

HGO

AUD \$0.088

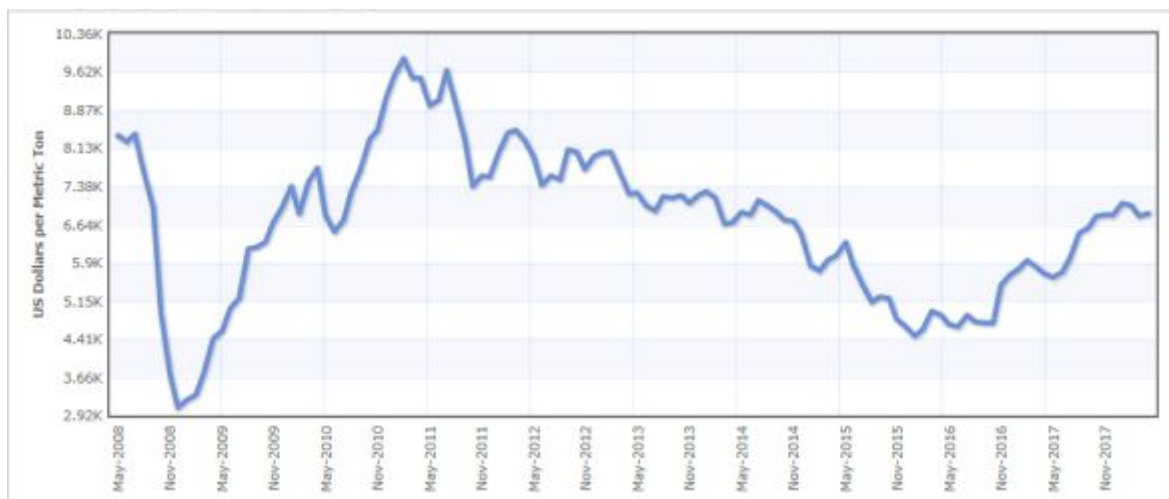
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Moving on

Hillgrove Resources has been a disappointment since we introduced the company into the portfolio back in March 2012. Despite the company having what we believe to be a unique copper mine in South Australia, the company has struggled with a low copper price and corporate issues. We have been disappointed with the performance of the company's share price and are moving on.

Although we have seen a moderate recovery in the copper price from post global financial crisis lows in 2016, Hillgrove's share price has continued to labour. The following chart shows the copper price:



Source: Index Mundi

We have been disappointed with the corporate action the company had to undertake to restructure both its operations at Kanmantoo and balance sheet, as the company struggled to deal with a falling copper price. The actions were successful in saving the company and a mild price recovery ensued.

We are however taking advantage of a spike in the current copper price, on the back of anticipated staffing disruptions at the Escondida copper mine (not a Hillgrove asset) in Chile, as wage negotiations at that site draw near, to exit the stock. Escondida supplies around 4% of global copper supplies, hence the positive copper price reaction.

HILLGROVE GOLD LTD - HGO (ASX) - 1 Day CandleStick Chart - AUD



We maintain a positive outlook for copper going forward on robust demand as global economic growth synchronises. Moreover, the curtailment of capital going into developing new copper mines over the past five years is having an impact on forecast supplies. We expect copper will be in supply deficit conditions in 2019.

HILLGROVE GOLD LTD - HGO (ASX) - 1 Month CandleStick Chart - AUD



As we hold copper exposure through other companies in the Global Mining portfolio, leverage to the metal, given our investment thematic, is adequately covered by these stocks. **As a result, we have changed our recommendation for Hillgrove Resources to a Sell. Coverage of Hillgrove Resources will cease immediately.**

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Snapshot HGO

Hillgrove Resources Limited (HGO) is developing into a mid tier gold and copper/gold resources group. HGO's flagship development is the Kanmantoo Copper Mines in South Australia and exploration on its greenfield exploration projects in Indonesia.

Market Capitalisation: \$50.07m

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