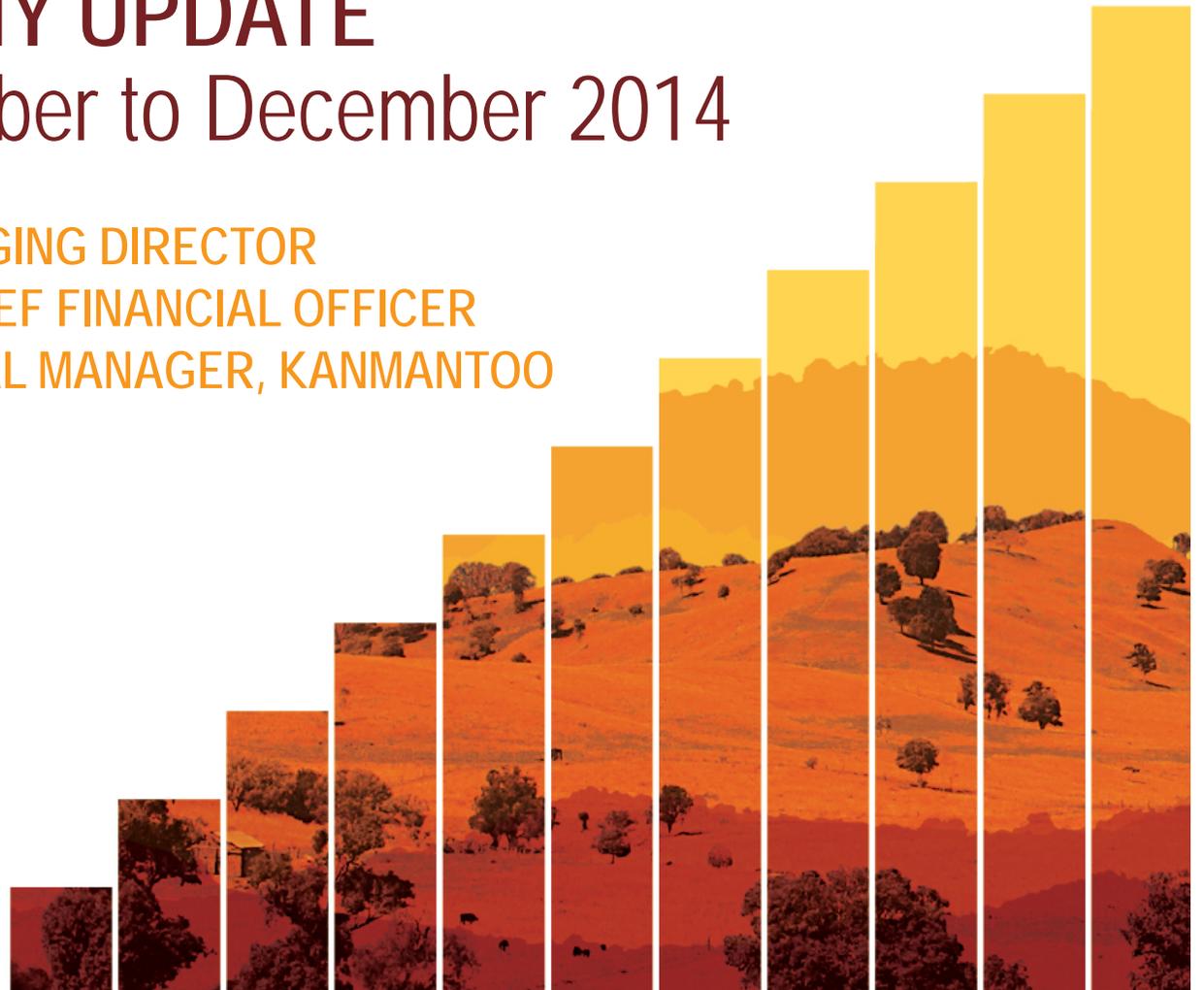
HILLGROVE RESOURCES

Q4 AND COMPANY UPDATE Reporting for October to December 2014

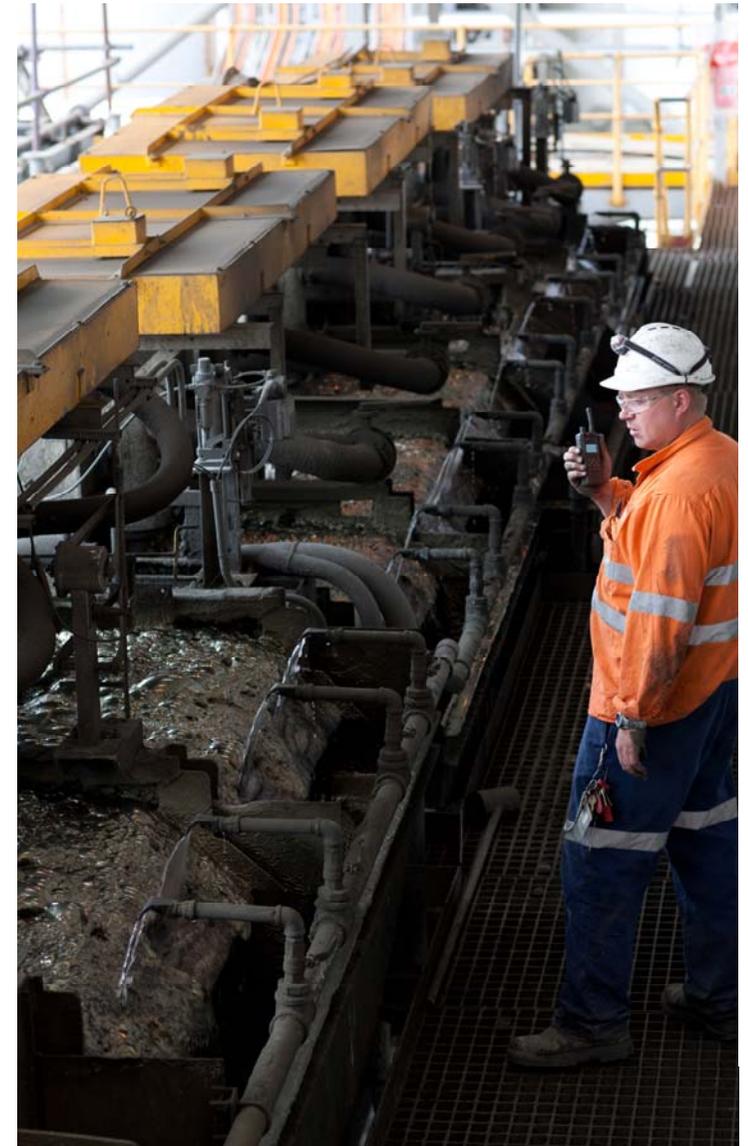


GREG HALL ■■■■ CEO & MANAGING DIRECTOR
RUSSELL MIDDLETON ■■■■ CHIEF FINANCIAL OFFICER
STEVE MCCLARE ■■■■ GENERAL MANAGER, KANMANTOO

2 FEBRUARY 2015



- ASX listed: HGO
- Shares on issue: 147.7 million
(following consolidation of 8:1 on 17/09/14)
- Share price: \$0.44 at quarter end
- Market capitalisation: \$65.0 million
- Cash \$8.8 million
- Debt \$18.0 million
- Net Debt \$9.2 million
- Tax losses carried forward circa \$58 million
- Franking Account Credit \$21.3 million

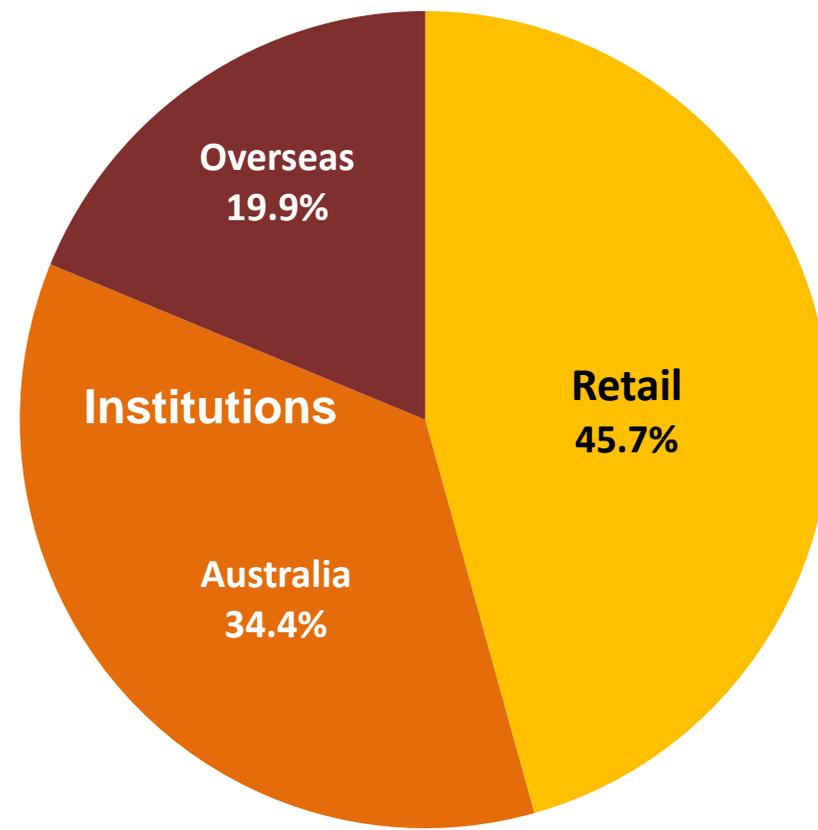


Note: HGO has recently moved from a 31 January to 31 December year end, so current references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Sep and Q4 Oct-Dec (**CY14**). In 2015 Q1 and Q2 will be Jan-Mar and Apr-Jun.



Top Shareholders	% of isc
Perennial Value Management	12.5%
Platinum Partners	8.5%
Renaissance Smaller Companies	6.7%
Colonial First State – Growth Australian Equities	5.5%
Freepoint Metals & Concentrates	4.7%
Aedos Advisers	4.3%
Ariadne Australia	3.9%
Dimensional Fund Advisors	3.8%
JPMorgan Securities Australia	0.9%
Republic Investment Management	0.8%
Total	51.7%

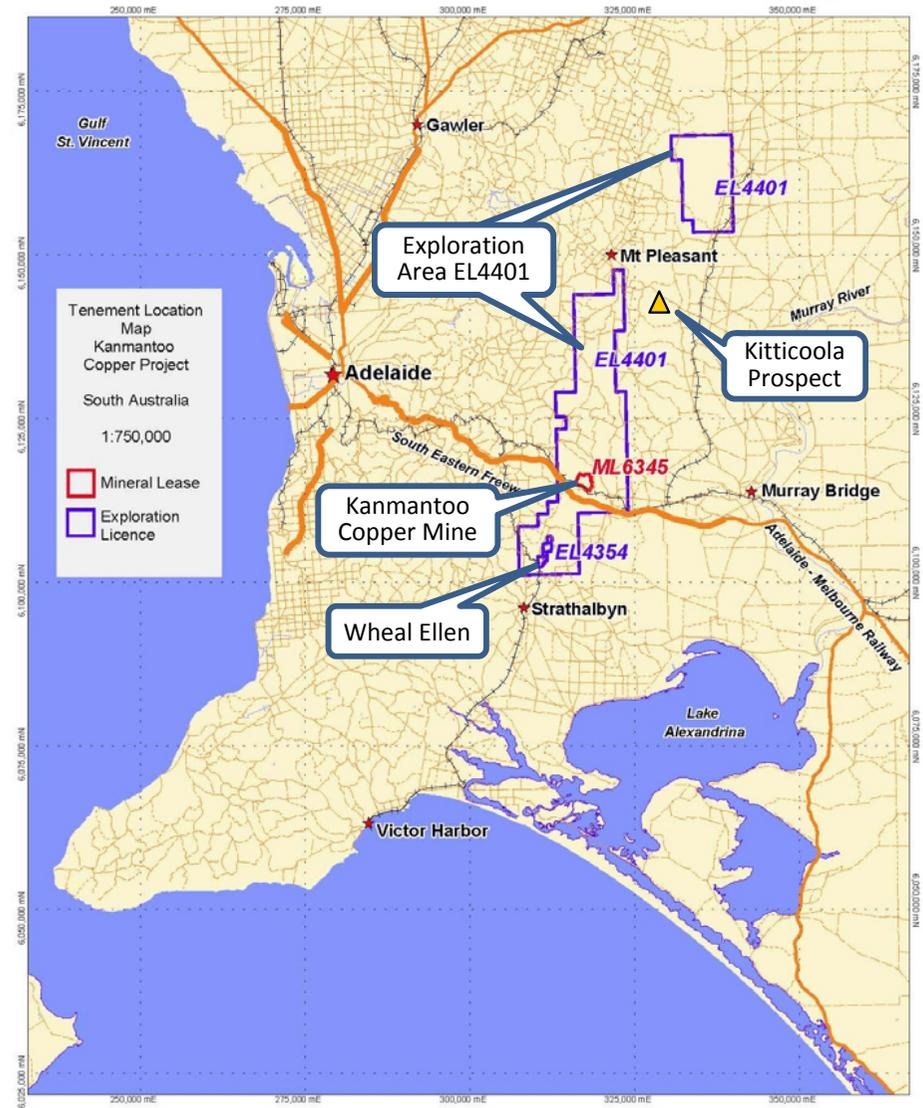
SHAREHOLDER DISTRIBUTION

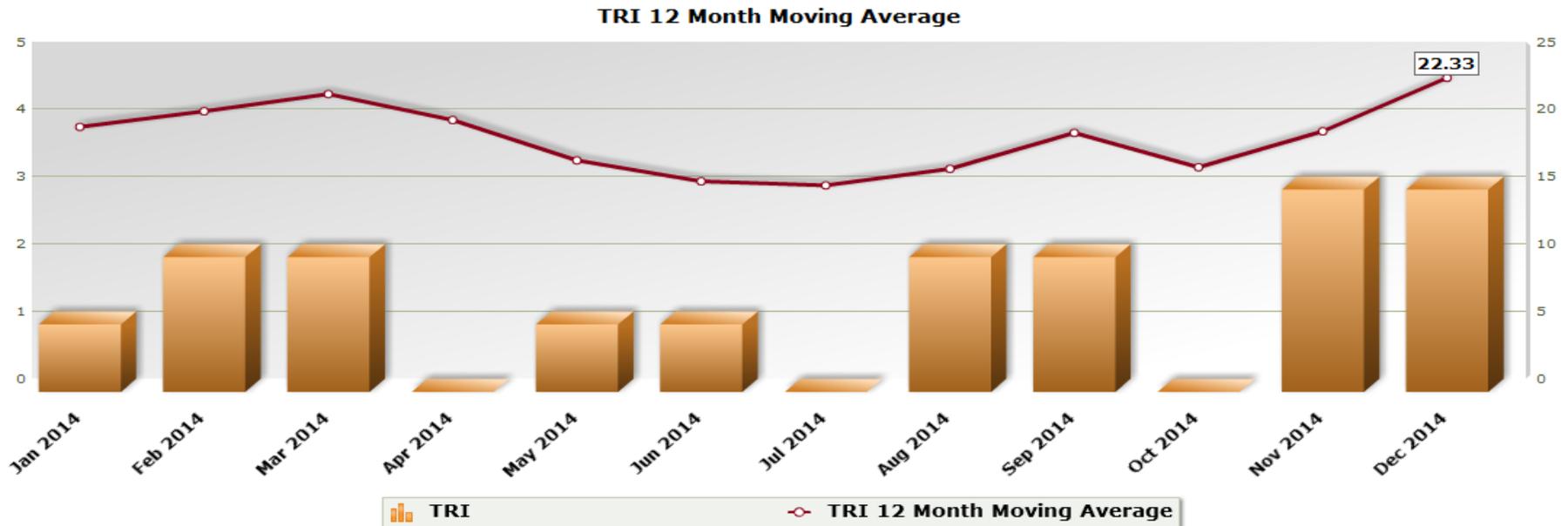


Source: Orient Capital



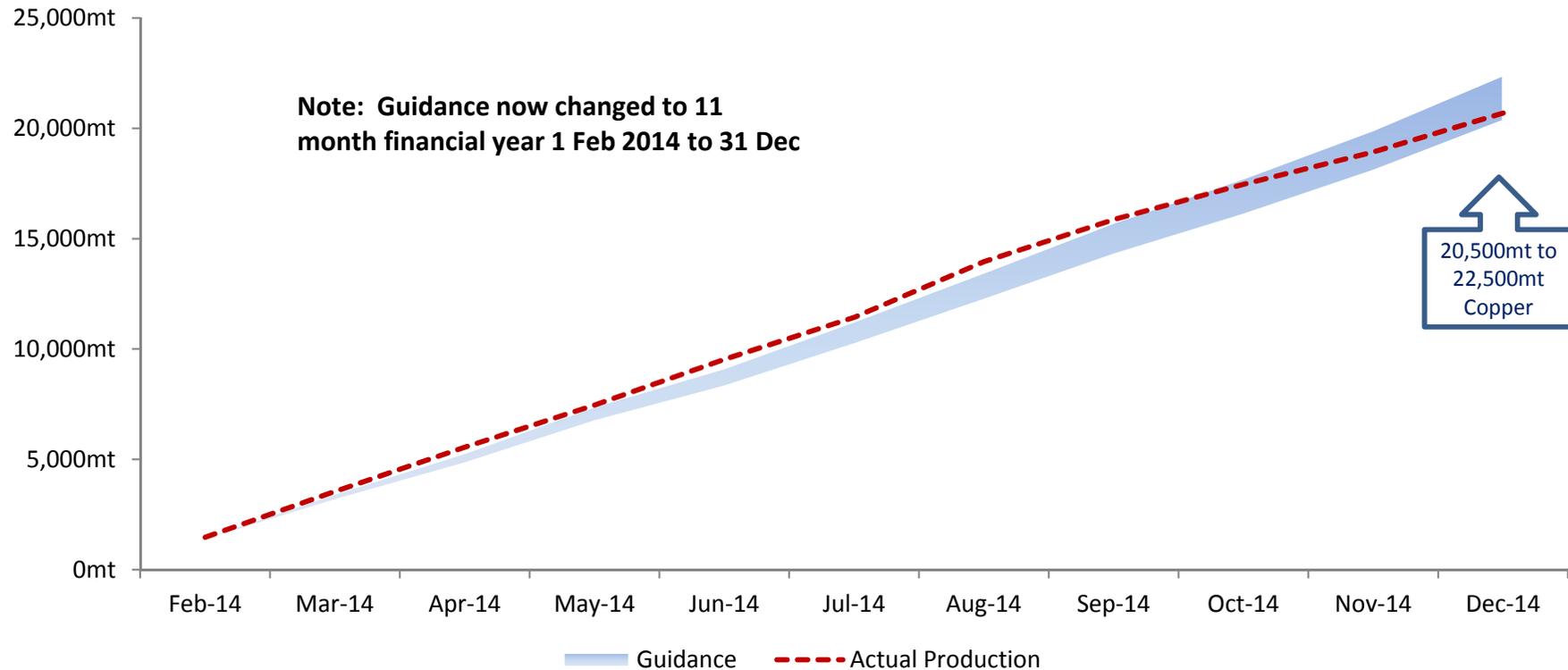
- 100%-owned by Hillgrove
- 55km from Adelaide, South Australia
- Mining Lease is within 500km² exploration license, and relatively unexplored
- Organic growth potential considered high
- Project enjoys infrastructure advantages
 - Close to power (National Grid)
 - Recycled water pipeline
 - 3km from main highway
 - 90km to export port
- Attractive employment costs compared to remote fly-in/fly-out mine operations
- Quality of life attracts mature, experienced workforce with low turnover





- Total Recordable Injury Frequency Rate increased, with most injuries of low severity – initiatives are underway in order to reduce this as well as to enhance compliance with integrated risk management system and focus on frontline risk awareness
- Community meetings continued discussing Kanmantoo regional dust, mine operations, environmental rehabilitation program and local traffic issues
- Now greater than 80% of Hillgrove employees are from the local area or Adelaide Hills region





- For the quarter 4,826 tonnes of copper in concentrate were produced, remaining above guidance on a year to date basis
- As flagged, production for the quarter was lower than previous three month period due to performance of Nugent pit against the resource. This pit will be completed in March 2015



- Production, Sales and Unit Cost results for the three months ended 30 December 2014
 - Copper in Concentrate produced at 4,826 tonnes
 - Copper Concentrate Produced at 21,312 dry metric tonnes
 - Copper Concentrate sold at 20,283 dry metric tonnes
 - C1 Unit costs at USD1.97 per pound (AUD2.30/lb)



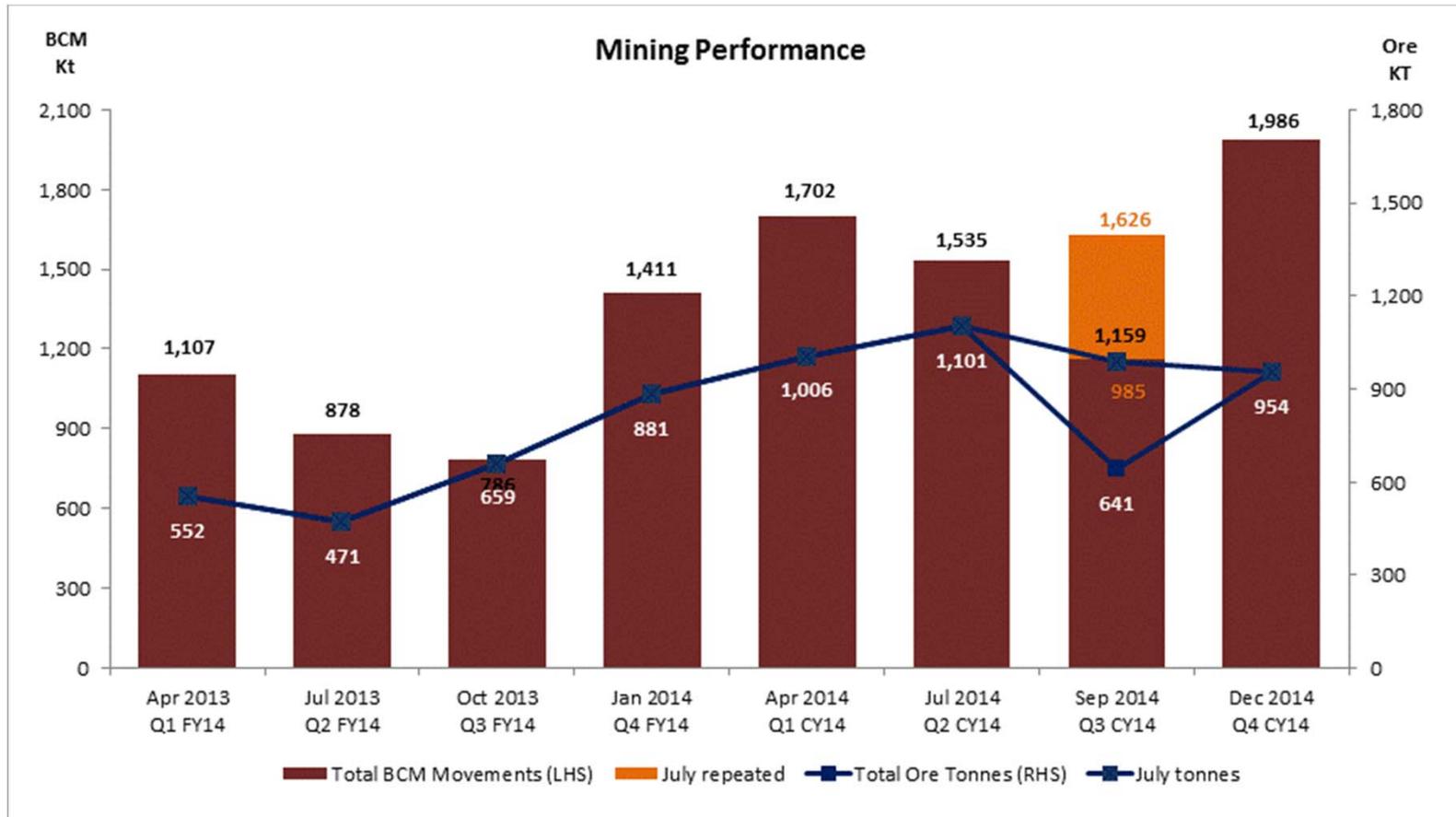
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Period		FY14 to JAN 14	APR-14 QTR	JUL-14 QTR	SEP-14 QTR	DEC-14 QTR	CY14
		12 MTHS	3 MTHS	3 MTHS	2 MTHS*	3 MTHS	11 MTHS
Ore to ROM from Pit	kt	2,633	812	680	430	698	2,620
Ore to long term stockpiles	kt	262	283	421	211	256	1,172
Mined Waste	kt	10,027	4,164	3,643	2,925	5,168	15,899
Total Tonnes Mined	kt	12,922	5,259	4,744	3,567	6,122	19,691
To ROM from LT Stockpiles	kt	332	114	34	102	258	509
Mining Grade to ROM	%	0.71	0.87	0.93	1.06	0.76	0.88
Ore Milled	kt	2,944	757	838	534	894	3,023
Milled Grade - Cu	%	0.64	0.80	0.76	0.90	0.62	0.75
- Au	g/t	0.12	0.10	0.13	0.13	0.17	0.14
- Ag	g/t	2.86	2.83	2.50	3.42	2.44	2.72
Recovery - Cu	%	90.7	92.1	91.9	92.2	86.9	90.8
- Au	%	52.9	52.0	47.9	49.0	55.4	51.7
- Ag	%	49.0	56.5	54.5	47.1	41.0	49.8
Cu Concentrate Produced	Dry mt	75,423	24,335	25,621	18,895	21,312	90,163
Concentrate Grade - Cu	%	22.8	22.8	23.0	23.4	22.6	23.0
- Au	g/t	2.5	1.7	2.0	1.9	3.9	2.3
- Ag	g/t	54.8	49.7	44.5	45.5	41.9	45.5
Contained Metal in Concentrate - Cu	t	17,184	5,554	5,884	4,429	4,826	20,693
- Au	oz	5,962	1,327	1,639	1,135	2,697	6,798
- Ag	oz	132,854	38,864	36,647	27,647	28,743	131,901
Total Concentrate Sold	Dry mt	74,051	24,425	26,284	19,591	20,283	90,583

- Record quarters achieved for processing throughput and total tonnes mined
- Record mined tonnes despite impact from rain and wind stoppages
- Copper recovery was down at 86.9% due to use of stockpiles and transitional ore from Nugent/Emily





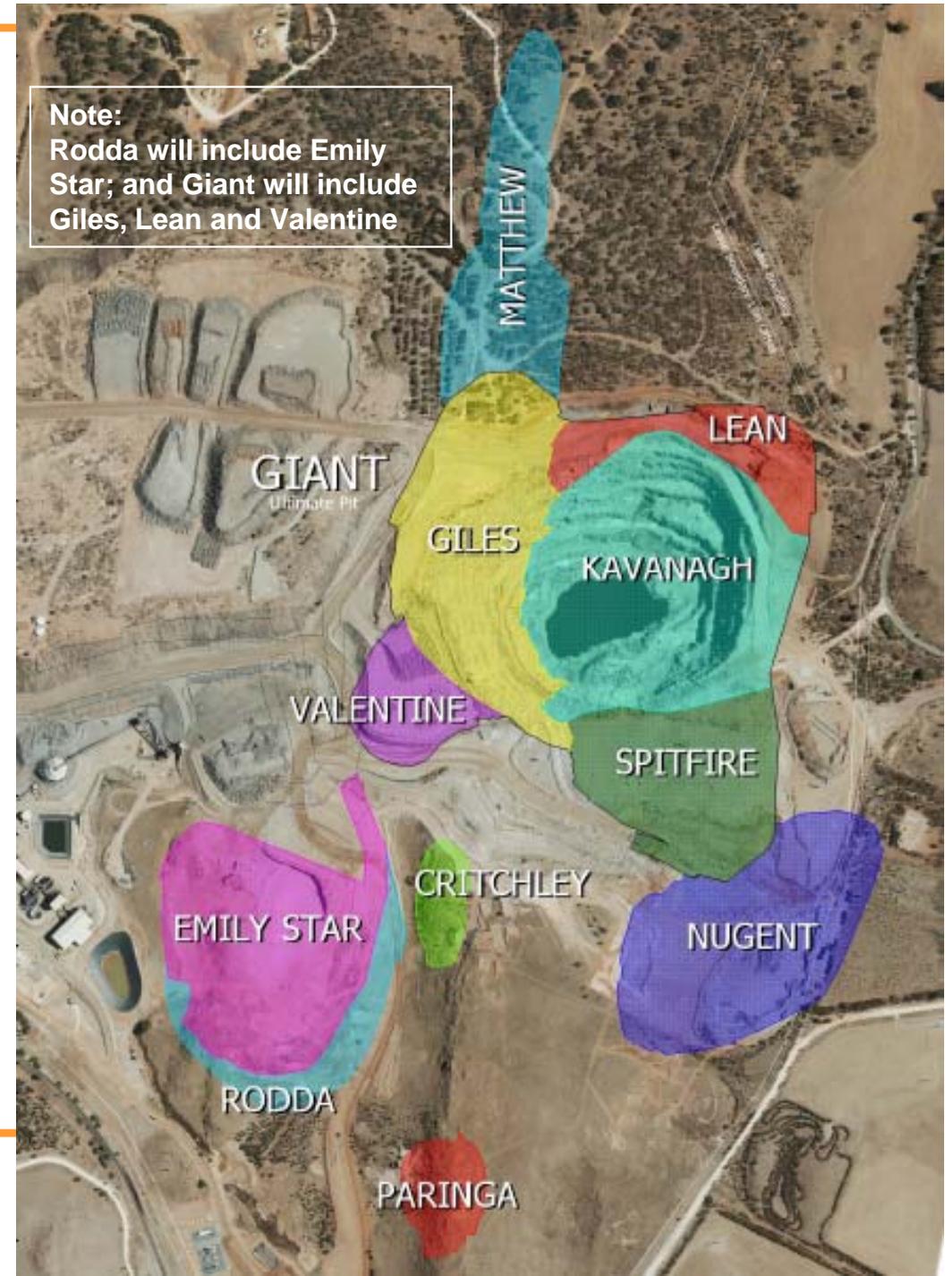
Note: Chart includes total Bank Cubic Metres (BCM) and total ore tonnes (kt) mined. Total BCM mined of 1,986k is equivalent to 6,122kt.

- Productivity maintained – three mining pits operated with all now in primary ore
- Giant pit cut back ahead of plan – now feeding some ore

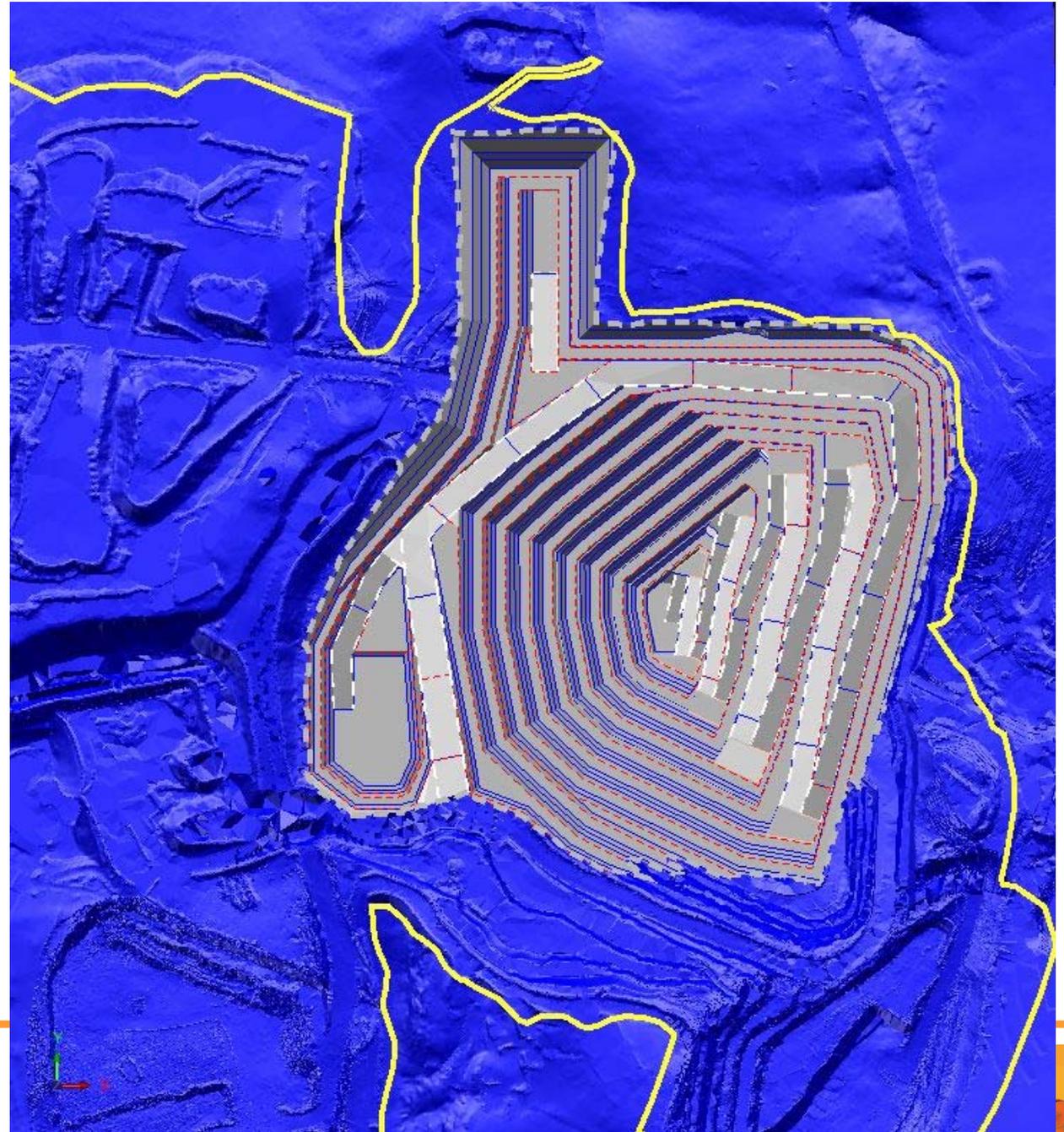


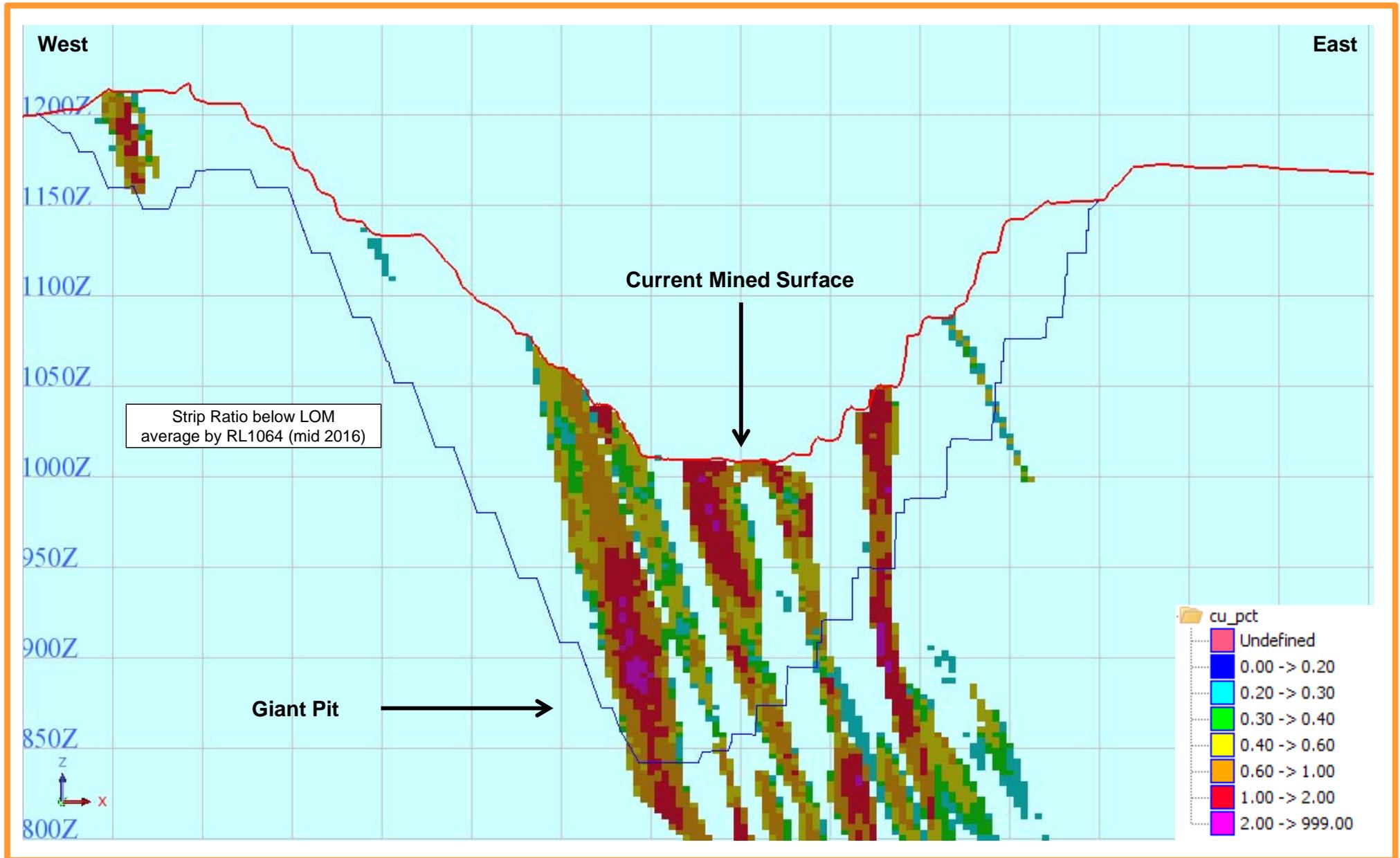


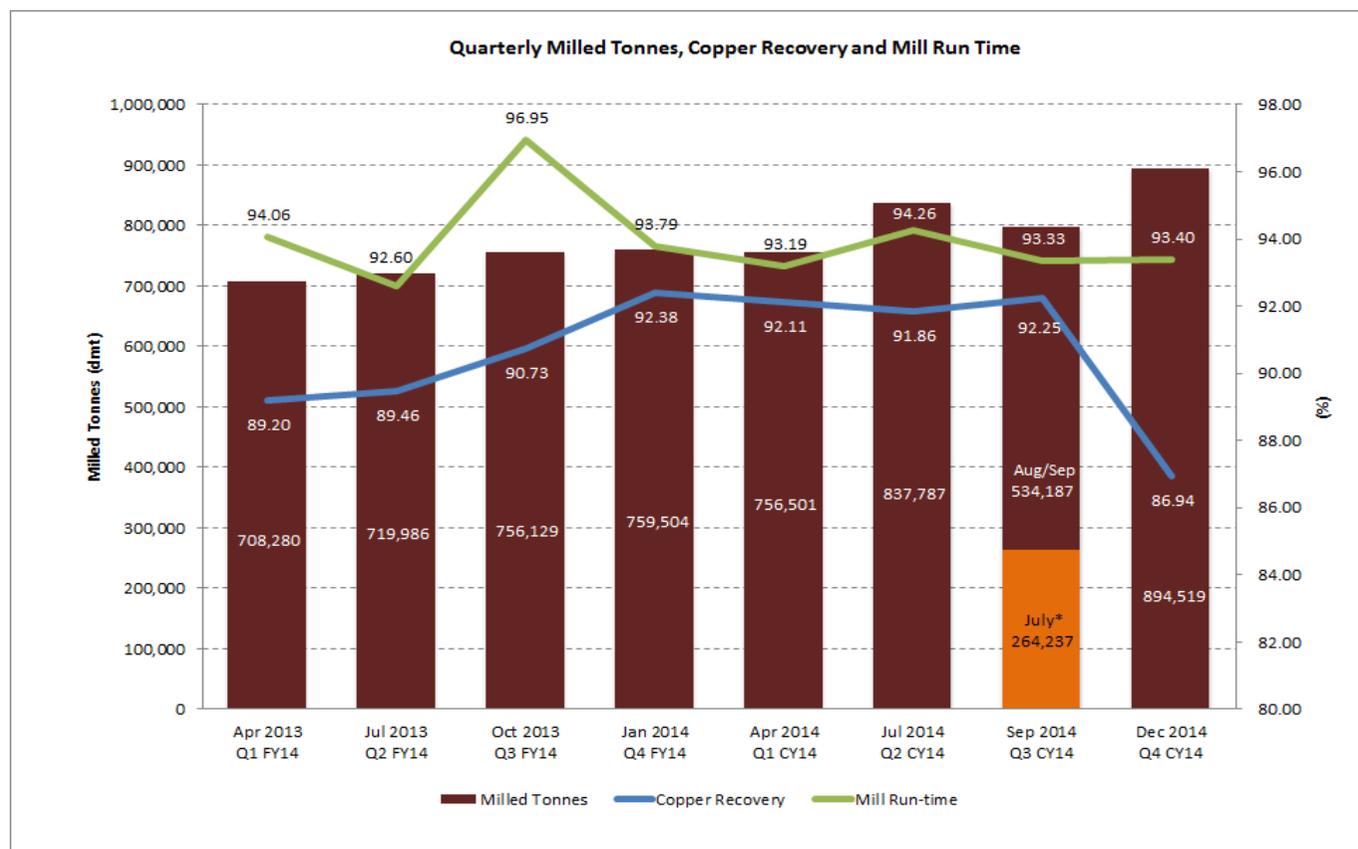
Nugent and Emily Star (below) are both now in primary ore



- Design based on PEPR constrained optimisation
- Main area 550m x 550m
- 360m depth
- SR 5.0







* July quarter included September data again in the Milled Tonnes to replicate a three month quarter for comparison purposes.

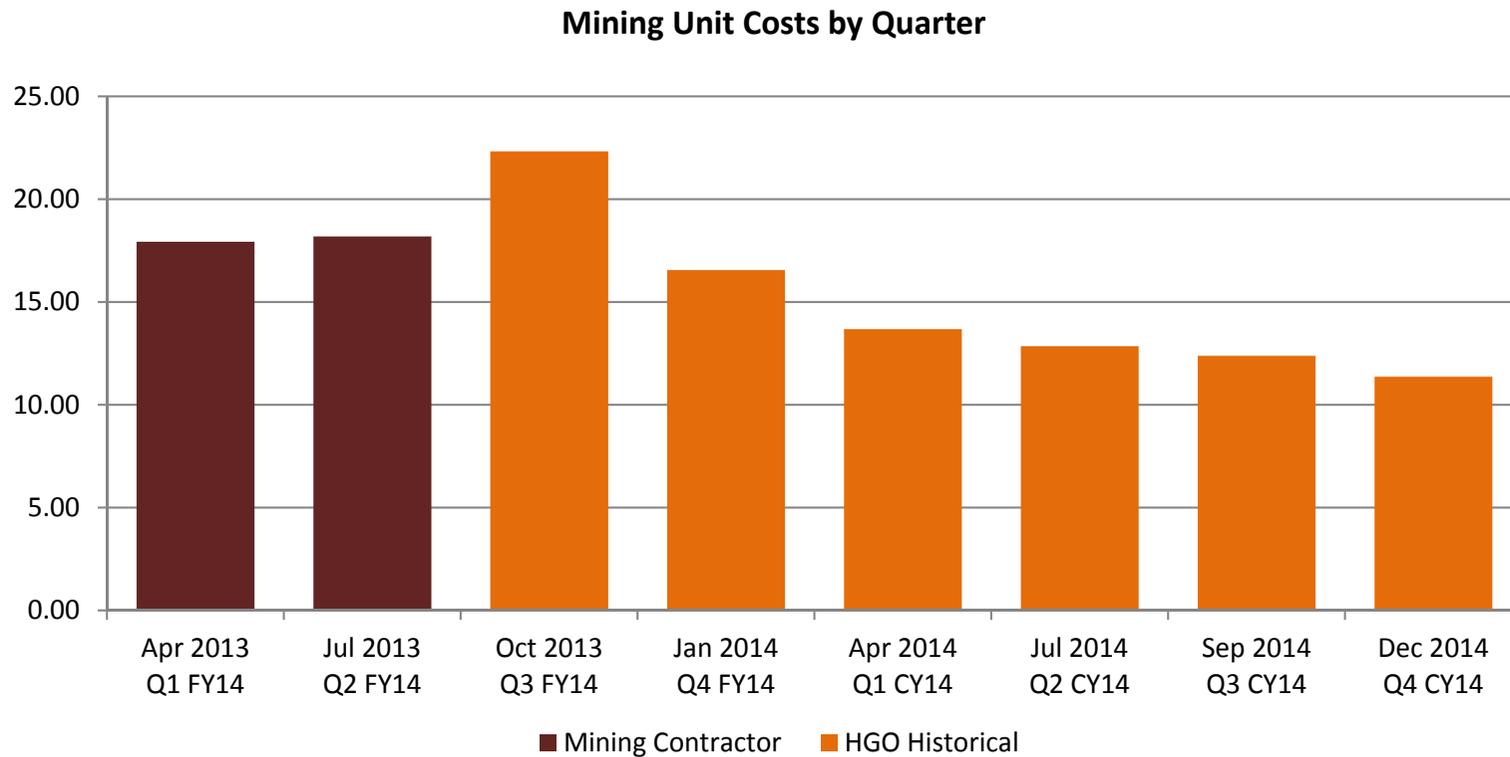
- Mill throughput and reliability maintained, with planned maintenance shuts completed
- Mill throughput was 894kt ore milled for the quarter, which was a record
- Mined ore blended with additions of low grade ore to maximise copper production



Period US cents per lb	FY14 to JAN 14	APR-14 QTR	JUL-14 QTR	SEP-14 QTR	DEC-14 QTR	CY14
	12 MTHS	3 MTHS	3 MTHS	2 MTHS*	3 MTHS	11 MTHS
Total Mining Cost	165	178	156	145	195	169
Deferred Mining	-14	50	-13	-1	-9	7
Pre-strip	-33	-87	-10	-5	-46	-38
Ore Inventory Adjustment	-1	-30	-44	-43	-38	-39
Mining Costs	117	111	89	96	102	99
Processing Costs	72	47	52	42	49	48
Other Direct Cash Costs	22	16	19	13	22	18
Total Onsite Costs	211	174	160	151	173	165
Transport & Shipping	17	16	17	16	16	16
Treatment, Refining & Smelter Charges	41	42	41	37	42	41
Total Offsite Costs	58	58	58	53	58	57
Precious Metals Credits	-30	-21	-24	-19	-34	-25
Total Direct Operating Costs (C1 Cash Costs)	239	211	194	185	197	197
Royalties	4	4	4	4	4	4
D&A	74	71	78	81	90	80
TOTAL COSTS	317	286	276	270	291	281

- Revenue of AUD38.5M at average realised copper price of AUD3.46/lb (USD3.08/lb)
- C1 unit costs for the quarter of USD1.97/lb (AUD 2.30/lb)
- C1 for CY14 at USD1.97/lb (AUD2.18/lb) which is below guidance for the year

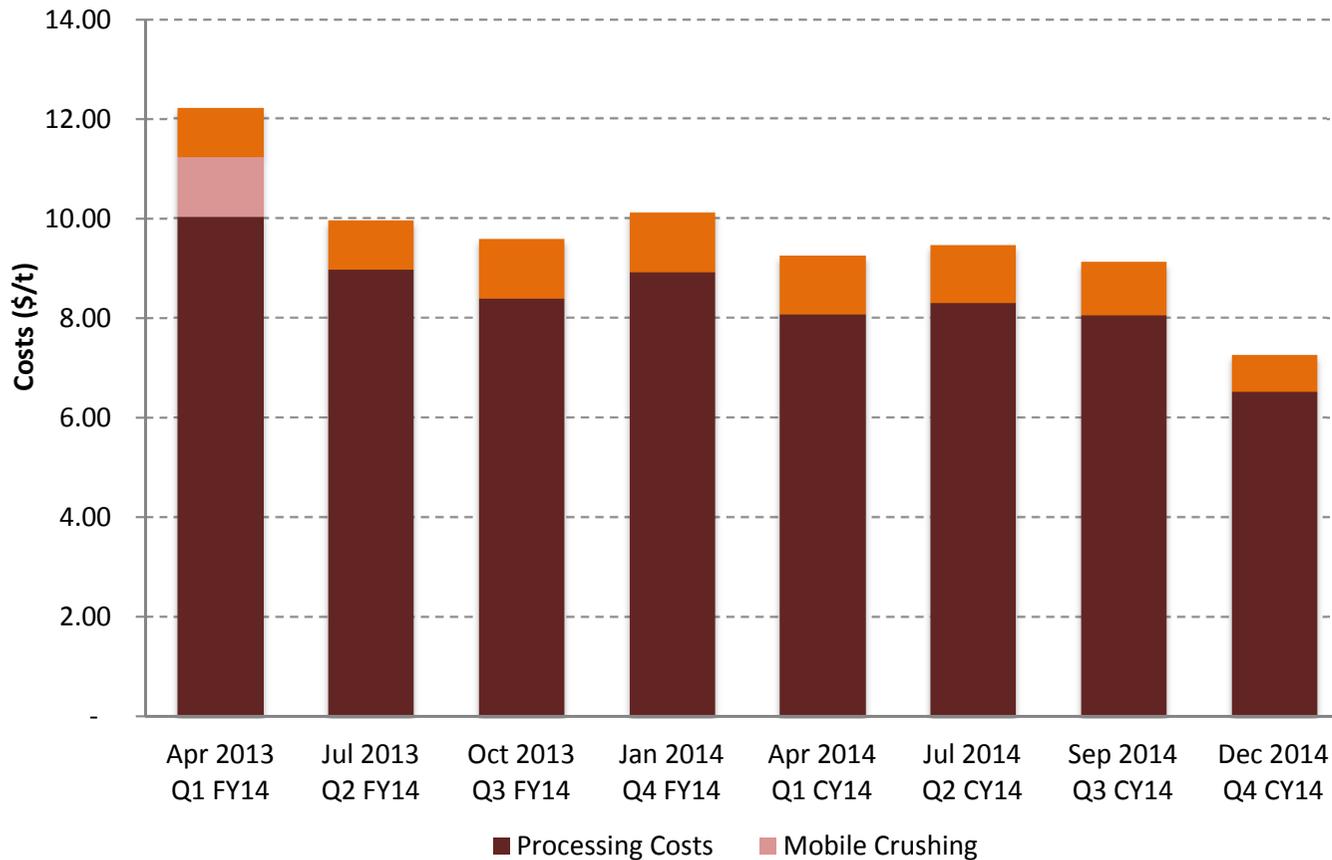




- Consistent reductions in mining unit costs over the last six quarters
- Transition to the Nugent and Emily Star pits during the coming quarter



Quarterly Processing Unit Costs
Including Mobile Crushing (\$/t Milled)

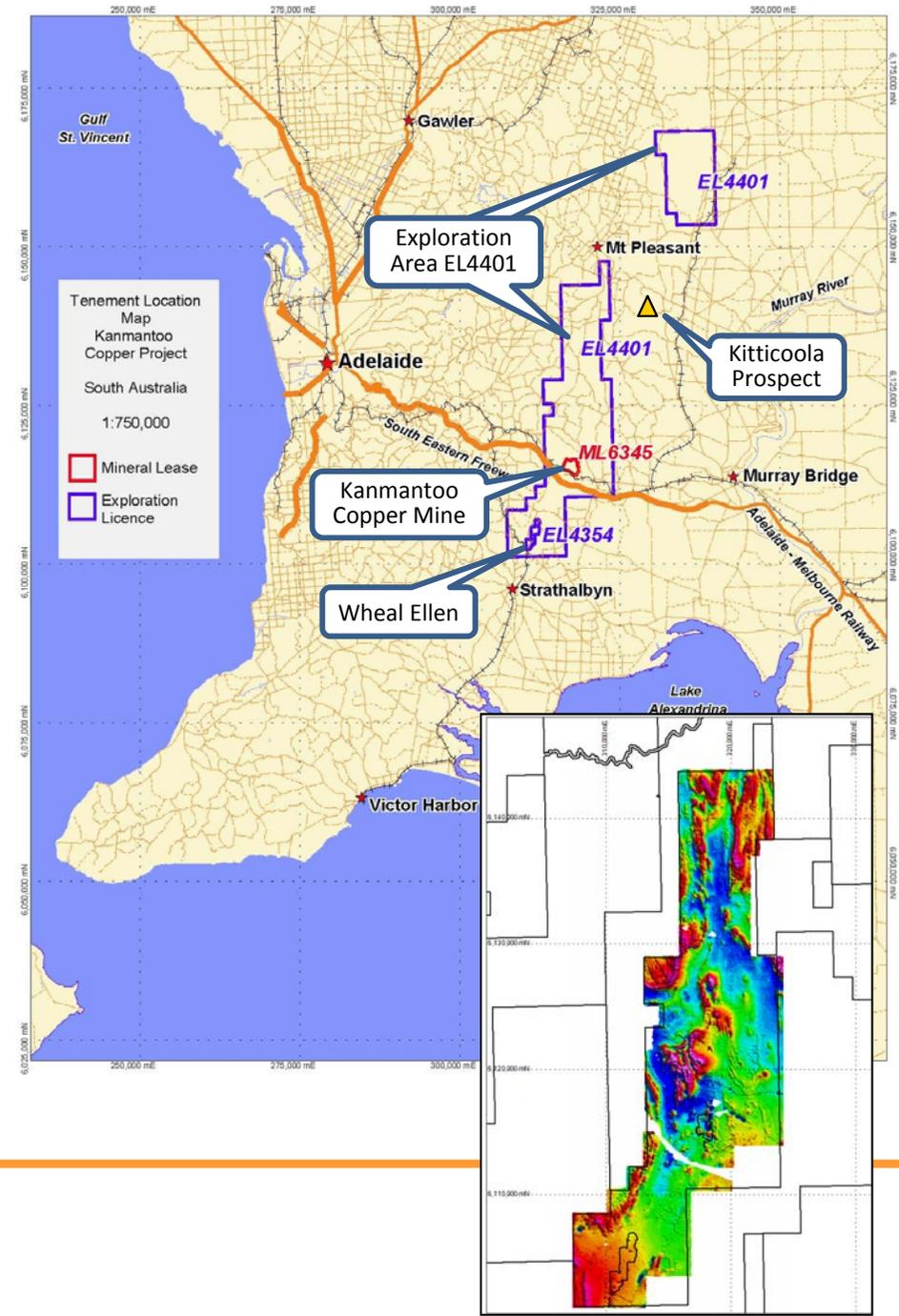


- Continued low processing unit costs achieved due to optimisation work and a focus on cost saving initiatives
- New large rougher flotation cell added which has increased retention time and improved recovery

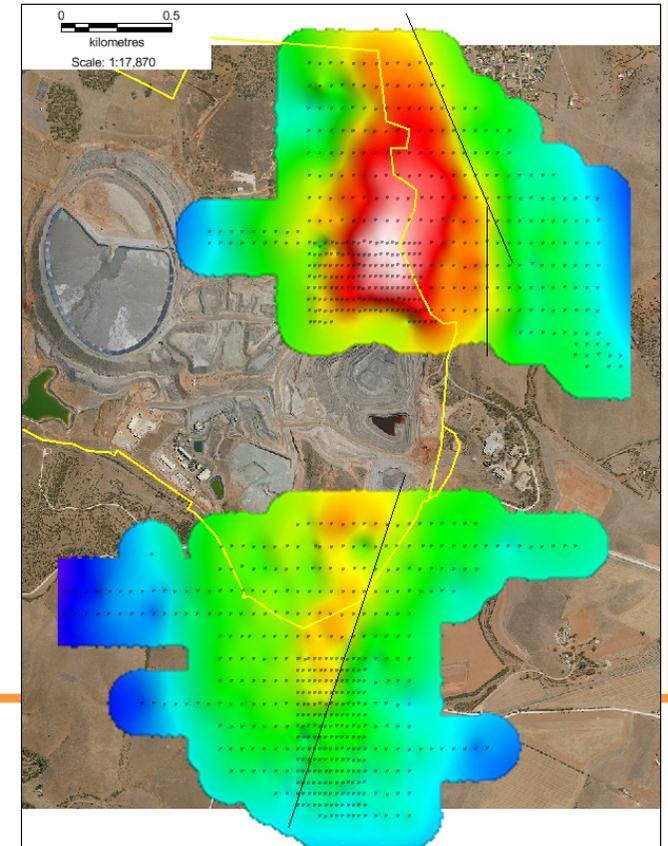
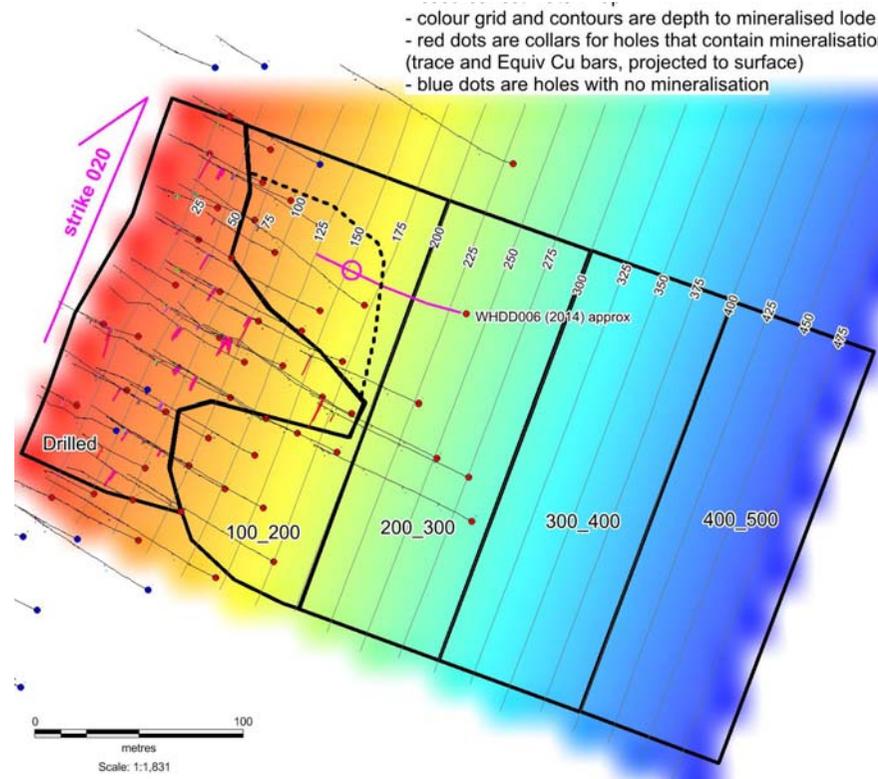
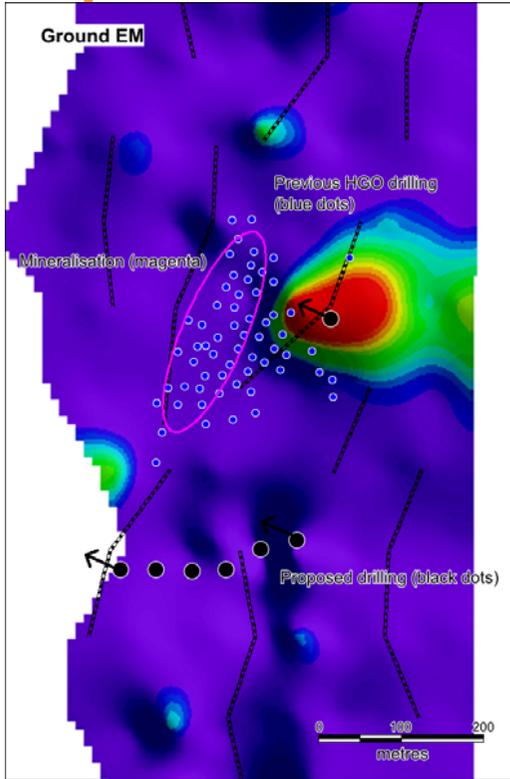


Progress made on Kanmantoo lease and regional exploration

- Initial drill results for the Wheal Ellen Cu-AU-Zn drilling received
- Detailed gravity surveys to north of Kavanagh / Giant have indicated potential sulphide extensions
- Gravity work extended to Kitticoola Prospect
- Detailed planning underway for heli-borne EM survey
- Community liaison will be the key to any and all exploration

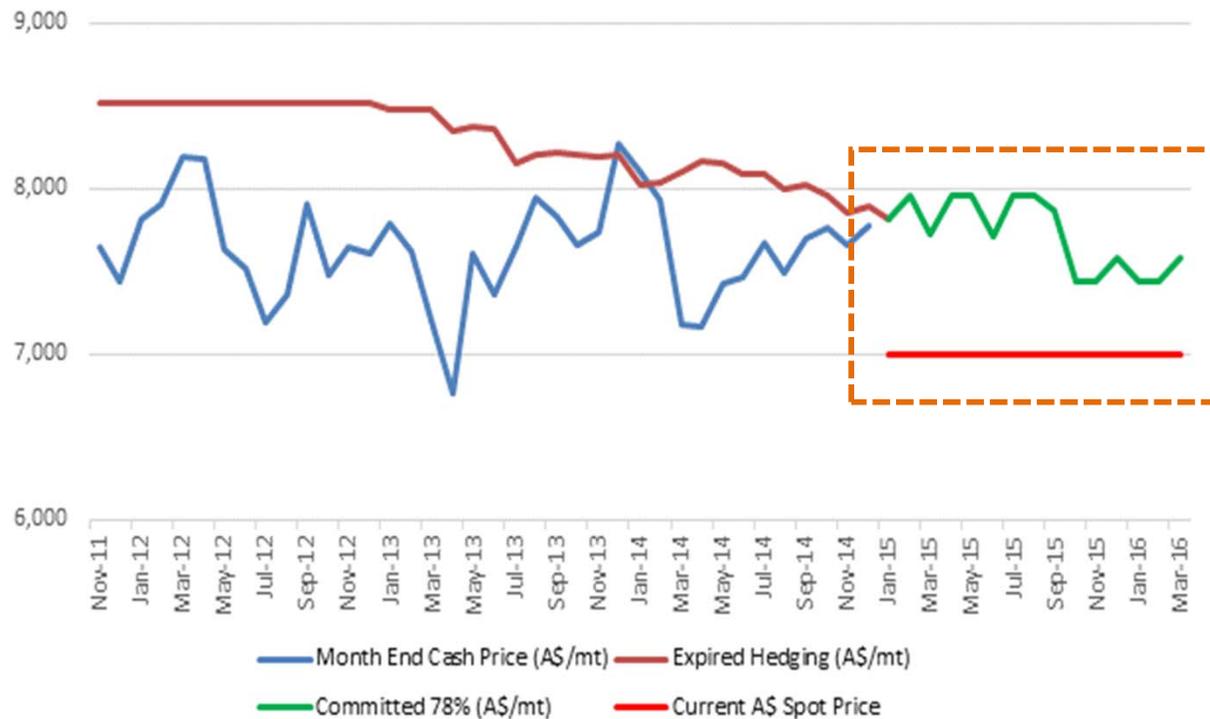


- Wheal Ellen exploration during quarter of reverse circulation holes, not indicating any significant results, however a 180m diamond drill hole confirmed mineralisation remains open at depth including 6m at 8% Zn, 4.3% Pb, 1.1g/t Au, 0.7% Cu and 81g/t Ag



- Detailed gravity survey completed to north and south of existing operation and underway at Kitticoola including 1200 stations, at a spacing of 50 x 25m or 100 x 50m

Hillgrove Resources Hedge Book



- Strong hedge book provides certainty for cash flows and revenue during debt repayment periods
- Additional 2,887t of copper hedges added at a price of AUD7,749/t (AUD3.51/lb) during the quarter
- Company has 78% of payable copper production hedged through to March 2016 at AUD7,723/Mt (AUD3.50/lb)
- Compares favourably to current copper spot pricing of ~USD5,722/Mt (AUD6,997/Mt or AUD3.17/lb)



Kanmantoo guidance levels, based on current performance and planned improvements

Guidance For FY15

Total Ore Mined	2,800kt to 3,000kt
Primary Ore Processed	2,300kt to 2,600kt
Primary Ore Grade Processed	0.68% to 0.72% Copper
Primary Ore Copper Recovery	91.0% to 93.0%
Oxide Ore Processed (~stockpiles)	500kt to 600kt
Oxide Ore Grade Processed	0.85% to 0.95%
Oxide Ore Recovery	65% to 70%
Copper Produced	18,500t to 20,500t copper contained in concentrates
Gold Produced	5,000oz to 6,000oz gold contained in concentrates
C1 Costs	USD2.00 to USD2.25 per lb
Capital Projects	AUD5.0M to AUD6.0M
Pre Strip	AUD16.0M to AUD17.0M

Continuous improvements in performance at Kanmantoo in operating and cost structures continue to support the target mine life to 2021 (adjusted for increased production)



- Controlled Potential Sulphidisation (CPS) for stockpiled oxide ore treatment – construction underway, approximately 52% complete at end of quarter, two ~10 day trials targeted for May and July 2015, plan for 4 month batch treatment from November 2015 to February 2016 – proposed processing in FY15 of 500 to 600kt at 0.85 to 0.95% Cu with ~70% recovery
- New rougher flotation cell installed as part of CPS being used in primary circuit to increase residence time and enhance recovery
- Continued and ongoing work on geotech design and monitoring systems to maximise ore recovery with minimum stripping
- TSF northern section finished which completes all underfloor drainage – remaining TSF lifts only modest capital (approximately \$1M per lift)



Hillgrove views the next 12 months to be a challenging period with short term uncertainty regarding the copper price and overall resources market environment. In the context of the Company's response to the potential impact of this environment the following initiatives have been established:

- Continue to manage the copper price through an active hedging program for metals
- Continuously drive unit costs lower through productivity initiatives
- Preserve cash by deferring all non-essential activities
- Continue with capital management initiatives, including debt re-structure, to align capital structure with LOM plan for Kanmantoo operations
- Install and commission the Controlled Potential Sulphidisation (CPS) plant to process stockpiled oxide and transition ore
- Evaluate resource extension potential at Kanmantoo beyond current target life
- Options for extraction of value from Indonesian exploration assets through joint venture or external investment



THREE PILLARS FOR ENHANCING SHAREHOLDER VALUE

KANMANTOO

Productivity and cost focus in order to maximise the free cash flow generation of Kanmantoo

REGIONAL GROWTH

Grow reserves and extend mine life of Kanmantoo through targeted regional exploration

CAPITAL MANAGEMENT

Enabling the Company to establish a foundation for shareholder value enhancement and future growth opportunities

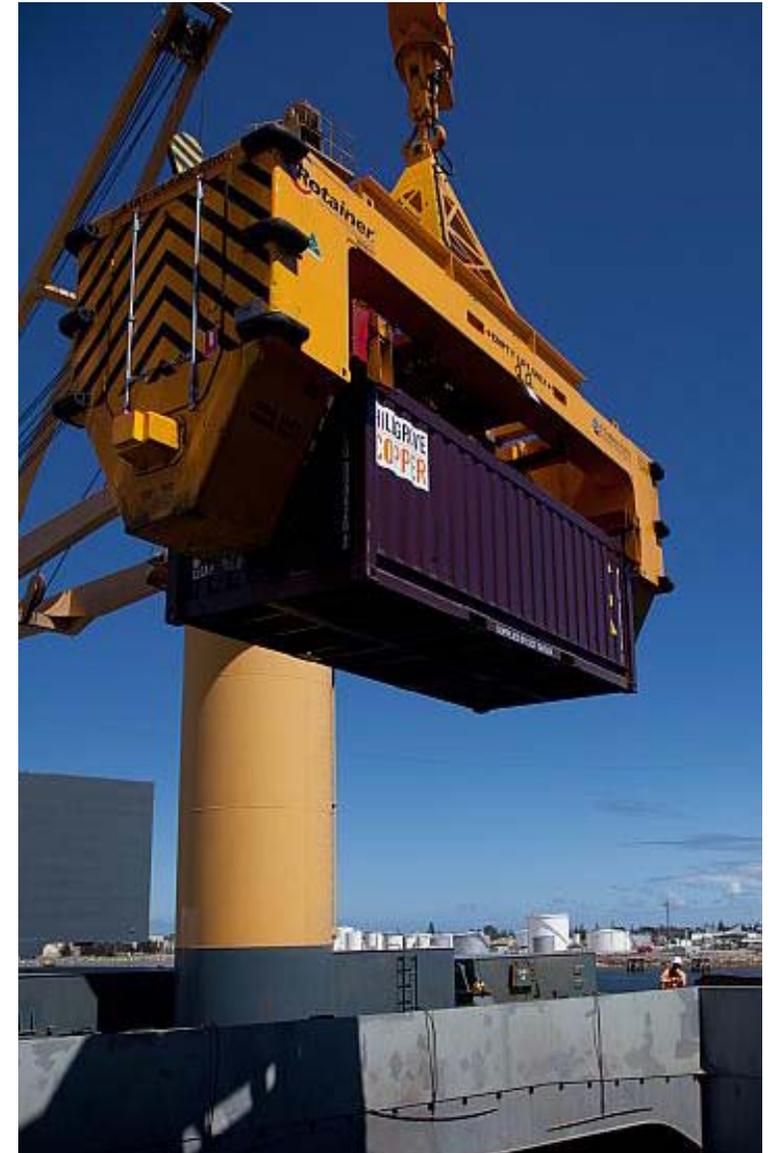


- Revenue was AUD38.5M at an average realised price for copper of AUD3.46/lb (USD3.08/lb), with year to date revenue of AUD167.0M
- Copper hedging strategy continues to significantly support revenue stream, with 2,887t added at a price of AUD\$7,749/t (AUD3.51/lb). 78% of payable copper production is now hedged through to March 2016 at A\$7,723/Mt (A\$3.50/lb)
- Q4 continued to establish new records, with highest throughput and total tonnes mined to date, due to increased efficiencies resulting in reduced unit rates for mining and processing
- Copper recovery was lower at 86.9% due to higher transitional ore from Emily, combined with lower recovery from older stockpiles. By mid-December Nugent and Emily pits were fully in primary ore and recovery had returned to target
- Cut-back in Giant pit over main orebody well advanced, with AUD5.4M of pre-strip undertaken and first ore from satellite deposits processed during the quarter
- C1 cost for the quarter was USD1.97/lb (AUD2.30/lb), with C1 for the CY14 year also at USD1.97/lb (AUD2.18/lb) which has come in below guidance



For further information please contact:

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ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on the operation of the Kanmantoo Copper Mine in South Australia, and with exploration projects on its Indonesian tenements. The Kanmantoo Copper Mine is located less than 55km from Adelaide in South Australia. With construction completed in late 2011, Kanmantoo is an open-cut mine with a throughput of 3.0Mtpa, to produce approximately 100,000 dry metric tonnes of copper concentrate per annum, containing approximately 20,000t copper and associated gold and silver per annum over the current life of mine.

Competent Person's Statement

The information in this release that relates to Mineral Resources is based upon information compiled by Mrs Michaela Wright, who is a Member of The Australasian Institute of Mining and Metallurgy. Mrs Wright is a full-time employee of Hillgrove Resources Limited and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'. Mrs Wright has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

The information in this release that relates to Ore Reserves is based upon information compiled by Mr Steven McClare, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr McClare is a full-time employee of Hillgrove Resources Limited and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'. Mr McClare has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

Kanmantoo Global Mineral Resource Estimate at End February 2013

	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
In Situ Resource	Measured	2.63	0.88	0.10	1.95
	Indicated	21.77	0.82	0.23	2.21
	Inferred	5.0	0.67	0.13	1.79
		29.46	0.80	0.20	2.11
Long Term Stockpiles	Measured	1.39	0.46	N/A	N/A
	Indicated	0.50	0.18	N/A	N/A
		1.89	0.39	-	-
	Total	31.30	0.78	0.20	2.11

Note: In Situ Resource >0.20% Cu, Long Term Stockpiles >0.15% Cu.

Kanmantoo Global Ore Reserve Estimate at End February 2013

	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
In Situ Reserve	Proven	2.5	0.77	0.08	1.7
	Probable	18.2	0.72	0.20	2.0
		20.7	0.73	0.18	1.9
Long Term Stockpiles	Proven	1.4	0.46	N/A	N/A
		1.4	0.46	-	-
	Total	22.1	0.71	0.18	1.9

Note: In Situ Reserve >0.20% Cu. Long Term Stockpiles >0.15% Cu.

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All currency referred to is Australian Dollars (AUD) unless otherwise indicated.

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