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HILLGROVE RESOURCES

Business update and half-year results

September 28th, 2010

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HILLGROVE RESOURCES

Half-year results

(Half-year ended 31 July 2010)

SUMMARY OF RESULTS

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Highlights

- HGO's loss for the half-year was A$2.7 million (half year to 31 July 2009: gain of A$53.8 million)
- Continued development of the Kanmantoo project. A$22.6 million was spent on capital expenditures for Kanmantoo during the period. The decommissioned Lennard Shelf Pillara Mine plant facility has been dismantled and transported to the Kanmantoo site
- During the period, HGO entered into a hedging strategy purchasing copper swaptions at a cost of A$8.7 million. These hedging instruments were marked to market value of A$7.8 million at 31 July 2010 giving rise to a loss of A$0.9 million for the six months ended 31 July 2010
- On 6 August 2010, HGO entered into an agreement to sell its SAG mill and surplus spares to Conquest Mining for A$7.0 million plus GST. These funds were received in full by 3 September 2010. The assets were impaired to this recoverable value as at 31 July 2010 giving rise to an impairment loss of A$2.1 million during the six months ended 31 July 2010
- The tax liability of A$19.5 million, as at 31 July 2010, which arose on the sale of an investment in Eastern Star Gas Limited ("ESG"), was paid in full on 4 August 2010
- Following the sale of ESG on 15 July 2009, HGO retains upside exposure to the ESG share price should there be a takeover of ESG in the 18 months following the sale. Santos Limited is required to make an additional payment to HGO in the event that Santos, or a third party, completes the acquisition of a beneficial interest of more than 50% in ESG at a bid price in excess of AUD$1.00 per share. The calculation of the additional payment would be as follows:
  - If the change in control is undertaken by Santos, 100% of the excess price above AUD$1.00
  - If the control transaction is undertaken by a third party, 50% of the excess above AUD$1.00

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P&L STATEMENT

Overview

	Half-year ended 31 July 2010 (A$ million)
Revenue	4.3
Cost of goods sold	(1.0)
Employee benefits expense	(2.5)
Impairment of plant and equipment	(2.1)
Other	(3.2)
(Loss)/profit before income tax expense	(4.5)
Income tax expense	1.8
Net (loss) profit attributable to ordinary equity holders of HGO	(2.7)
Basic EPS	**(0.6)c**
Diluted EPS	**(0.6)c**

BALANCE SHEET

Summary

Assets	31 July 2010 (A$ million)
Cash and cash equivalents	93.7
Derivative financial instruments	7.8
Other current assets	4.7
PP&E	46.3
Exploration and evaluation expenditure	43.3
Goodwill	3.5
Total assets	**199.3**

Liabilities	31 July 2010 (A$ million)
Income tax payable	19.5
Other current liabilities	8.1
Other non-current liabilities	9.1
Total liabilities	**36.7**

Net assets	**162.6**

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HILLGROVE RESOURCES

Business update

COMPANY OVERVIEW

AUSTRALIAN MINING COMPANY WITH AUSTRALIAN-INDONESIAN GROWTH PIPELINE

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Overview

- Hillgrove Resources ("HGO") is an Australian based minerals exploration and development company
- HGO's flagship project is the Kanmantoo copper/gold mine (100% owned) located in South Australia (55km from Adelaide)
  - Final Investment Decision ("FID") pending
  - Close to existing road, rail and port infrastructure
  - First copper/gold production scheduled for Q4 2011
  - Resources of 32.2Mt @ 0.9% copper and 0.20g/t gold
  - Configured to initially be a 2.4Mtpa open cut mine ramping-up to 2.7Mtpa through potential operational efficiencies
  - Further potential to increase to 3.5Mtpa
  - Current resource mine life of 10 years with potential to extend
- Highly prospective advanced exploration assets in Indonesia
  - Sumba gold project (80% owned)
  - Bird's Head copper/gold project (80% owned)
  - Landak/Tayan South bauxite projects (option to acquire 70%)

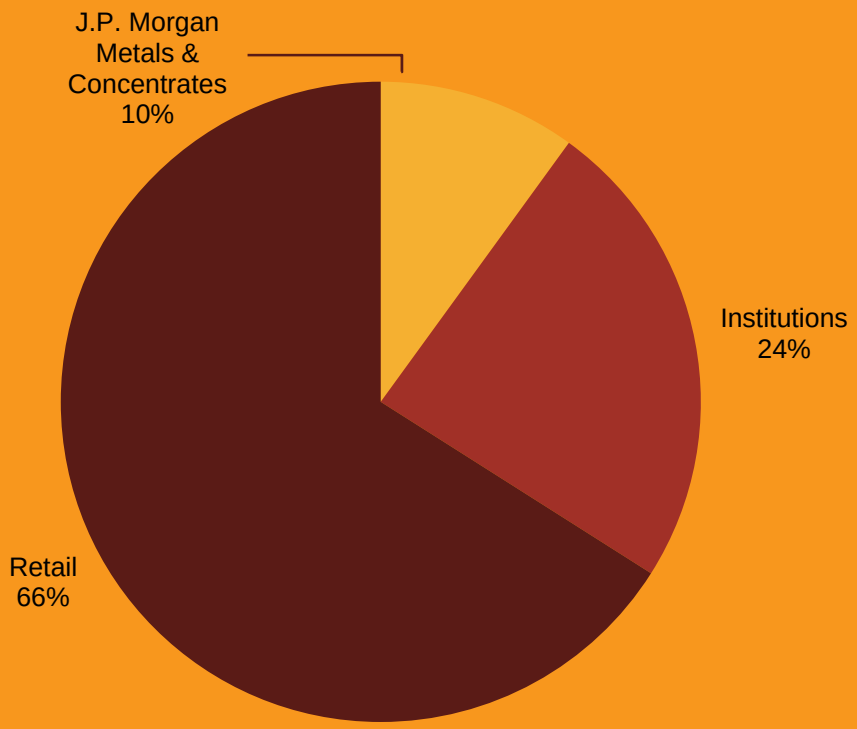
Hillgrove's key projects

CORPORATE SNAPSHOT

Corporate details

- ASX listed: HGO
- Shares on issue: 483 million
- Share price: A$0.335
- Market capitalisation: A$162 million (27 September 2010)
- Cash and cash equivalents: A$94 million (31 July 2010)
- Total assets: A$199 million (31 July 2010)
- Total shareholders equity: A$163 million (31 July 2010)

Shareholder distribution



Source: Company

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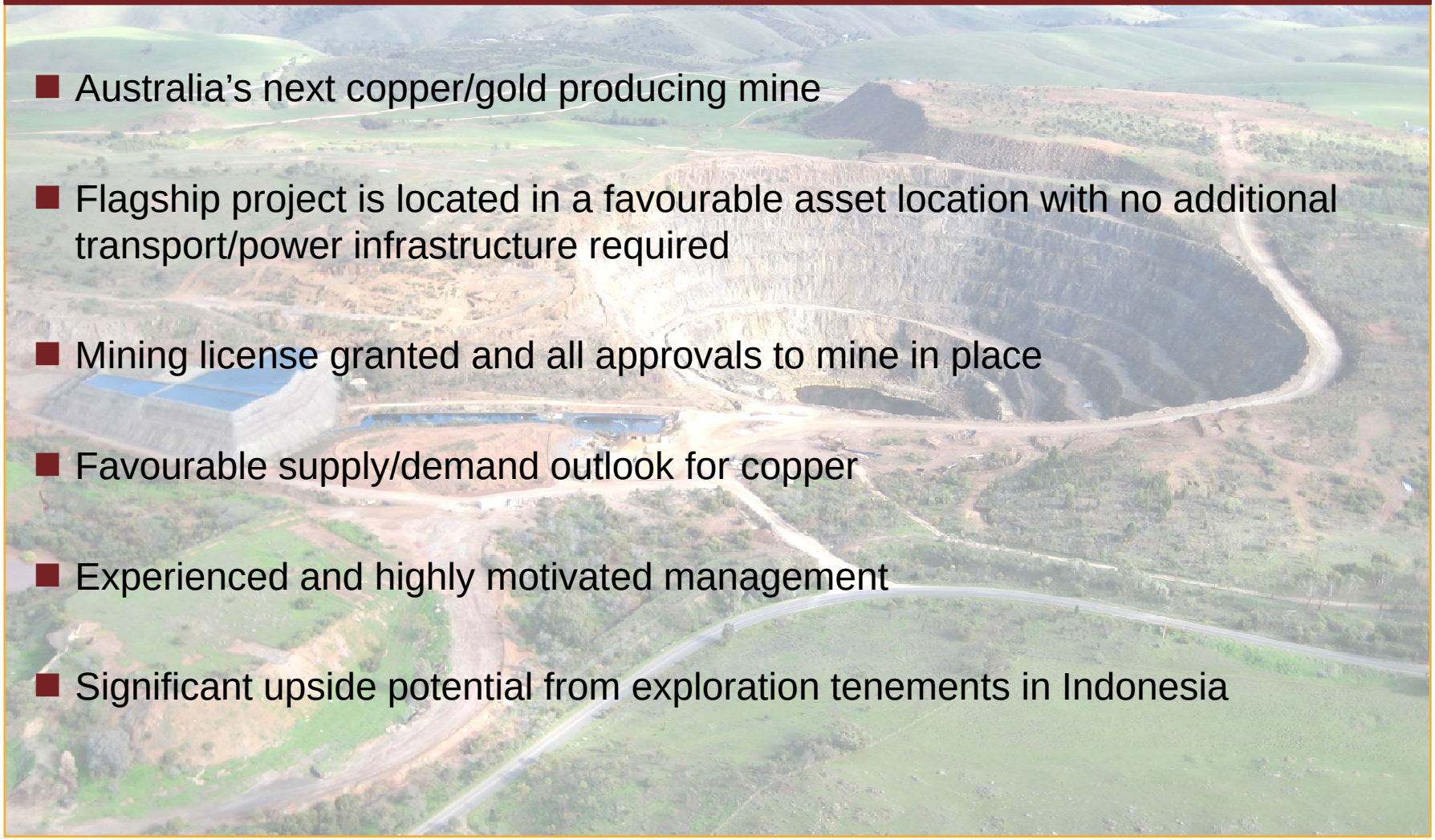
INVESTMENT HIGHLIGHTS

HILLGROVE OFFERS A HIGHLY COMPELLING INVESTMENT OPPORTUNITY

Investment highlights



- Australia's next copper/gold producing mine
- Flagship project is located in a favourable asset location with no additional transport/power infrastructure required
- Mining license granted and all approvals to mine in place
- Favourable supply/demand outlook for copper
- Experienced and highly motivated management
- Significant upside potential from exploration tenements in Indonesia

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STRATEGY

NEAR TERM PRODUCTION, HIGHLY PROSPECTIVE EXPLORATION

Strategic Direction & Focus

- Deliver Kanmantoo as a producing asset, within time and budget estimates
- Single mine producer in 12 months
- Multi-mine producer within 3-5 years
- Australia and Indonesian focus for near term
- Leverage off knowledge of existing business partners and contacts, commercial, legal and operational structures in both countries
- Precious metals and copper/poly-metallics focus
- Tight cost control & business development direction focus

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HILLGROVE RESOURCES

Kanmantoo Project Overview

KANMANTOO IS AUSTRALIA'S NEXT PRODUCING COPPER/GOLD MINE

FULLY OWNED BY HILLGROVE

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Highlights

- 100%-owned by Hillgrove
- Located just 55km from Adelaide, in South Australia
- The project enjoys commensurate capital cost advantages
  - Close to necessary power, water, road, rail and port infrastructure
  - Attractive employment costs compared to remote fly-in/fly-out mine operations
- Kanmantoo was operated by North Broken Hill / South Broken Hill / Electrolytic Zinc as their first open cut mine from 1971-1976, mining approximately 4.1Mt of copper ore
- Near term cash flows: First copper/gold production scheduled for Q4 2011
- Configured to initially be a 2.4Mtpa open cut mine ramping-up to 2.7Mtpa through potential operational efficiencies
  - Further potential to increase to 3.5Mtpa
- Estimated mine life of 10 years based on current resources

Geographic location

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KANMANTOO COPPER/GOLD FINANCING

Financing update

- HGO is continuing discussions with various banks and financial institutions on the financing for Kanmantoo
- HGO expects to receive a binding offer and commitment in the near future regarding the proposed financing of Kanmantoo

KANMANTOO COPPER/GOLD PROJECT OVERVIEW

Highlights

- Mining and stockpiling of ore to begin in March 2011
- First copper/gold production scheduled for Q4 2011
- 10 year mine life with potential to expand
- LOM average payable metals production:
  - 22k tonnes p.a. copper
  - 9k ounces p.a. gold
  - 177k ounces p.a. silver
- Remaining construction costs of A$110 million
  - Includes A$26 million of pre-strip costs
  - A$23 million spent to date
- Average cash cost of US$1.61/lb (excluding royalties and including by-product credits)
- Life-of-mine (“LOM”) off-take contract with J.P. Morgan Metals & Concentrates LLC
- Significant near-mine and regional exploration potential

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KANMANTOO COPPER/GOLD PROJECT

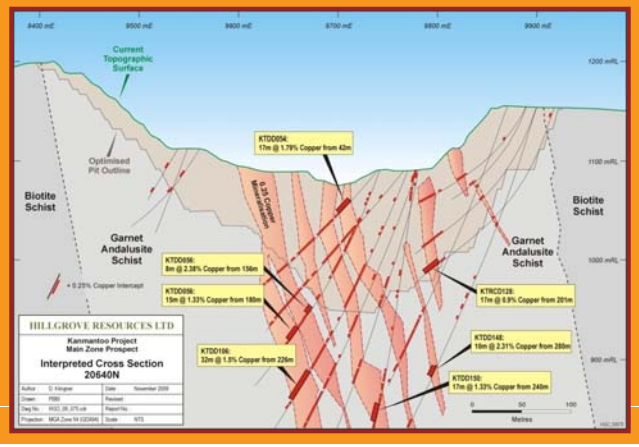
TENEMENTS, SITE PLAN AND INTERPRETED CROSS SECTION

Tenements

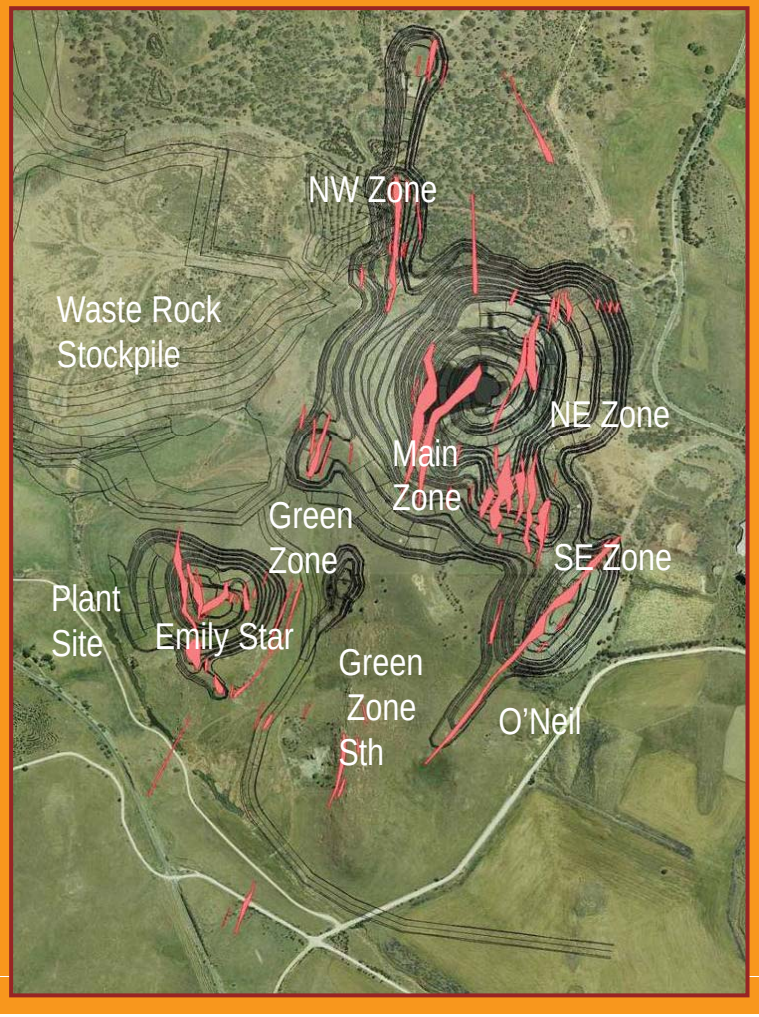
Summary of Hillgrove Kanmantoo tenement status

EL Number	Tenement Name	Tenement type	Area (sq km)	Expiry date	Holding and Comments
EL4401	Kanmantoo	Exploration	489	16/12/2010	Hillgrove Resources Limited 100%
ML5776	Kanmantoo	Mining	46	08/12/2012	Hillgrove Resources Limited Oxide Project
ML6345	Kanmantoo	Mining	436	07/09/2019	Hillgrove Copper Pty Ltd Current Mine Lease granted over Kanmantoo Copper Project
EML6340	Kanmantoo	Mining	45	30/06/2016	Hillgrove Copper Pty Ltd Extractive Minerals lease for clay

Typical site cross section



Site plan



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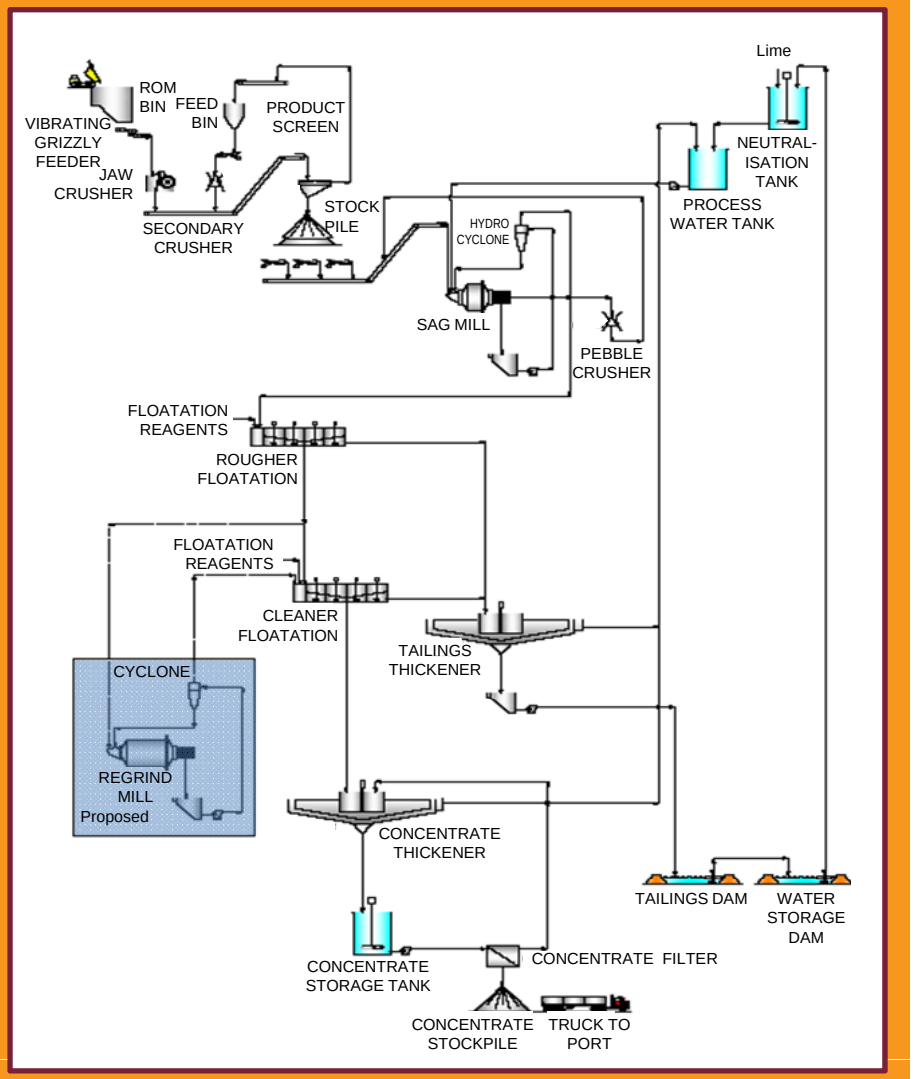
Processing overview

Construction and commissioning contract with Abesque Engineering

- Simple, standard flowchart & process
- Similar to original plant design
- 12 month construction program
- All second hand Pillara plant items and structural steel are on site (excepting secondary crusher & screen)
- Physical completion Q3 2011
- First copper/gold production scheduled for Q4 2011
- Plant design capacity provides options for expansion to 3.5Mtpa



KANMANTOO COPPER PROJECT

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The Pillara processing facility

- Similar processing flowchart to that originally designed for Kanmantoo
- Greater throughput capacity provides options for low cost expansions to 3.5Mtpa
- Purchased second-hand in excellent condition
- Disassembled and transported to site by Abesque
- Workshop and stores inventory included, representing significant value

Logistics and services

- Mine site is close to the city of Adelaide, the main highway and to port facilities
- Private site access road from highway has been completed. Minor upgrade required
- Water supply agreements executed
- Power supply to be secured from SA grid (3km)
- Product logistics: (i) one week storage capacity on site; (ii) transport to Port Adelaide by B double truck; and (iii) port storage and ship loading by third party

EXPLORATION AT KANMANTOO HAS IMPROVED RESOURCE CERTAINTY AND INCREASED THE RESOURCE-RESERVE CONVERSION RATIO

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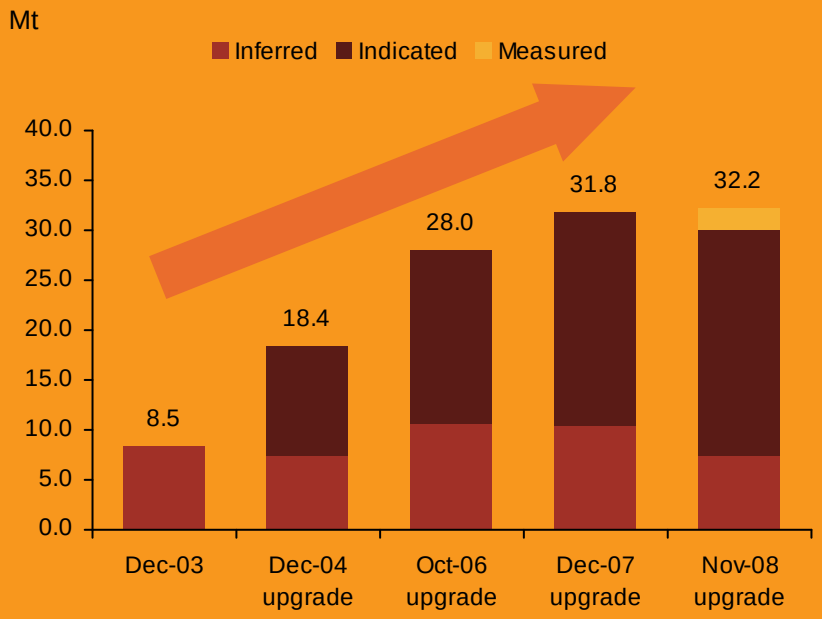
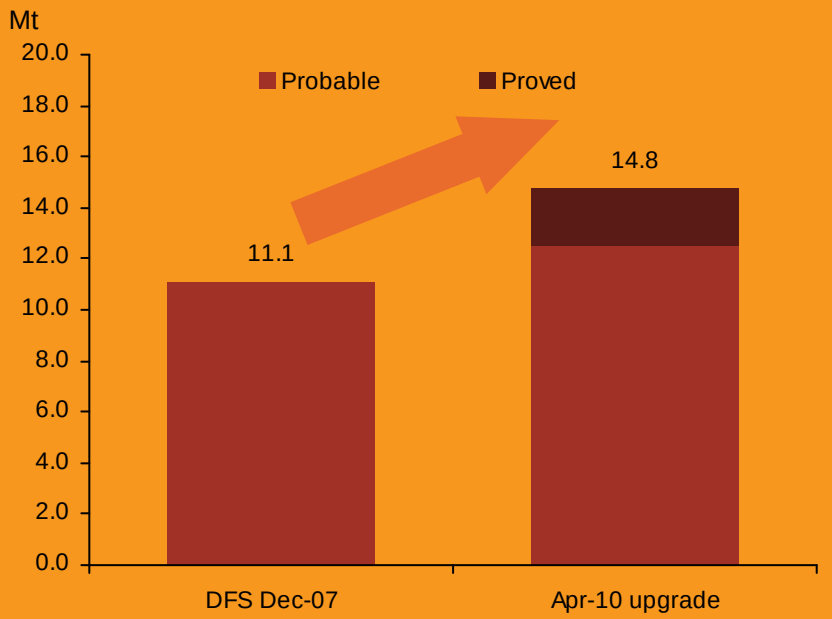
Resource growth



Reserve growth



Current resources

	Total (0.25% Cu cut off grade model)						
Type	Tonnes Kt	Cu %	Au g/t	Ag g/t	Cu Metal Tonnes	Au Ounces	Ag Ounces
Oxide	1,125	0.8	0.2	3.3	8,600	6,900	121,000
Transitional	1,620	0.8	0.2	2.9	12,200	9,600	152,000
Fresh	29,447	0.9	0.2	3.2	271,500	174,600	3,040,700
Total	**32,192**	**0.9**	**0.2**	**3.2**	**292,200**	**191,100**	**3,313,600**

Source: HGO's ASX release dated December 8th 2008

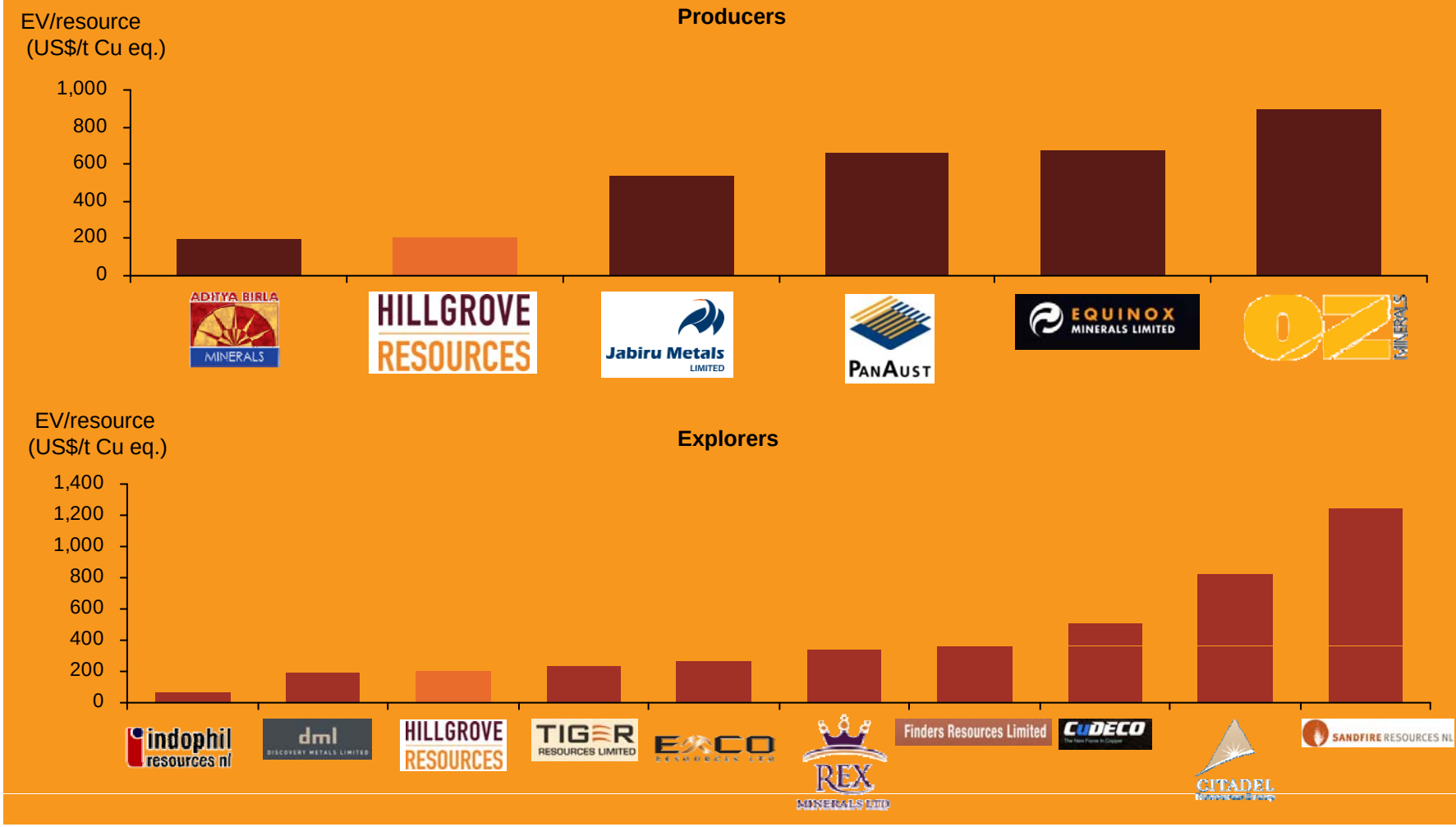
Current reserves

Category	Tonnes Mt	Cu %	Au g/t	Ag g/t
Proven	2.3	0.87	0.13	3.2
Probable	12.5	0.84	0.18	3.1
Ore reserve	**14.8**	**0.85**	**0.17**	**3.1**

Source: HGO's ASX release dated May 4th 2010

KANMANTOO HAS AN ATTRACTIVE RESERVE & RESOURCE BASE WITH SIGNIFICANT GROWTH POTENTIAL

Undervalued emerging copper producer



Source: IRESS, company reports & filings as at 27 September 2010

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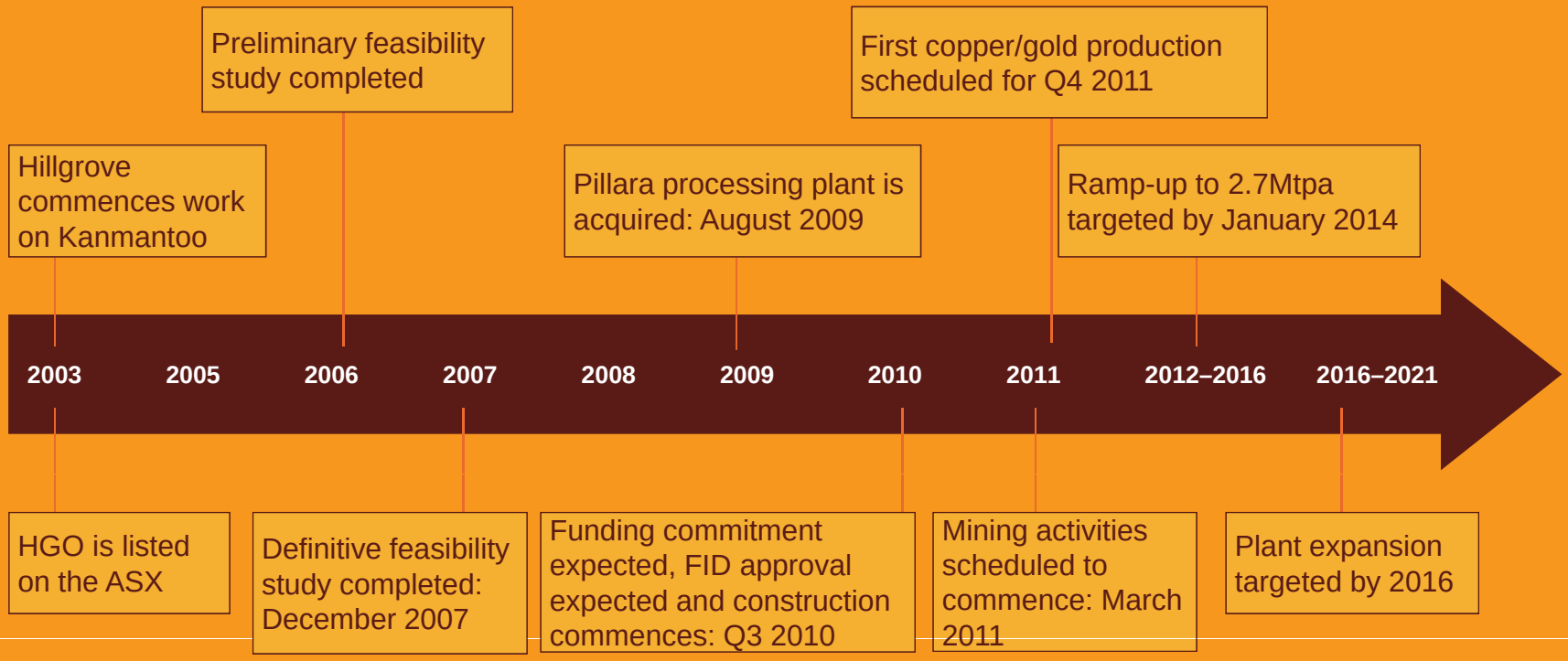
KANMANTOO COPPER/GOLD PROJECT

KEY MILESTONES

Overview

- Kanmantoo was operated by North Broken Hill Pty Limited, South Broken Hill Pty Limited and Electrolytic Zinc Pty Limited as their first open cut mine from 1971-1976, mining around 4.1Mt of copper ore
- Historical production at Kanmantoo is in line with predicted mining and plant performance



SUMMARY OF ESTIMATED CAPITAL
AND RAMP-UP COSTS TO BRING KANMANTOO TO FULL PRODUCTION

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Capital costs

	Total capital costs (A$mm)	Capital costs spent to date (A$mm)	Remaining capital costs (A$mm)
Mining	17.2	0.2	17.0
Pillara processing plant	66.9	20.3	46.6
Other infrastructure	9.9	1.0	8.9
Project management costs	13.2	1.1	12.1
Total	**107.2**	**22.6**	**84.6**
Contingency			**10.0**
Total (including contingency)			**94.6**

Production ramp-up costs

	Future cost (A$mm)
Pre-strip	25.7
Total	**25.7**

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Competitive cash cost of production

Cash cost breakdown	US$/lb
Mining costs	0.95
Processing	0.52
Transport (includes trucking, port and ship)	0.12
Treatment charges, refining charges and price participation	0.27
Sub-total	**1.86**
Gold/silver by-product credits	(0.25)
Total	**1.61**

Note: Cash costs exclude royalties

KANMANTOO COPPER-GOLD PROJECT

LOW RISK FEATURES

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Kanmantoo's key attributes

- ☑ Historical operations significantly de-risk the project
- ☑ Environmental, construction & mining licenses granted; all approvals to mine in place
- ☑ Known, simple metallurgy with excellent recoveries
- ☑ Large database of exploration, mining and processing information
- ☑ Capital cost per tonne of annual copper in concentrate produced is less than 50% of global average
- ☑ Head grade > the weighted average global head grade
- ☑ Low cost power, water, transport and labour
- ☑ Geotechnically sound ground conditions
- ☑ Low political risk environment

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HILLGROVE RESOURCES

Exploration

EXPLORATION ASSETS: INDONESIA

HIGHLY PROSPECTIVE GOLD, COPPER & BULKS EXPLORATION

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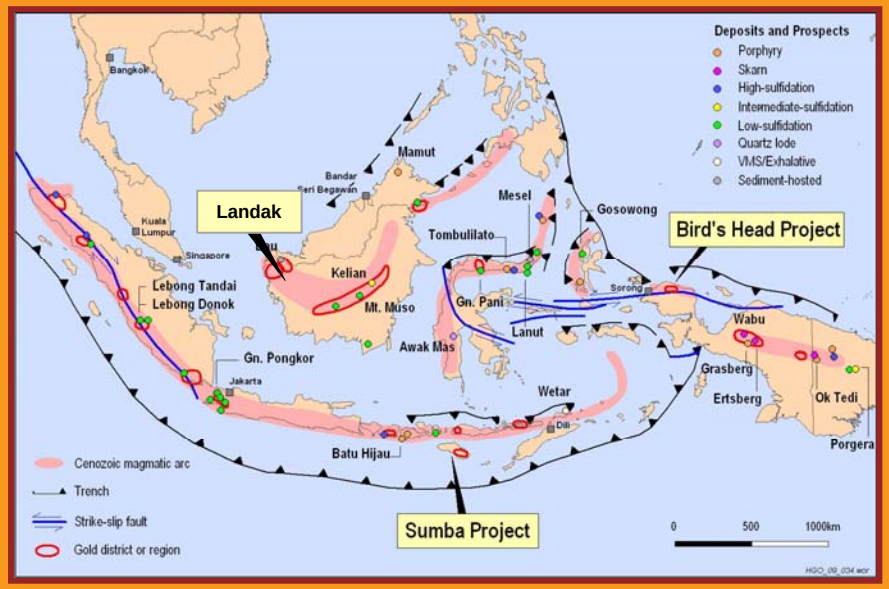
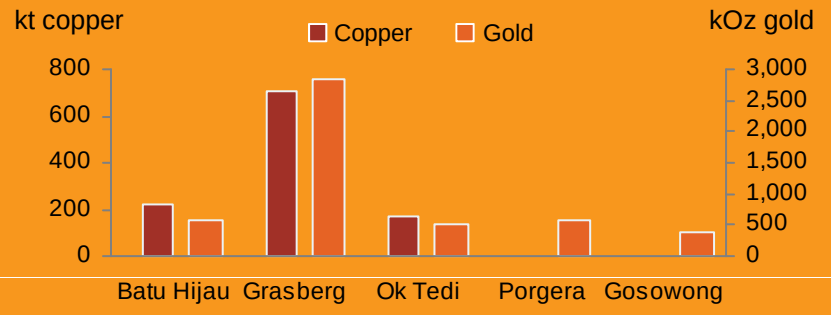
Why Indonesia?

- Proven geological provenance for target commodities (Cu, Au)
- HGO's position obtained through strong in-country experience base and development of pre-existing formal and informal relationships
- Strengthened legislative and judicial environment, translating into stronger foreign direct investment governance
- Workable mining code: Major and minor players successfully operating over decades
- Expertise in gold and base metal project development – strong value added capabilities
- Key exploration projects:
  - Sumba Project (HGO 80%)
  - Bird's Head Project (HGO 80%)
  - Landak Project (option to acquire 70%)

Map of development projects



CY2009 production for regional mines



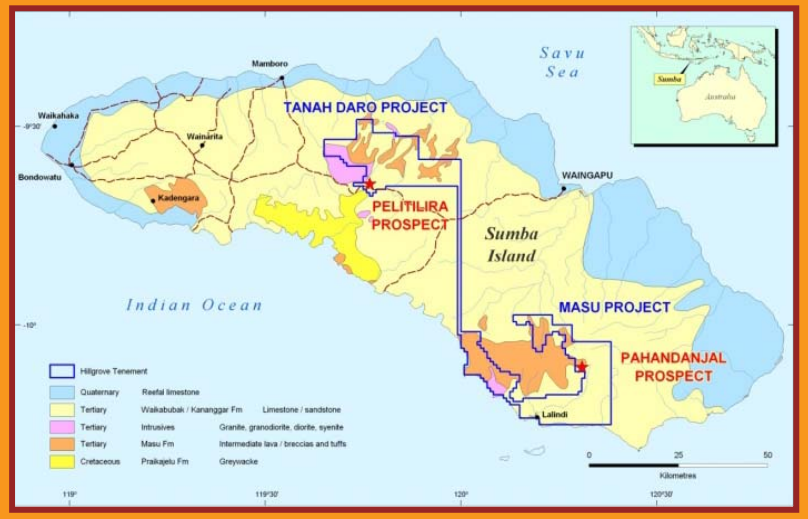
Source: Companies' filings

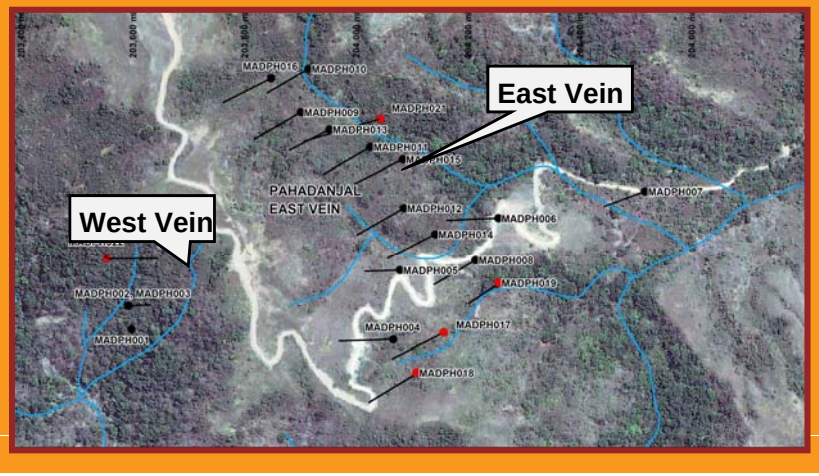
SUMBA ISLAND
HILLGROVE 80%

Key highlights

- Hillgrove is an 80% beneficial shareholder in PT Fathi, which holds exploration and mining business licenses on the island of Sumba
  - Rights cover almost 1,000 km^2 for a period of six years
- Hillgrove is responsible for the sole funding and management of all exploration and development activities up to a decision to mine
- Main projects: Masu and Tanah Dard
  - Exploration activities have been predominantly focussed on the Masu project
- Trenching, soil sampling and diamond drilling in Masu have proceeded with significant success
  - MADPH003: 6.45m @ 4.14 g/t Au
  - MADPH013: 13m @ 2.0 g/t Au
  - MADPH014: 8.05m @ 1.28 g/t Au
  - MADPH015: 10.05m @ 3.4 g/t Au

Sumba Island





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BIRD'S HEAD PROJECT

HILLGROVE 80%

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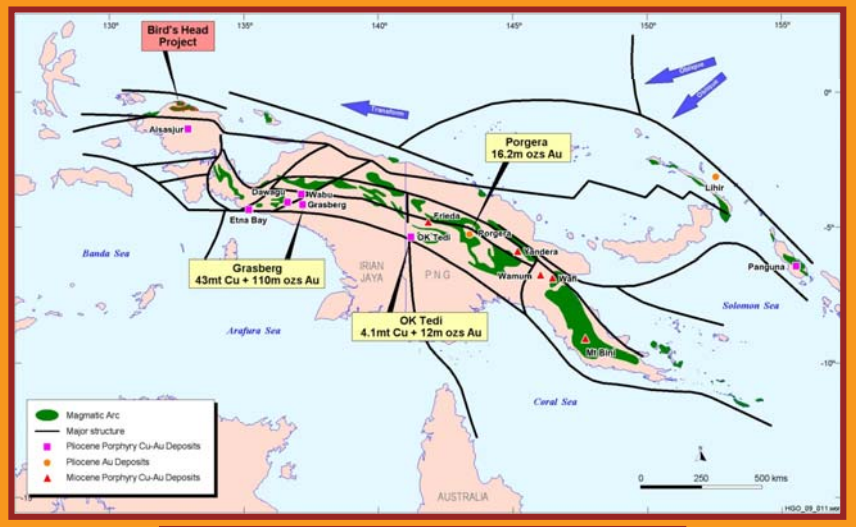
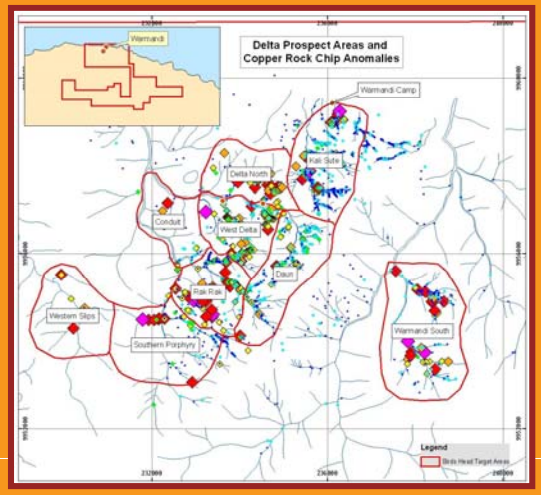
Key highlights

- Hillgrove is an 80% beneficial shareholder in PT Akram, which holds exploration and mining licenses in the Bird's head area of the autonomous region of West Papua
  - Rights cover almost 1,000 km^2, for a period of six years
- Hillgrove is responsible for the sole funding and management of all exploration and development activities up to a decision to mine
- Bird's Head covers part of the interpreted westward continuation of the New Guinea 'Orogenic Belt',
  - Considered highly prospective for copper-gold mineralisation
  - Exploration is focussed on defining Cu/Au mineralisation associated with an interpreted porphyry complex and an extensive hydrothermal alteration system
- Ex Normandy project: HGO has acquired drilling and geophysics data, among other key data
- Significant interest in HGO licenses and activity from top six major world copper miners

Geographic location





BAUXITE TENEMENTS – WEST KALIMANTAN

HILLGROVE OPTION TO ACQUIRE 70%

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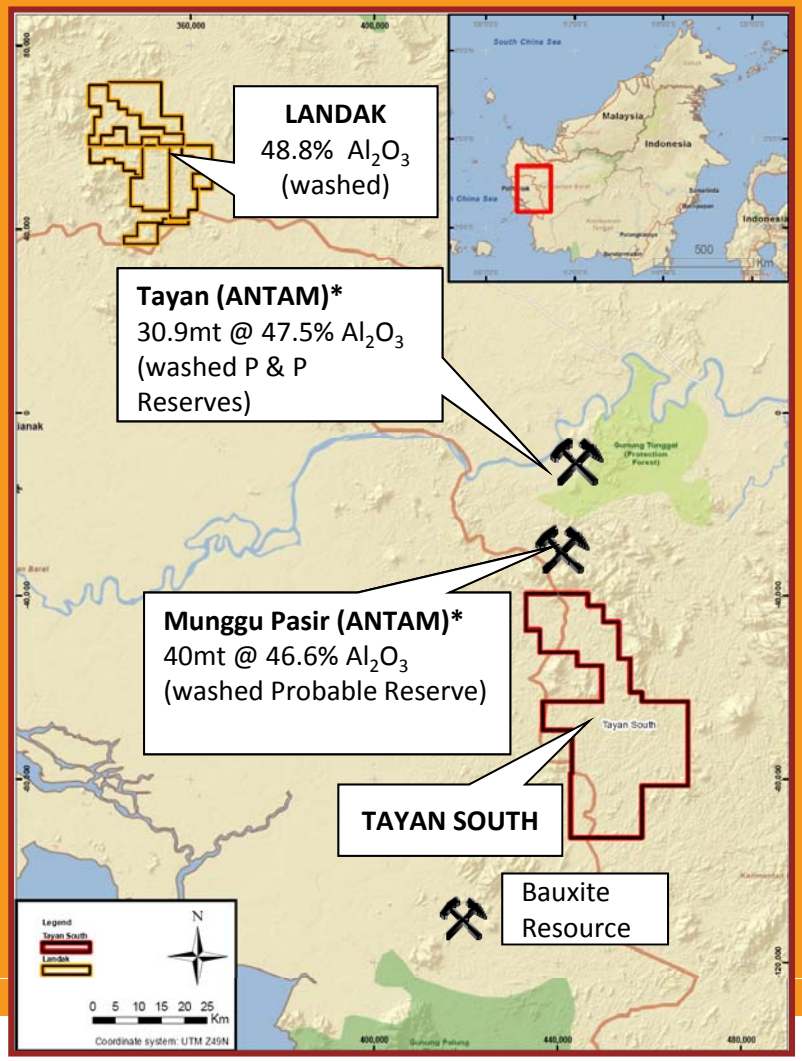
Highlights

- Options in place to acquire a 70% interest in exploration permits at Landak and Tayan South covering approx. 1,400km² in West Kalimantan
- Tenure in the heartland of Indonesia's emerging bauxite province
- Exploration underway: Targeting definition of bauxite distribution over sufficient area to justify exercising options
  - Broadly-spaced test pitting targeted favourable geomorphologic features in the southern portion of the Landak licences
- Exploration activities to date have included extensive socialisation of local landowners and communities ahead of reconnaissance test pitting
- Hillgrove has agreed to transfer these options to its 84.8% owned subsidiary InterMet Resources Limited (ITT), subject to ITT board and shareholder approval

Geographic location



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HILLGROVE RESOURCES

Appendix

MANAGEMENT TEAM & BOARD OF DIRECTORS

EXPERIENCED TEAM WITH PROVEN TRACK RECORD

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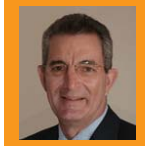
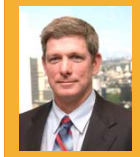
Key management team



Drew Simonsen
Managing Director & Chief Executive Officer

- Appointed MD & CEO in August 2010
- 35 years in resources, investment and commercial banking and financial markets in Australia, the USA and Hong Kong
- Has been involved with advising on or financing of many energy, resources and infrastructure projects and corporate financings in Australia and overseas
- Has worked for CRA (now Rio Tinto), Bank of America and Westpac, before operating his own consultancy business
- Significant senior management and team leadership experience
- Non-Executive Director of Highlands Pacific Limited
- BE (Mining); Dip Geo Sci (Min Eco); GAICD



Russell Middleton
Chief Financial Officer

- Appointed CFO in January 2008
- 20 years experience in the resources industry
- Senior management positions in accounting, commercial and planning roles
- Significant experience with mine project evaluations and construction of new mines
- Previously held a number of roles at BHP
- Held the position of Commercial Manager for the construction, development and production of a major underground mine
- More recently has been Chief Financial Officer for contracting and services companies in the mining sector
- B.Bus., MBA, FCPA, F.Fin, GAICD

Cam Schubert
General Manager – Kanmantoo Project

- Appointed late 2009
- 21 years experience in the resource industry
- Previously served as Mine Operations Development Manager for BHP Billiton's Olympic Dam Expansion Project from 2007 to 2009
- A significant portion of his career was spent at Xstrata's Ernest Henry open-cut copper/gold mine in North Queensland initially as a Geotechnical Engineer and leading to Site Senior Executive & General Manager, a position he held from 2004 to 2007
- Additional experience with MIM Holdings, including Mount Isa Mines, McArthur River Zinc Mine, Tick Hill Gold Mine and Carpentaria Gold
- BSc (Hons);MAppSc; MEngSc ; MAusIMM

Jim Kerr
General Manager - Exploration

- Joined Hillgrove Resources in late 2009 and was appointed to the role of General Manager – Exploration in July 2010
- Over 20 years experience in the Resources industry
- Has a broad operational background with a successful record of discovery, acquisition, development and profitable asset disposal
- Has worked for Lithic Metals and Energy, a London AIM listed company (formerly Zambezi Nickel Limited) where he was the Managing Director
- Integral in the acquisition, listing and development of the Tethyan Copper Company and its 4 billion tonne copper / gold resource prior to its takeover by Barrick and Antofagasta
- Spent a large portion of his career at Mincor Resources NL as Business Development Manager where he managed a diverse portfolio of gold and base metal exploration assets in Australia, the South Pacific and various African jurisdictions
- BSC(Geology);MSc(Mineral Economics)

MANAGEMENT TEAM & BOARD OF DIRECTORS

EXPERIENCED TEAM WITH PROVEN TRACK RECORD

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Board of Directors

Hon. Dean Brown AO
Non-Executive Chairman
- Former Premier and Minister of the South Australian Government and Member of the South Australian Parliament
- Chairman of InterMet Resources Limited, a Director of Scantech Limited and Foodbank SA, the Premier's Special Advisor on the Drought, and a member of several advisory boards
- Previously a Director of AACM International Pty Ltd (1986-92) and a Senior Agricultural Scientist, SA Government

John Gooding
Non-Executive Director
- Mining Engineer with 30 years' experience in the resources industry, especially in gold and base metal mining
- Has held executive management positions with Normandy Mining, MIM, Xstrata (CEO Xstrata Copper Australia), Ok Tedi Mining and Roche Mining
- Former board member of the Queensland Resource Council and has held directorships in a number of companies within the resources industry
- Currently the Managing Director and Chief Executive Officer at Highlands Pacific Limited

Edwin Zemancheff
Non-Executive Director
- Previously a partner at global law firm Baker & McKenzie with 25 years experience in commercial and land use law
- Has held a number of directorships, including (NED) Fortius Funds Management Pty Ltd and Chairman of NSW Rugby Union; Mr. Zemancheff is currently Chairman of Waratah Rugby

Ronald Belz
Non-Executive Director
- Tax Agent since 1978, a member of CPA Australia since 1982 and a Certified Practising Accountant since 1987
- Currently Treasurer and Board Member of the Academy BJE, the New South Wales Board of Jewish Education
- Chairman of Audit Committee

John Quirke
Non-Executive Director
- Former Federal Senator with State and Federal committee experience in mining and economics
- He is a Trustee to the Australia/ Cambodia Foundation and Director of Operation Flinders
- Chairman of Remuneration Committee