

Monday, 31 March 2014

ASX Market Announcement
Australian Securities Exchange
Level 4 Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir or Madam:

LODGEMENT OF APPENDIX 4E – YEAR ENDED 31 JANUARY 2014

Please find attached the Preliminary Final Report – 31 January 2014 (Appendix 4E) under Listing Rule 4.3A relating to Hillgrove Resources Limited's results for the year ended FY14.

The full annual report together with the financial report of Hillgrove Resources Limited ("the Company") and the consolidated entity, being the Company and its controlled entities, for the year ended 31 January 2014 and the auditors' report thereon will be released by 30 April 2014 per ASX guidelines.

Yours faithfully



Shanthi Smith
Company Secretary



ASX Preliminary Final Report – 31 January 2014

Lodged with the ASX under Listing Rule 4.3A

HILLGROVE RESOURCES LIMITED

ABN 73 004 297 116

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Appendix 4E: Preliminary final report Period ending 31 January 2014

Name of entity	Hillgrove Resources Limited
ABN	73 004 297 116
Financial year ended	31 January 2014 (FY14)
Previous corresponding reporting period	31 January 2013 (FY13)

Results for announcement to the market

Revenue from ordinary activities	up	21.0%	to	\$139,157,000
Profit from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited	up	N/A ¹	to	\$1,496,000
Profit for the period attributable to the owners of Hillgrove Resources Limited	up	N/A	to	\$1,496,000

Dividends

No dividends were paid or proposed to members during the financial year ended 31 January 2014 or in the previous period.

Brief explanation of results

A net profit after tax of AUD1,496,000 is reported by the Consolidated Entity for the year (31 January 2013: Loss of AUD11,785,000).

During the reporting period, the Consolidated Entity continued to improve the operational performance of its principal operating asset, the Kanmantoo Copper Mine. The key changes during the year included the installation of a new primary crusher system to replace the previous second hand primary crusher and the mutual termination of the Mining Services Contract, introducing Hillgrove employees in all supervision, planning and operational roles, combined with specialised contractors in the mobile equipment supply and maintenance, drilling and explosives supply areas.

Hillgrove generated operating revenue of AUD139.2 million (31 Jan 2013: AUD115.4 million) for the year from the production of 75,423 tonnes of dry copper concentrate containing 17,184 tonnes copper at the Kanmantoo Copper Mine.

The Profit after tax of AUD1.5 million for the year ended 31 January 2014 was primarily due to a significant improvement to EBITDA for the period, increasing from AUD17.1 million in the last year to AUD37.3 million in the current year, offset mainly by costs and lower production during the new mining plan implementation.

During the year, in accordance with IFRIC 20 "Stripping costs in the Production Phase of a surface mine", the accounting for mining costs was changed from a basis of costs incurred to one in which mining costs are normalised for the impact of strip ratios and copper grades over the life of specific pits.

¹ Loss from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited for previous corresponding period was AUD11,785,000.

This results in the deferral of some mining costs to the balance sheet during a period where the strip ratio is higher and the copper content is lower in the initial stage of the pit. The deferred costs will be reallocated to the cost of production progressively during periods where either the strip ratio is lower or the copper content is higher. As at 31 January 2014, deferred mining costs included in Inventory was AUD6.3 million and is expected to unwind within the next 9 to 12 months.

Depreciation and Amortisation expenses increased to AUD29.2 million from AUD26.5 million in the previous year mainly due to the capitalisation and subsequent amortisation of pre-strip material during the year. Direct employee costs increased by AUD0.4 million during the year due to the increase in Hillgrove employees, offset by reduced mining contractor costs, resulting from the changeover to the new owner operator model. Corporate and Other Administration costs decreased by AUD1.2 million (27%) as a result of cost reduction initiatives undertaken during the year. Financing expenses reduced by AUD0.6 million to AUD5.9 million as a result of the repayment of debt. During the year, there was a loss on financial derivatives of AUD0.3 million, in comparison to AUD5.7 million in the previous year.

The Consolidated Entity also reduced activity on its Indonesian projects and closed the exploration offices in Perth and Jakarta. Hillgrove will maintain both Indonesian projects on an exploration care and maintenance basis while external parties are evaluating the potential of earn-in and investment possibilities.

Review of operations for the year and outlook

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 exploration on its tenements in Indonesia.

The Kanmantoo Copper Mine is located some 55km from Adelaide in South Australia. Kanmantoo is an open-cut mine which has ramped up since construction was completed at the end of 2011 to an ore throughput of up to 3.0Mtpa, to produce up to 90,000 dry metric tonnes of copper concentrate, containing more than 20,000t copper and associated gold and silver per annum over the targeted 10 year mine life.

Production from the Kanmantoo Copper Mine has been underway since November 2011, with sales of copper concentrate to Freepoint Metals & Concentrates LLC under a 100% off take agreement.

New Life of Mine Plan

In February 2013 a new Life of Mine (LOM) plan was announced which contained a total life of mine Production Target of 30-32Mt @ 0.7-0.8% Cu for approximately 190,000 tonnes of recoverable copper (based on Ore Reserves, Mineral Resources and Exploration Targets) and a likely extension of mine life to 2023.

As part of the new LOM scenario planning, a long-term pit optimisation was carried out which provided Hillgrove with a reasonable basis for indicative future planning and a likely extension of mine life. The extension was a significant development for Hillgrove, with the update extending the estimated period of operation from 6.5 to 10 years. Whilst economic analysis has been done, this program requires further work and testing to progress to Ore Reserve status.

New Mineral Resource and Ore Reserve Estimate

On 30 August a new 2013 Mineral Resource estimate was released that was similar in tonnes to the 2012 Mineral Resource Estimate and slightly lower in grade due to the following key factors:

- An additional 4.1Mt added largely as a result of new data from 141 drillholes drilled in 2012;
- Additional 1.89Mt of stockpile;
- Depletion due to mining of 2.1Mt;
- Reduction of 3.7Mt due to a more thorough and conservative application of the economic constraints being applied to the Resource model; and
- Slightly lower overall grade due mainly to lower operating costs allowing a reduced economic cut off and the grade of additional Resource tonnes added.

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.

The 2013 In Situ Mineral Resource Estimation resulted in 29.5Mt at grades of 0.80% copper, 0.20g/t gold and 2.11g/t silver using a cut-off grade of 0.20% copper beneath the end of February 2013 topographic surface.

On 1 November a new 2013 Ore Reserve estimate was released, having been prepared in accordance with The JORC Code 2012 Edition, with the following key highlights:

- Increase in In Situ Ore Reserve to 20.7Mt @ 0.73% Cu, 0.18g/t Au and 1.9g/t Ag;
- Increase in Total Ore Reserve (including stockpiles) to 22.1Mt @ 0.71% Cu, 0.18g/t Au and 1.9g/t Ag;
- 25% increase in total Reserves of contained copper to 157k tonnes;
- 58% Increase in total Reserves of contained gold to 128k ounces; and
- 8% Decrease in total Reserves of contained silver to 1.35M ounces.

The new Ore Reserve showed an increase in both the reserve confidence and contained metal when compared to the May 2010 Ore Reserve, and after taking into account reserve depletion from mining.

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.

These announcements confirmed the confidence to extend the life of the Kanmantoo Copper Mine up to ten years allowing access to additional copper resources located within the Mining Lease. The Company late last year made application to the South Australian and Australian Federal Governments for a two year extension to the existing mining approval up to 2019, and continues to work with the local community, DMITRE, other State agencies and the Federal Government (under the EPBC Act) in regard to this application.

New Crusher

In April 2013 the installation and commissioning of a new primary crusher circuit for the Kanmantoo Copper Mine was completed. Replacement of the previous circuit was required following an assessment by Hillgrove that the second hand crusher circuit designed and installed as part of plant construction failed to perform to expected levels during ramp-up of the processing plant in 2012. The circuit arrangement constrained overall performance at the mine and required temporary work-around solutions to maintain throughput levels. Since commissioning of the new crusher throughput increased to 2.8Mtpa as expected, and since then has seen regular ore throughput of up to 3.0Mtpa.

The new crusher circuit and consequent increased processing plant throughput achieved the volumes required to meet nameplate production targets.

Hillgrove as Owner Operator

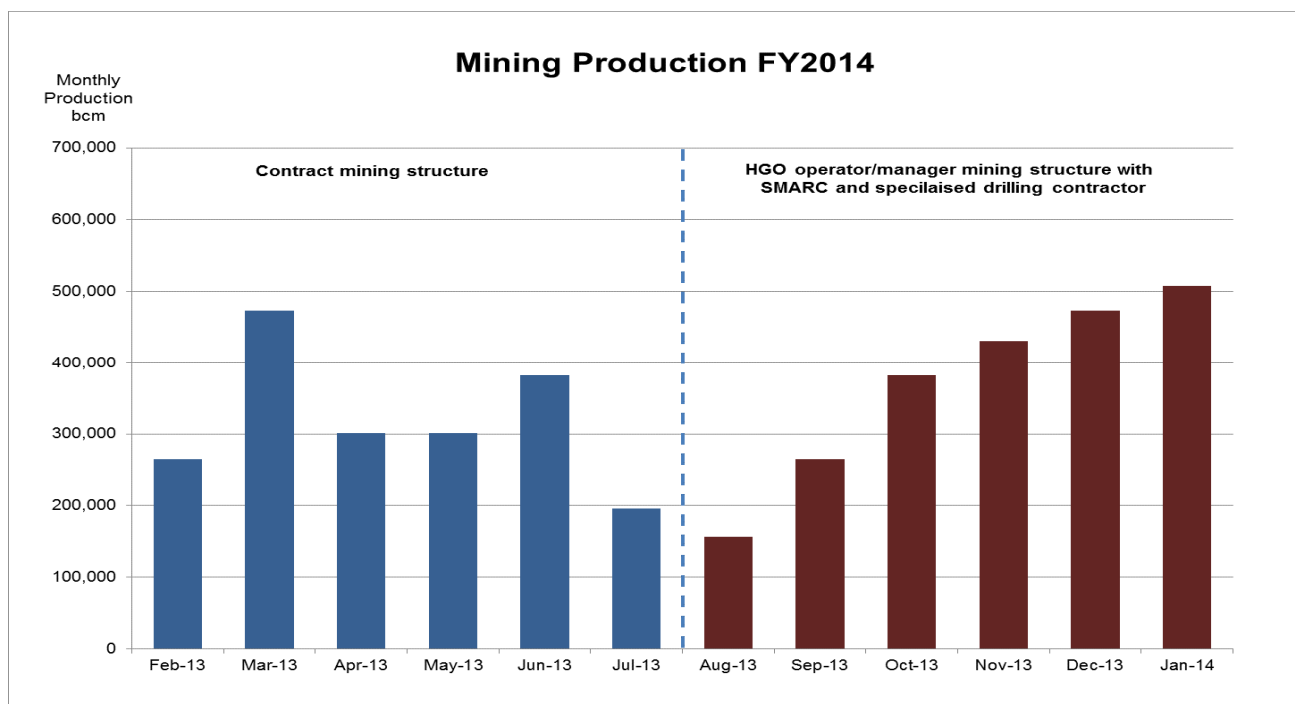
Discussions with the mining services contractor at the Kanmantoo Copper Mine culminated on 26 July 2013 with a subsequent announcement that Hillgrove Copper Pty Ltd had executed a Settlement Deed with Exact Mining Services Pty Ltd to allow a mutual termination of the Mining Services Contract.

Exact commenced the de-mobilising of equipment and personnel from the site upon execution of the Settlement Deed. Hillgrove immediately commenced mobilisation of an alternate mining fleet that enabled a resumption of pit mining operations within two weeks, while suitable longer term mining services arrangements were implemented. This arrangement allowed continued ore feed into the plant from run-of-mine and low grade stockpiled material to maintain mill throughput, and produce copper at approximately 60% of nameplate capacity during the changeover period.

Establishment of a new mining operations team was achieved in approximately six weeks, using existing Hillgrove employees and recruitment of additional operators. Emphasis was on selecting the appropriate mix of experienced and local people. Along with this direct employment, specialist contract services are being undertaken by Andy’s Earthmovers (Asia Pacific) Pty Ltd (equipment supply and maintenance), Roc-Drill Pty Ltd (blast hole drilling) and Maxam Australia Pty Ltd (explosive suppliers), who have a combined permanent workforce of some 55 employees on site. The combination of specialised contract skills and experienced Hillgrove employees has allowed a high level of quality control in the critical areas of drilling, blasting, productivity and dilution control during mining operations.

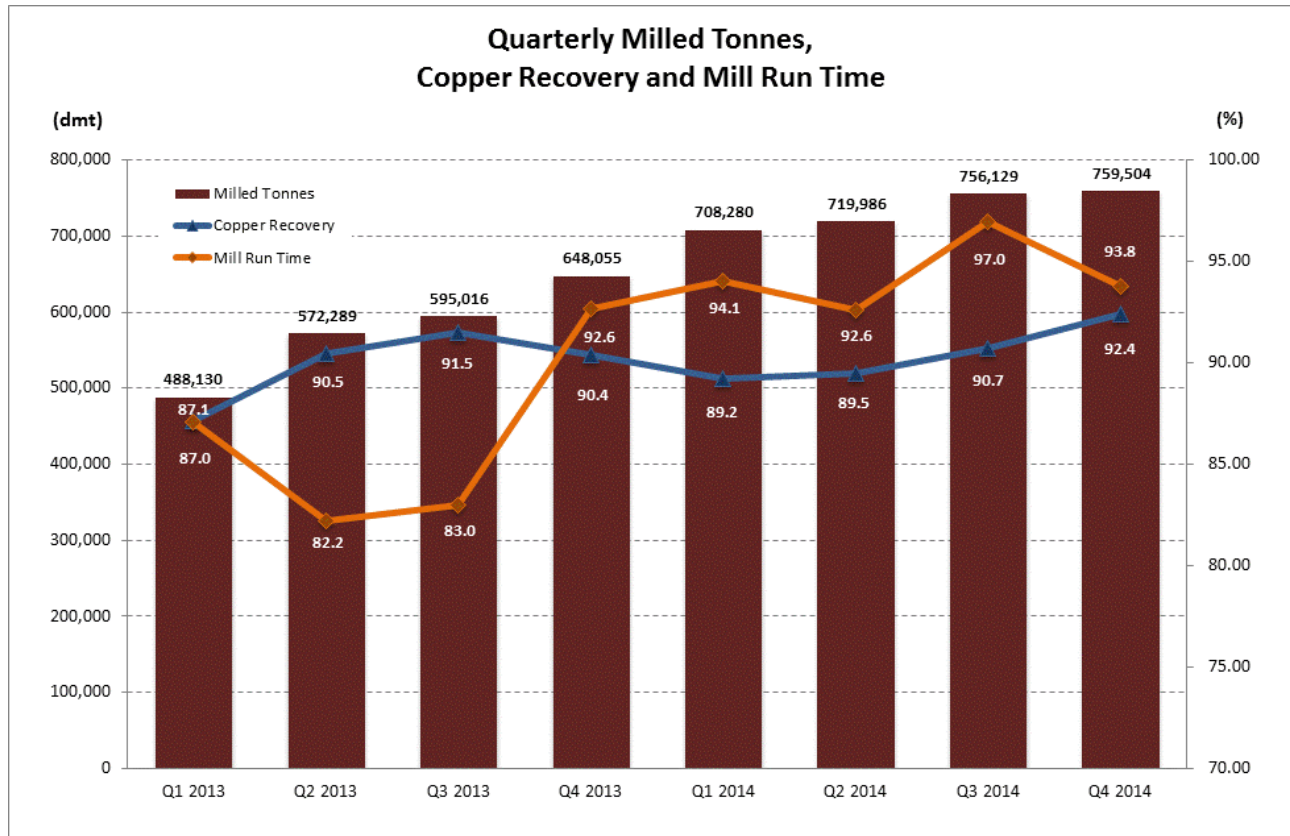
The success of this changeover to the new owner operator mining plan and its considered implementation can be clearly seen in the improvement in mining production over the last six months in the chart below. Mining rates reached 507k bcm for the month of January, and will be lifted further during the coming months in line with long term plans. This resulted in 4,362kt total material mined during the fourth quarter; an increase of 80% over the previous quarter and a 28% increase over the best quarter this year.

KANMANTOO COPPER MINE BCM RATES



Hillgrove's total workforce at the Kanmantoo Copper Mine now stands at some 195 staff and has continued to operate effectively and safely since the new mining plan was implemented.

The change in mine practices through the newly configured and Hillgrove operated mining fleet has also 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. The processing plant group have also continued to improve their throughput rates, run time and copper recovery, all resulting in an increase in copper produced.



Hillgrove reported record copper production for the Year ending 31 January 2014, with full year copper production within the previous guidance set after the new mining operations commenced in the middle of the year. In addition to increased production levels, record mill throughput and head grade was achieved, as well as record quarterly sales volume. The key operational achievements for FY14 included:

- 17,184t copper contained in concentrates produced which is a 25% increase in copper production over FY 2013 and within production guidance for the year of 16,500t to 18,000t copper contained within concentrates;
- Record process plant throughput of 2,944kt ore and increased mill head grade of 0.64% copper;
- Record recovery of 90.7% as the process plant beds down operating and maintenance improvements at the higher head grade; and

The C1 cash cost of USD2.39/lb for the year was a result of improved production performance along with continued improvement in operating costs. This C1 cash cost for the full year was in line with the previous guidance of USD2.25/lb to USD2.50/lb.

KANMANTOO COPPER MINE PRODUCTION STATISTICS

		FY 2012	FY 2013	FY 2014
Ore to ROM from Pit	kt	495	2,221	2,633
Ore to/(from) long term stockpiles	kt	1,267	849	(70)
Mined Waste	kt	7,446	11,777	10,027
Total Tonnes Mined	kt	9,208	14,847	12,922
Mining Grade to ROM	%	0.75	0.76	0.71
Ore Milled	kt	331	2,303	2,944
Milled Grade - Cu	%	0.56	0.66	0.64
Recovery - Cu	%	69.6	89.9	90.7
Cu Con. Produced	Dry mt	4,774	56,431	75,423
Concentrate Grade - Cu	%	30.2	24.4	22.8
Contained Metal in Concentrate - Cu	t	1,481	13,744	17,184
Total Concentrate Sold	Dry mt	4,263	56,526	74,051

Two 300 tonne excavators purchased

In January 2014 Hillgrove announced two new Liebherr 9350 300 tonne excavators were purchased for use at the Kanmantoo Copper Mine by the Company's equipment supply contractor Andy's Earthmovers (Asia Pacific) Pty Limited. The excavators are already providing both improved productivity and lower costs by allowing a further ramp up in the volume of tonnes moved from the mining pits in line with the Company's long term mine plans. This will see production benefits leading to improved cashflow and profit from the Kanmantoo Copper Mine.

Indonesia

Hillgrove continues to maintain exploration care and maintenance teams at its advanced exploration projects at Bird's Head and Sumba Island. An exploration evaluation team from a major mining group is continuing its review of the projects, and is planning a third inspection visit for early in the year.

Along with this, during recent investor briefings in Hong Kong and Singapore, interest was generated towards potential investment in these advanced projects, from both a pure investment perspective for future copper discoveries and from a potential direct involvement. Interest in exploration is particularly strong from local Indonesian investors. Hillgrove believes that projects are continuing to receive support for further exploration expenditure based on the quality of the asset. With the status of the two projects in advanced exploration stage, the recent ban on mining exports does not have an impact on the value or the potential progress of the next stage works.

Local landholder relationships are being maintained at the projects, and an updated review of next step targets on both projects will be undertaken during the first half of the year.

Outlook

The previously mentioned commissioning of the two Liebherr 9350 300 tonne excavators is forecast to further improve mining rates in FY15, providing both improved productivity and lower costs. Hence, Hillgrove has advised copper production guidance for the coming Financial Year ending 31 January 2015 (FY15) of 22,300t to 24,600t copper contained in concentrates.

Mill throughput and reliability were maintained at a high level in the second half of the year. A Multi-Stream Analysis unit has been installed into the process plant, and this is expected to provide additional improvements to recovery and costs.

Hillgrove took advantage of the high USD copper price and low Australian Dollar in January 2014 year and put in place additional hedging for the first half of FY2015². As such, Hillgrove entered into contracts to deliver 2,280mt of copper at a weighted average price of AUD8,291/mt (net of margin). In light of the current down turn in the copper price this further strengthens the Company's position over the next six months, and supports the planned debt repayments over this time.

In February 2014 Hillgrove provided the following guidance for the Kanmantoo Copper Mine for the Financial Year ending 31 January 2015 (FY15) as follows:

- 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
- C1 Costs USD2.10 to USD2.40 per lb at 0.90 exchange rate

The fourth quarter of 2014 has set the foundation for the operating performance for the next twelve months. Hillgrove will continue to work on the improvements identified through the operating planning and implementation processes, to maintain targets and lower costs. While the significant operational improvements on site have been pleasing, it is important to note mining operations contain certain risks in the resource, throughput performance and costs from time to time. Hillgrove at its Kanmantoo operations has endeavoured to minimise these risks through professional planning and evaluation, and monitoring of performance of key operational parameters.

Hillgrove's Forecast Capital expenditure for FY15 includes:

- Tailings Storage Facility AUD5.3M
- Controlled Potential Sulphidisation AUD2.0M
- Dust mitigation AUD1.0M
- Other sustaining capital AUD2.3M

In addition to the above forecast capital expenditure, Hillgrove will continue to undertake capital development in pit pre-strip operations for the Nugent, Emily and Giant pits. This capitalised pre-strip is estimated at approximately AUD16.0 million for FY15.

Cash on hand at 31 January 2014 was AUD16.5 million, with debt reducing from AUD50.4 million as at 31 January 2013 to AUD40.8 million at 31 January 2014. Debt is projected to continue to be reduced per financing arrangements over the next year with a substantial reduction to debt balance expected.

The 2015 financial year will be one of continued solid production with sales of copper, gold and silver from Kanmantoo giving the Company a solid footing for value growth in the medium term. As part of the coming year's plan, Hillgrove will further look at the potential for resource expansion with evaluation of targets on the Kanmantoo mining lease and the surrounding regional tenement.

² Note: HGO has a 31 January Year End, therefore quarter references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Oct and Q4 Nov-Jan.

**Preliminary consolidated income statement
For the year ended 31 January 2014**

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Revenue from sale of concentrates		139,157	115,395
Other income		793	1,210
Cost of production		(84,125)	(89,790)
Changes in inventories of ore and concentrate		(79)	9,114
Materials and services costs		(4,993)	(4,007)
Employee benefit expenses		(6,650)	(6,204)
Royalties expense		(1,605)	(1,420)
Foreign exchange losses		(1,385)	(111)
Unrealised losses on derivative financial instruments		(289)	(5,741)
Share of net profit from associates		-	651
Impairment of assets		-	(803)
Impairment of available for sale financial assets		(315)	(704)
Impairment of exploration expenditure		-	(727)
Gain / (loss) on disposal of assets		11	(3)
Depreciation and amortisation expenses		(29,157)	(26,492)
Corporate and other administration costs		(3,218)	(4,422)
Financing expenses		(5,898)	(6,525)
Profit / (loss) before income tax		2,247	(20,579)
Income tax (expense) / benefit	1	(751)	8,794
Profit / (loss) for the year		1,496	(11,785)
Profit / (loss) for the year is attributable to:			
Equity holders of Hillgrove Resources Limited		1,496	(11,206)
Non-controlling interests		-	(579)
		1,496	(11,785)

**Earnings per share for profit / (loss) attributable to
the ordinary equity holders of the Company:**

	Cents	Cents
Basic earnings per share	0.14	(1.24)
Diluted earnings per share	0.13	(1.19)

**Preliminary consolidated statement of comprehensive income
For the year ended 31 January 2014**

	Consolidated	
	2014	2013
	\$'000	\$'000
Profit / (loss) for the year	1,496	(11,785)
Other comprehensive income		
Available-for-sale financial assets	(167)	86
Employee share option plan	471	(100)
Exchange differences on translation of foreign operations	(642)	-
Unrealised (loss) / gain on cash flow hedges taken to equity	(5,112)	5,483
Income tax relating to components of other comprehensive income	1,533	(1,645)
Other comprehensive income for the year (net of tax)	<u>(3,917)</u>	<u>3,824</u>
Total comprehensive income for the year	<u>(2,421)</u>	<u>(7,961)</u>
Total comprehensive income for the year is attributable to:		
Equity holders of Hillgrove Resources Limited	(2,421)	(7,961)
Non-controlling interests	-	-
	<u>(2,421)</u>	<u>(7,961)</u>

**Preliminary consolidated balance sheet
As at 31 January 2014**

	Consolidated	
	2014	2013
	\$'000	\$'000
Current assets		
Cash and cash equivalents	16,452	27,405
Trade and other receivables	5,025	6,398
Available-for-sale financial assets	192	733
Inventories	26,162	19,731
Derivative financial instruments	4,016	4,570
Total current assets	51,846	58,837
Non-current assets		
Property, plant and equipment	225,680	233,158
Intangible assets	279	615
Exploration and evaluation expenses	30,550	27,440
Derivative financial instruments	-	3,044
Deferred tax asset	13,845	12,879
Total non-current assets	270,354	277,136
Total assets	322,200	335,973
Current liabilities		
Trade and other payables	23,936	39,993
Provisions	404	451
Borrowings	30,619	29,461
Employee benefits payable	3,017	1,571
Derivative financial instruments	4,491	4,227
Total current liabilities	62,467	75,703
Non-current liabilities		
Provisions	11,363	9,807
Deferred tax liability	-	-
Borrowings	11,050	20,806
Derivative financial instruments	8,781	9,047
Total non-current liabilities	31,194	39,660
Total liabilities	93,661	115,363
Net assets	228,539	220,610
Equity		
Contributed equity	206,860	196,510
Reserves	(3,320)	597
Retained profits	24,999	23,503
Total equity	228,539	220,610

Preliminary consolidated statement of cash flows
For the year ended 31 January 2014

	Note	Consolidated	
		2014	2013
		\$'000	\$'000
Cash flows from operating activities			
Cash receipts in the course of operations		121,328	106,832
Cash payments in the course of operations		(107,544)	(75,314)
Net cash provided by operating activities	2	13,784	31,518
Cash flows from investing activities			
Payments for exploration, evaluation and development		(3,751)	(8,627)
Payments for property, plant and equipment		(18,996)	(38,104)
Proceeds on sale of available for sale financial assets		46	-
Proceeds from sale of investment in subsidiary		-	320
Dividends from associate		-	279
Capital distribution from associate		-	459
Proceeds on sale of plant and equipment		453	5
Net cash used in investing activities		(22,248)	(45,668)
Cash flows from financing activities			
Proceeds from issue of shares		10,759	18,570
Transaction costs from issue of shares		(593)	(782)
Repayment of borrowings		(9,826)	(5,894)
Repayments of deferred settlement on construction contracts		-	(2,872)
Interest received from investments		460	870
Interest paid on borrowings		(3,289)	(3,998)
Proceeds from borrowings		-	15,000
Net cash (used in) / provided by financing activities		(2,489)	20,894
Net (decrease) / increase in cash held		(10,953)	6,744
Cash at beginning of financial year		27,405	20,661
Cash at end of the financial year		16,452	27,405

Preliminary consolidated statement of changes in equity
For the year ended 31 January 2014

Consolidated	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance 1 February 2012	178,343	(3,227)	34,709	209,825	193	210,018
Loss for the year	-	-	(11,206)	(11,206)	(579)	(11,785)
Other comprehensive income for the year	-	3,824	-	3,824	-	3,824
Transactions with owners:						
Contributions of equity, net of transaction costs	18,167	-	-	18,167	-	18,167
Non-controlling interests	-	-	-	-	386	386
Dividends paid	-	-	-	-	-	-
Balance 31 January 2013	196,510	597	23,503	220,610	-	220,610
Profit for the year	-	-	1,496	1,496	-	1,496
Other comprehensive income for the year	-	(3,917)	-	(3,917)	-	(3,917)
Transactions with owners:						
Contributions of equity, net of transaction costs	10,350	-	-	10,350	-	10,350
Non-controlling interests	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Balance 31 January 2014	206,860	(3,320)	24,999	228,539	-	228,539

**Notes to the preliminary consolidated financial statements
For the year ended 31 January 2014**

1. Reconciliation of income tax expense

	Consolidated	
	2014	2013
	\$'000	\$'000
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax (benefit) / expense	2,247	(20,579)
Tax at the Australian tax rate of 30%	674	(6,174)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share based payments	141	(30)
- Non-deductible expenses	244	171
- Other	42	(267)
- Investment in Kalbar Resources	-	(76)
- Accounting loss / (profit) on sale of Investment	4	(63)
- Impairment of available for sale assets	95	211
- Research and development concession	(295)	(2,446)
- Tax loss on sale of available for sale assets	(404)	-
- Tax offsets for franked dividends	-	(120)
- Adjustment for income tax of prior periods	250	-
Income tax expense / (benefit)	751	(8,794)

**Notes to the preliminary consolidated financial statements
For the year ended 31 January 2014**

**2. Reconciliation of operating profit after income tax
to net cash provided by operating activities**

	Consolidated	
	2014	2013
	\$'000	\$'000
Operating profit / (loss) after income tax	1,496	(11,785)
Add / (less) items classified as investing / financing activities		
Gain on sale of investments	13	(211)
Net Interest expense	2,829	3,128
Other items	-	386
Add / (less) non-cash items		
Depreciation and amortisation	29,157	26,492
Net (gain) / loss on sale of non-current assets	(11)	3
Employee share options	471	(100)
Net exchange differences	1,387	111
Impairment losses on available for sale financial assets	315	704
Discount on unwind of rehabilitation provision	720	261
Impairment of assets and exploration tenements	-	1,529
Unrealised (gain) / loss on financial derivatives	(1,672)	5,915
Share of net profits of associates accounted for using equity method	-	(650)
Amortisation of deferred mining costs	3,308	-
Net cash generated by operating activities before change in assets and liabilities	38,013	25,783
Changes in operating assets and liabilities		
Decrease in receivables, prepayments and inventories	(11,538)	(10,964)
(Decrease) / increase in trade creditors and accruals	(14,829)	25,366
Decrease / (increase) in net DTA	751	(8,794)
Increase in provisions	1,387	127
Net cash generated by operating activities	13,784	31,518

Notes to the preliminary consolidated financial statements

For the year ended 31 January 2014

3. Financial reporting by segment

	Australia				Indo- nesia	Consol- -idated	Australia			
	Copper	Other Operations					Copper	Other Operations		
	\$'000	\$'000	\$'000	\$'000			\$'000	\$'000	\$'000	\$'000
	31 January 2014					31 January 2013				
Revenue from sale of concentrates	139,157	-	-	139,157		115,395	-	-	115,395	
Other income	81	47	218	346		16	211	178	405	
Cost of production	(84,125)	-	-	(84,125)		(89,790)	-	-	(89,790)	
Changes in inventories of ore and concentrate - cash	(209)	-	-	(209)		7,216	-	-	7,216	
Materials and services costs	(4,993)	-	-	(4,993)		(4,007)	-	-	(4,007)	
Employee benefit expenses	(2,470)	(3,792)	(388)	(6,650)		(2,423)	(3,781)	-	(6,204)	
Royalties expense	(1,605)	-	-	(1,605)		(1,420)	-	-	(1,420)	
Foreign exchange gains/(losses)	(1,388)	5	(2)	(1,385)		238	(1)	(348)	(111)	
Corporate and other administration costs	(1,132)	(1,989)	(97)	(3,218)		(94)	(4,324)	(4)	(4,422)	
Adjusted EBITDA	43,316	(5,729)	(269)	37,318		25,131	(7,895)	(174)	17,062	
Depreciation and amortisation expenses	(29,040)	(108)	(9)	(29,157)		(26,304)	(150)	(38)	(26,492)	
Unrealised (losses) on derivative financial instruments	(289)	-	-	(289)		(5,741)	-	-	(5,741)	
Share of net profit from associates	-	-	-	-		-	651	-	651	
Impairment of assets	-	-	-	-		(756)	(47)	-	(803)	
Impairment of available for sale financial assets	-	(315)	-	(315)		-	(704)	-	(704)	
Impairment of exploration expenditure	-	-	-	-		-	(727)	-	(727)	
Gain/(loss) from disposal of fixed assets	10	1	-	11		(3)	-	-	(3)	
Changes of inventories of ore and concentrate – non cash	130	-	-	130		1,898	-	-	1,898	
EBIT	14,127	(6,151)	(278)	7,698		(5,775)	(8,872)	(212)	(14,859)	
Net financing income / expenses	(4,761)	(689)	(1)	(5,451)		(4,988)	(732)	-	(5,720)	
EBT	9,366	(6,840)	(279)	2,247		(10,763)	(9,604)	(212)	(20,579)	
Income Tax (expense)/ benefit				(751)					8,794	
Net profit/(loss) after tax				1,496					(11,785)	

**Notes to the preliminary consolidated financial statements
For the year ended 31 January 2014**

3. Financial reporting by segment (continued)

Geographical information

Hillgrove's external revenues are derived from the USA, with the final destination for copper concentrate being China.

	Australia				Australia			
	Copper	Other Operations	Indonesia	Consolidated	Copper	Other Operations	Indonesia	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	31 January 2014				31 January 2013			
Segment assets	263,225	29,456	29,519	322,200	271,587	37,755	26,631	335,973
Additions to non-current assets	21,821	24	3,066	24,911	38,647	330	9,448	48,425
Segment liabilities	81,124	12,467	70	93,661	102,586	12,381	396	115,363

4. Discontinued operations

There were no operations that were discontinued during the year.

5. Events occurring after the balance sheet date

There were no events to disclose subsequent to the balance sheet date.

Supplementary Appendix 4E information

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Net tangible assets per security

NTA backing	Current period	Previous period
Net tangible asset backing per ordinary security (undiluted)	19 cents	22 cents

Control gained or lost during the period

Control gained

There were no transactions entered into by the group during the year ended 31 January 2014 that resulted in control being gained over any entities.

Control lost

There were no transactions entered into by the group during the year ended 31 January 2014 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 2014	Equity Holding 2013
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 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	-
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.

Supplementary Appendix 4E information

Associates and joint venture entities

None.

Foreign entities

International Accounting standards have been used in compiling the report.

Report based on audited accounts

This report has been based on accounts which are currently being audited.

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.