

Friday, 14 February 2014

QUARTERLY PRODUCTION REPORT: RECORD KANMANTOO MINE PRODUCTION

Hillgrove Resources Limited (ASX: HGO) is pleased to report record copper production for the Quarter ending 31 January 2014 from its Kanmantoo Copper mine, with full year copper production within previous guidance. In addition to increased production levels, the Company also reports record mill throughput and head grade at its processing plant on site, as well as achieving record quarterly sales volume.

The key operational achievements include:

- **5,838t copper** contained in concentrates produced in Q4 which is a **36% increase in copper production** over Q3 and above production guidance for the quarter of 5,400t to 5,600t copper contained within concentrates;
- **4,362kt** total material mined for Q4 after implementation of the new owner operator mining plan; an increase of 80% over Q3 and a 28% increase over the previous best quarter this year;
- Record process plant throughput of **760kt** ore and increased mill head grade of **0.83%** copper;
- Record recovery of **92.4%** as the process plant beds down operating and maintenance improvements at the higher head grade;
- Total copper produced for the Financial Year ending 31 January 2014 (FY14) of **17,184t contained copper in concentrates**.

Hillgrove also advises copper production guidance for the coming Financial Year ending 31 January 2015 (FY15) of 22,300t to 24,600t copper contained in concentrates (refer to Production Summary and Outlook on page 2 of this summary report below). The recent commissioning of two new Liebherr 9350 300 tonne excavators is forecast to further improve productivity in FY15 by supporting the ramp up in the volume of tonnes moved at Kanmantoo.

Hillgrove's Managing Director and CEO, Greg Hall said: "The change in mine practices through the newly configured and Hillgrove operated mining fleet has continued to reap dividends for the Kanmantoo operating performance. This can clearly be seen in the reduction in mining dilution, increased mining tonnes, and improved feed grades to the mill. Our processing plant group have also continued to improve their throughput rates, run time and copper recovery, all resulting in an increase in copper produced."

A full Quarterly Report will be released during the week beginning 24 February 2014, which will include further detailed production statistics, C1 unit costs and details of the company's cash position.



Mining

Mining rates reached 507k bcm for the month of January, and will be lifted further during the coming months in line with long term plans. The recent arrival and commissioning of two new Liebherr 9350 300 tonne excavators will provide both improved productivity and lower costs by allowing a ramp up in the volume of tonnes moved from the mining pits.

Processing

Mill throughput and reliability were maintained at a high level during the quarter. A Multi-Stream Analysis unit is currently being installed into the process plant, and this is expected to provide additional improvements to recovery and costs.

Production Summary

Period		APR-13 QTR	JUL-13 QTR	OCT-13 QTR	JAN-14 QTR	FULL YEAR
Ore to ROM from Pit	kt	689	555	656	733	2,633
Total Tonnes Mined	kt	3,417	2,713	2,430	4,362	12,922
Mining Grade to ROM	%	0.67	0.67	0.63	0.85	0.71
Ore Milled	kt	708	720	756	760	2,944
Milled Grade - Cu	%	0.57	0.54	0.63	0.83	0.64
Recovery - Cu	%	89.1	89.5	90.7	92.4	90.7
Cu Concentrate Produced	Dry mt	15,510	15,699	19,161	25,053	75,423
Contained Metal in Concentrate - Cu	t	3,590	3,450	4,306	5,838	17,184
- Au	oz	2,237	1,268	1,178	1,279	5,962
- Ag	oz	28,304	27,302	33,097	44,151	132,854
Total Concentrate Sold	Dry mt	16,184	14,134	18,919	24,814	74,051

Outlook for FY15

Hillgrove provides the following production guidance for the Financial Year ending 31 January 2015 (FY15):

- Ore mined 3,000kt to 3,250kt
- Ore processed 2,900kt to 3,000kt
- Ore grade processed 0.83% to 0.88% Copper
- Copper Recovery 92.5% to 93.5%
- Copper produced 22,300t to 24,600t copper contained in concentrates
- Gold produced 7,000oz to 9,000oz gold contained in concentrates

Hillgrove's Managing Director and CEO, Greg Hall said: "This quarter has set the foundation for the operating performance for the next twelve months. We will continue to work on the improvements that our employees have identified through the operating planning and implementation processes."

In addition to the improved copper production profile, earlier in the year Hillgrove took advantage of high AUD copper prices and executed additional hedging for the first half of FY15 (1 February – 31 July 2014). Hillgrove's copper production to end July 2014 has hedging in place representing approximately 90% of payable copper at an average price of AUD8,140 per tonne providing certainty of revenue for the company.

“With increased copper production and further improvements expected at Kanmantoo, and recognising the continued demand for copper and our strong hedge position, I believe the year ahead will be an exciting and rewarding one for shareholders and all our stakeholders,” Mr Hall said.

For more information contact:

Mr Greg Hall
Managing Director & CEO
Tel: +61 (0)2 8247 9300

Mrs Shanthy Smith
Company Secretary
Tel: +61 (0)2 8247 9300

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 which has now ramped up to a throughput of up to 3.0Mtpa, to produce approximately 90,000 dry metric tonnes of copper concentrate per annum.

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 Mineral 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.

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 Mineral 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.