

**The Board of Directors of Hillgrove Resources Limited (Hillgrove)
(ASX: HGO) reports for the quarter ended 31 January 2010**

HIGHLIGHTS

- **Conditional MARP for the Kanmantoo Copper/Gold Mine granted pending completion of design details for an element of the Tailings Storage Facility.**
 - **General Manager appointed to the Kanmantoo Copper/Gold Mine Project.**
 - **Field exploration at Bird's Head Project confirms porphyry potential for West Delta Prospect and presence of 4km long structural corridor containing gold-copper mineralisation at Kali Sute Prospect.**
 - **Field exploration on Sumba Project continues to define both narrow high grade and broad low grade gold mineralisation for Pahandanjal Prospect and surrounding satellite prospects.**
 - **Hillgrove enters farm-in with Auzex Resources Limited to earn up to 80% of all copper, lead, zinc, nickel and 50% of gold-silver deposits discovered within 250km² EPM 14797 near Mount Garnet, in North Queensland.**
 - **Placement of \$24.9 million completed and share purchase plan launched.**
 - **Cash and investment portfolio totalled \$133.8 million at the end of the quarter.**
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KANMANTOO MINE PROJECT, SOUTH AUSTRALIA
Mining Leases 5776 and 6345; Exploration License 3277
(Hillgrove 100%)

Subject to the making of a Final Investment Decision (FID) shortly, Hillgrove is targeting the completion of the Kanmantoo Project's construction in the first quarter of 2011, followed by dry and wet commissioning. A FID is dependent on the approval by PIRSA of a design element of the Tailings Storage Facility to allow the MARP to become unconditional and securing project financing for the development.

MARP

A major Project milestone was reached with the Department of Primary Industries and Resources SA (PIRSA) approving the Mining and Rehabilitation Program (MARP) for the Kanmantoo Copper/Gold Mine on Friday 18th December, after a rigorous evaluation by PIRSA and other Government agencies following an extensive period of consultation with relevant stakeholders.

The MARP approval is conditional on the completion of design details for an element of the Tailings Storage Facility design. This final condition is currently being arranged and expected to be finalised by the next quarterly report.

General Manager Appointed to the Project

Mr Cam Schubert was appointed as Executive General Manager of the Project on 4 January 2010. Cam's experience is particularly relevant to Kanmantoo as he was the Site Senior Executive & General Manager from 2004 to 2007 of Xstrata's Ernest Henry open-cut copper/gold mine in North Queensland and most recently the Mine Operations Development Manager for BHP Billiton's Olympic Dam Expansion Project.

Plate 1. Kanmantoo and Immediate Surrounds**Processing Plant**

In August Hillgrove purchased the decommissioned Pillara Mine's process plant facility for the Project. The purchase comprised the float plant (incl. a ball and SAG mill), office buildings, crusher, plant spares and consumables, workshops, sample preparation facility, laboratory, fuel farm, warehouse and product storage buildings.

Following the conditional approval of the MARP in December, the Board approved the commencement of initial design works, with a project team put in place and assessment of the plant starting ready for dismantling over the next few months for relocation to Kanmantoo by the middle of the year.

Project Financing

Following a detailed assessment of the expanded range of alternative funding options occasioned by the improving global economy, the Hillgrove board concluded that it is in the best interests of all shareholders to progress Kanmantoo towards production as a wholly-owned project. The Directors believe this approach will ensure shareholders receive the undiluted benefit of exposure to the strong demand for copper and positive pricing outlook for the metal, as well as retain ownership of a very valuable infrastructure asset.

As a result the Company concluded a \$24.9 million capital raising by way of a placement. The proceeds of the placement combined with Hillgrove's strong existing pre-tax cash reserves and an anticipated conservative debt/equity ratio project financing for the Kanmantoo project (total project capital expenditure estimated to be AUD98 million) are more than adequate to provide the Company with the funding flexibility to pursue development activities at Kanmantoo and exploration activities in Indonesia and Queensland whilst retaining a conservative cash reserve.

Hillgrove has initiated discussions around securing a project finance facility to assist with the funding of the development of Kanmantoo and is targeting concluding the financing by early May.

Next Steps

Drill rigs will be on site within the next month to continue the orebody definition, resource definition and exploration activities.

The engineering designs for the Mt Barker treated water pipeline, the tailings storage facility, the site ore processing facility and required civil engineering activities are being finalised. Initial civil works on site are planned to start during April and initial shipments of equipment from Pillara will start to arrive during May.

Senior project roles will start to be placed in the next quarter, with the main phase of the recruitment program expect to ramp up in the second half of 2010.

WHEAL ELLEN, SOUTH AUSTRALIA**Exploration License 3232****(Hillgrove 100%)**

The Wheal Ellen Project (EL 3232) is located 40km east south east of Adelaide, 8km north of Strathalbyn and 7km to the north of Terramin's Angus silver-lead-zinc mine. It is named after the historical silver-lead-zinc mine at the centre of the tenement which was worked primarily in the 1850's and produced an estimated 75,000 tonnes at an overall grade of 25% zinc, 20% lead and 12oz/t silver.

The magnitude and persistence of the Kanmantoo Trough mineralising system is such that mineralisation is likely to extend to considerable depths, as demonstrated by Angas drill intersections to 450m and Kanmantoo drill intersections to 600m. Drill testing of the Wheal Ellen resource extends to only 150m depth (one diamond hole) leaving significant potential for the discovery of further significant mineralisation down dip for the entire strike extent of the exploration license.

The review of exploration results has been completed as a prelude to further exploration work. Exploration drilling is planned to recommence in early 2010.

INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

Hillgrove is moving ahead aggressively with its fully funded exploration of the Sumba and Bird's Head projects in Indonesia. Sumba is adjacent to the Island of Sumbawa which hosts Newmont's major Batu Hijau copper-gold mine and the Bird's Head Project is located along the interpreted westward continuation of the New Guinea mineral belt that hosts Grasberg and Ertsberg in West Papua and Porgera and OK Tedi in Papua New Guinea (Plate 2). Some \$10 million is expected to be spent on these projects over the next 12 months, with Hillgrove targeting the discovery of epithermal gold and world class copper/gold ore bodies.

Plate 2. Exploration Project Locations in Indonesia (image from Google Earth)

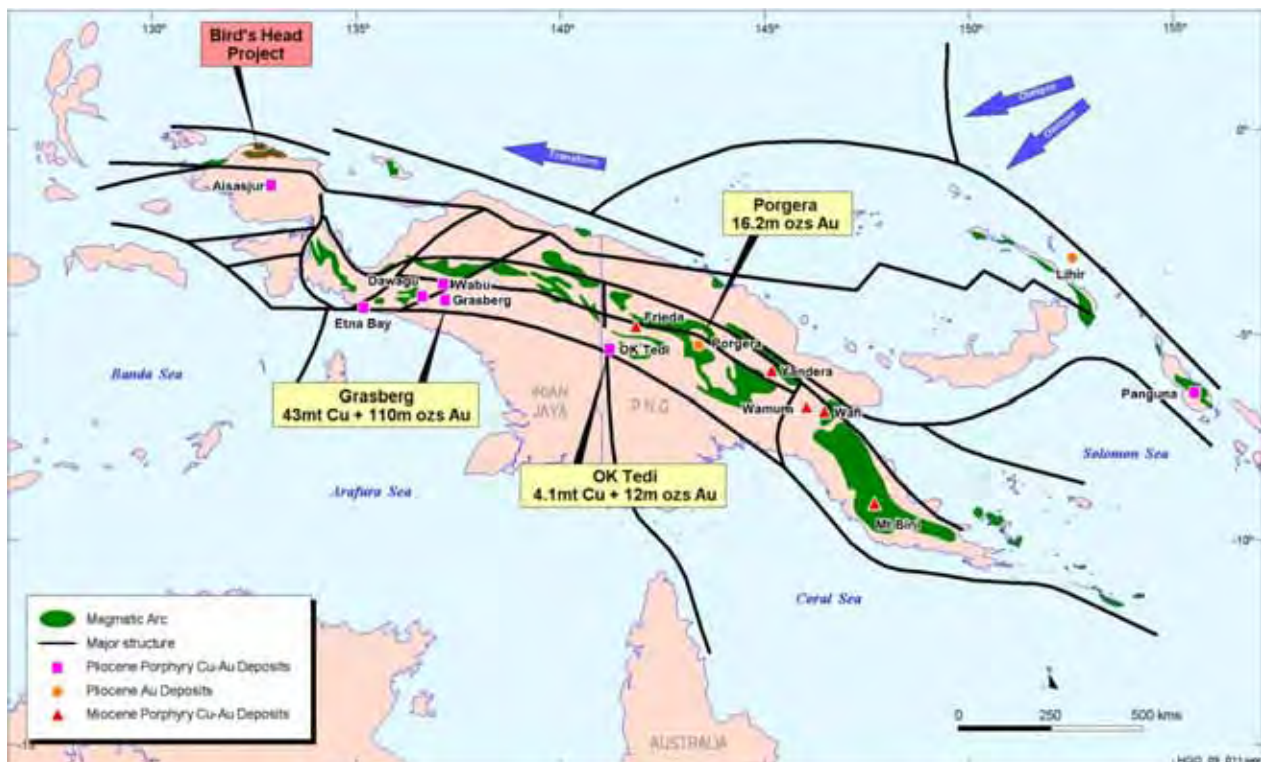
Exploration at Sumba has concentrated at Masu, in south eastern Sumba, where trenching and soil sampling programs continue to identify significant zones of gold mineralisation. The programs have generated numerous drill targets and it is anticipated that drilling will commence in April.

Work on the Bird's Head Project has consisted mainly of base camp construction and conducting first pass reconnaissance mapping and rock chip sampling. The results from the initial programs have been highly encouraging and have confirmed that the West Delta Prospect is highly prospective for copper-gold porphyry style mineralisation, and the presence of a 4km long structural corridor containing medium to high grade gold-copper mineralisation for Kali Sute Prospect.

BIRD'S HEAD COPPER/GOLD PROJECT, WEST PAPUA, INDONESIA**KP254****(Hillgrove 80%, PT Akram Resources 20%)**

In consideration of the grant of an 80% economic interest, Hillgrove will fully fund and undertake exploration work, and feasibility studies if justified, until a decision to mine is made in relation to the exploration tenement held by Hillgrove's Indonesian partner PT Akram Resources.

The Bird's Head Project is located in north-western West Papua in the Indonesian province of Papua Barat (Plate 3). The regional centre of Sorong, located approximately 130km to the southwest, is supported by regular commercial air and sea services. The license area is sparsely populated and covers areas ranging from the coast through to moderate elevations of around 2,500m within 40km of the coast.

Plate 3. Bird's Head Project in West Papua, Indonesia

The KP covers a number of mineralised areas explored between 1986 and early 1993 shown to contain extensive porphyry style copper-gold and epithermal gold mineralisation, with five major zones identified. Three stream drainages showing detrital gold were named Alpha, Bravo and Golf and prioritised as epithermal style gold targets and two, Foxtrot and Delta, as porphyry style copper-gold targets.

Exploration Programme

Hillgrove, in association with its Indonesian partner PT Akram Resources, has now completed the due diligence phase for the Delta Area. This involved field verification of the location of historical drillholes and sample sites and reconnaissance mapping and sampling of Kali Sute and West Delta Prospects.

Highlights from the field work include:

- **Confirmation large copper signature from soil sampling is due to porphyry style mineralisation.**
- **Confirmation of disseminated and vein-hosted copper/gold mineralisation within altered intrusive, along with assay values of low to medium grade range as expected for porphyry style mineralisation. Peak assays include 5.7g/t gold and 3.7% copper (not same sample).**
- **Confirmation of structural corridor which strikes for at least 4km and hosts medium to high grade gold/copper mineralisation. Peak assays include 33.5g/t gold and 8.6% copper (not same sample).**

Medium to high grade gold and copper mineralisation has been identified along a structural corridor that extends south from the Kali Sute Prospect over 4km. This area corresponds with the best gold results from historical channel sampling and mainly occurs within a pyrite altered syenite dyke emplaced within a regional fault and subsequently brecciated.

Low to medium grade gold and copper mineralisation has been confirmed within the West Delta Prospect area in an interpreted upper zone of a porphyry system. Mapping of this area has confirmed the presence of a remnant argillic alteration cap along with disseminated and vein hosted copper/gold mineralisation.

Photo 1. Exposed Rock Face Showing Abundant Copper Mineralisation (green malachite) at West Delta Prospect (assays pending)



The current theory is that the abundant erosional surfaces present at Delta have occurred preferentially along clay alteration (argillic) zones within a monzonite intrusive and in some cases show copper mineralisation (see Photo 1).

Reconnaissance mapping and sampling has confirmed the presence of two main mineralisation styles for the Delta area.

Porphyry Style Copper-Gold Mineralisation

The large historical geochemical copper signature from ridge and spur soil sampling for the West Delta Prospect (see Figure 1 in Appendix) has been interpreted as structural remobilisation of copper and gold along breccia pipes and faults within the upper levels of a porphyry system.

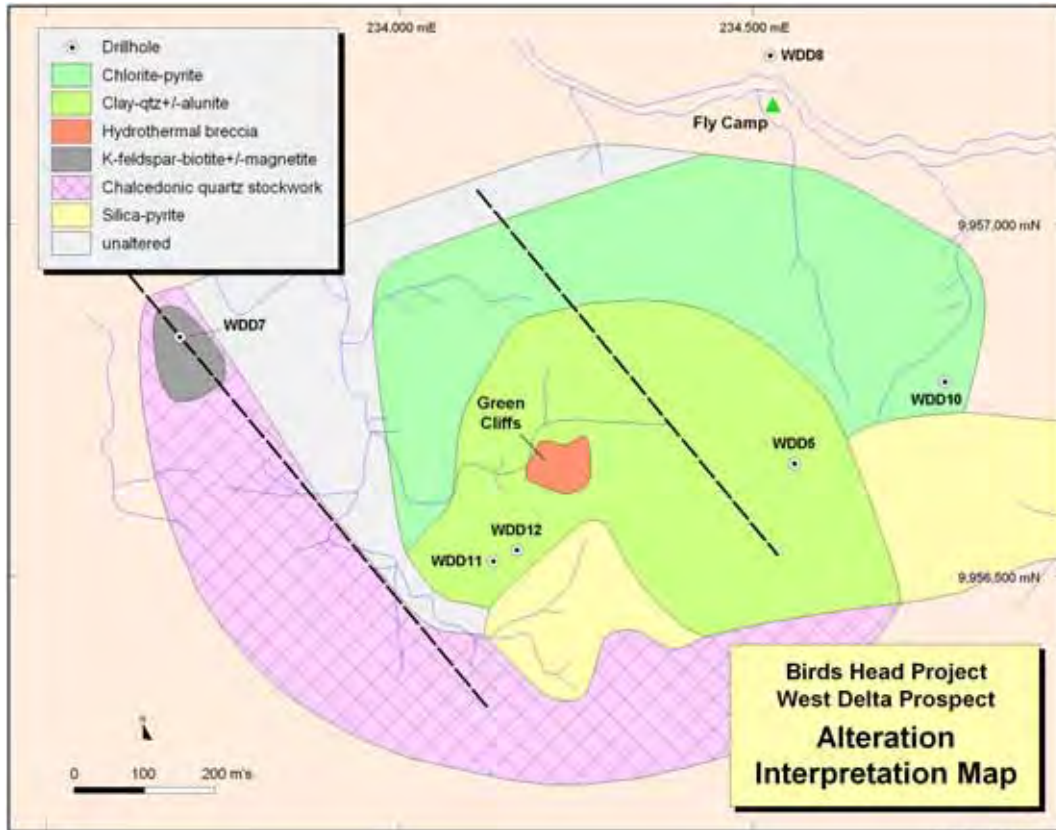
An example of porphyry copper mineralisation in strongly weathered and altered intrusive rock found at West Delta, on which assays are pending, is shown in Photo 2.

Photo 2. Example of Porphyry Copper Mineralisation



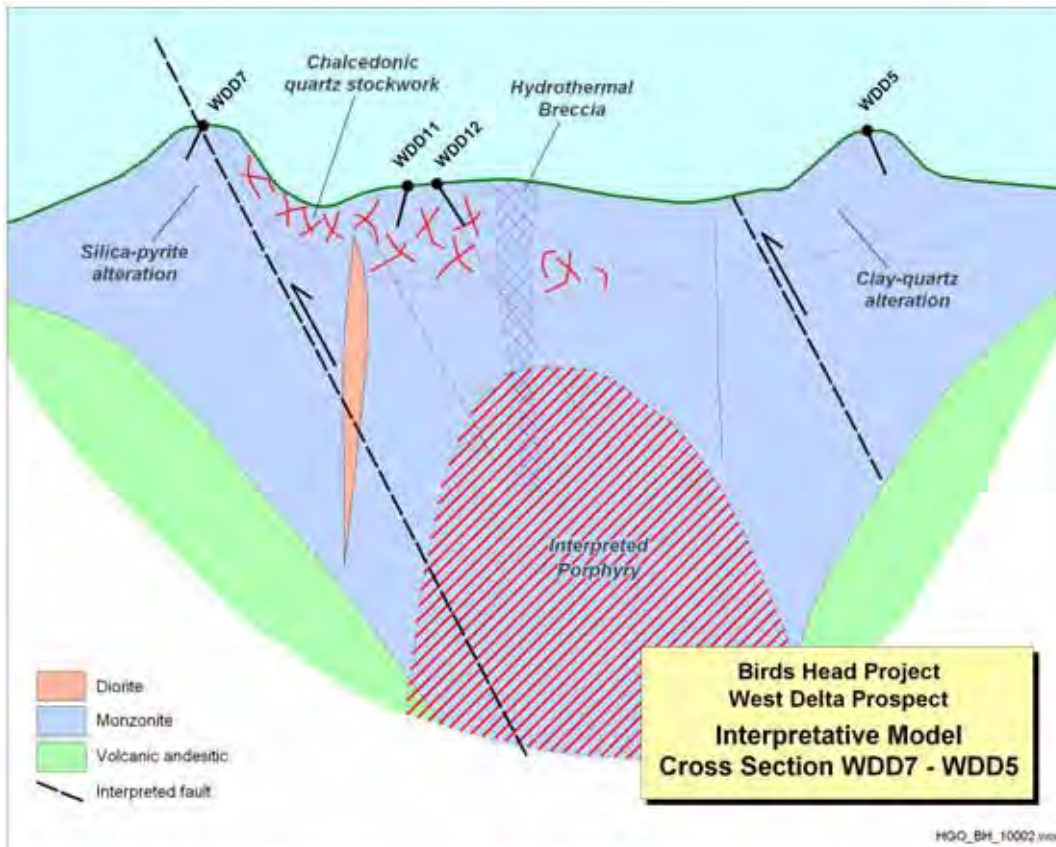
Plate 4 shows the current geological interpretation for alteration zones at West Delta Prospect. The area denoted as "Green Cliffs" is shown in Photo 1. The clay zone within the centre of the mapped area has been interpreted as a remnant argillic cap in the upper levels of a porphyry system.

Plate 4. Alteration Interpretation Map for West Delta Prospect
(Historical drilling conducted by Normandy Anglo Asian)



The cross section in Plate 5 represents the current interpretative model based on field observations.

Plate 5. Interpretative Cross Section for West Delta Prospect



Mesothermal Breccia Gold-Copper Mineralisation

Reconnaissance mapping and sampling has also confirmed the presence of a structural corridor that seems to host the majority of the high grade gold intercepts reported in historical channel sampling.

The corridor trends NNE at about 30 degrees and was first identified through desktop work based on geochemical trends and structural interpretation of landsat imagery. This has now been verified in the field and it appears a pyrite altered syenite dyke has been emplaced along a regional fault, or set of faults, and has become the preferential brecciated host for medium to high grade copper and gold mineralisation.

Another field observation has been a high grade copper and gold area at Kali Sute Prospect where the dyke intrudes through monzonite.

Significant assay results from the due diligence program are shown in Table 1 and Figure 2 and 3.

The main focus for the Bird's Head Project in coming months will be the commencement of detailed mapping and channel/trench sampling of the West Delta Prospect and to conduct a heliborne radiometrics/magnetics survey over the general Delta area with a view to define targets for early drilling.

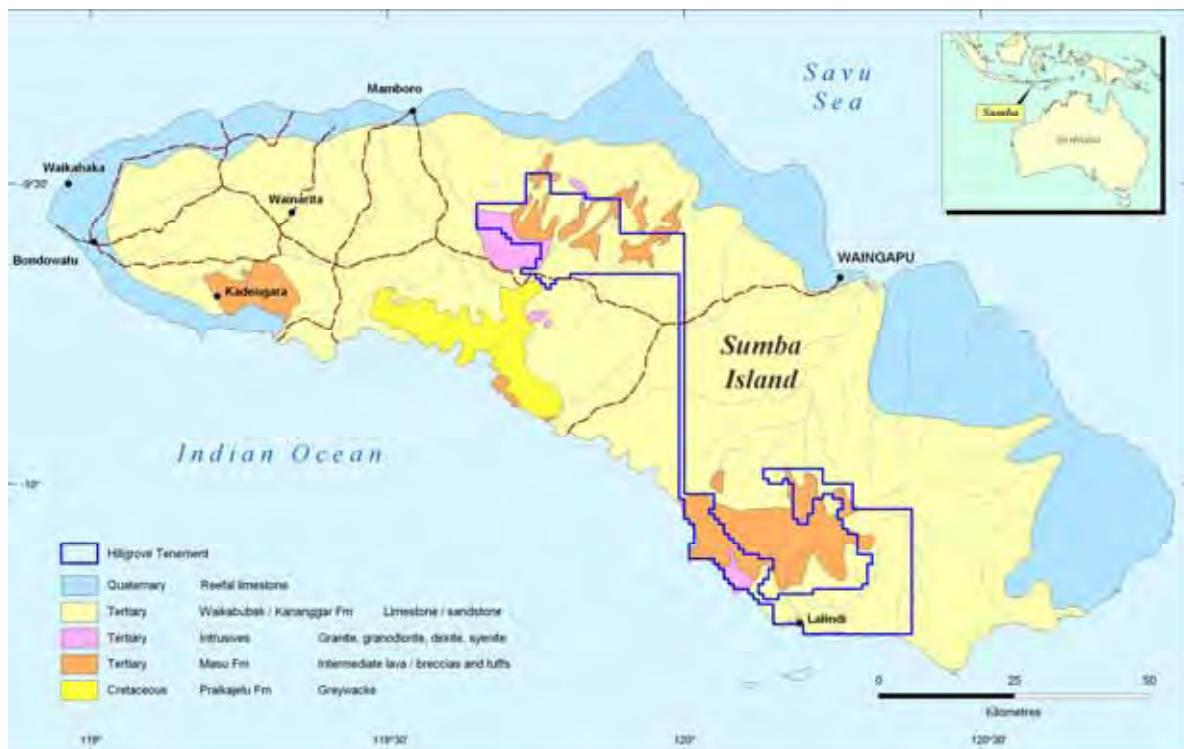
Reconnaissance work will also continue to the south of West Delta at the Southern Porphyry Prospect which also has a significant geochemical signature and similar alteration as suggested by the large degree of erosion which appears to be a localised feature.

SUMBA GOLD PROJECT, INDONESIA IUP 322/KEP/HK/2009 (Hillgrove 80%, PT Fathi Resources 20%)

In consideration of the grant of an 80% economic interest, Hillgrove will fully fund and undertake exploration work, and feasibility studies if justified, until a decision to mine is made in relation to the exploration tenement held by Hillgrove's Indonesian partner PT Fathi Resources.

PT Fathi Resources was granted an Exploration Mining Business License (IUP Eksplorasi) under the newly implemented mining laws to replace the pre-existing KP. The IUP has been granted for a term of six years and covers an area of 999km² (Plate 6).

Plate 6. Map Showing Basic Geology and IUP Boundary for Sumba



Since October 2009 Hillgrove, through its Indonesian partner PT Fathi Resources, has been conducting trench and soil sampling predominantly at Pahandanjal Prospect within the Masu Project area. Results from the trenching have been highly encouraging and Hillgrove intends to commence drill testing in April.

Masu Project

Soil Sampling

Soil sampling for the Masu Project has proven to be highly effective in locating gold mineralisation within the volcanic host rocks (Figure 4). The main anomalies of interest so far include:

- West Pahandanjal, which hosts the narrow high grade Western Vein;
- Pahandanjal, which hosts Eastern vein and confirmed disseminated gold mineralisation within volcanic host rock;
- Eastern Anomaly, which occurs in colluvium and requires further field checking; and
- North Pahandanjal, requires detailed infill soil sampling as numerous lodes have been located in area.

Trenching

Trenching over the quarter has occurred within the Pahandanjal Prospect and has been highly successful in identifying areas that will require drill testing.

At this stage, it appears there are two distinct styles of mineralisation present at Pahandanjal. The first is high grade epithermal gold silver mineralisation that is characterised by narrow veins which display classic epithermal textures, high silica content and banding. The second is characterised by low grade disseminated gold/base metal mineralisation, which may represent a carbonate base metal-gold/ epithermal gold system.

Results from the Western Vein system consisted mainly of narrow high grade gold mineralisation that strikes over 200m before being concealed by greywacke cover to the north and scree to the south. It is likely this vein system continues both to the north and south but drill testing will be required to confirm.

Results from the Eastern Vein system consisted dominantly of numerous broad low grade zones, many of which remain open, along with intermittent narrow high grade shoots. An additional zone of mineralisation was discovered 150m east of the main Eastern vein system in FT24.

Highlights from trenching of the Western Vein System include:

- **4m at 10.04g/t Gold and 17.18g/t Silver (FT4)**
- **7m at 8.34g/t Gold and 6.17g/t Silver (FT3)**
- **5m at 7.5g/t Gold and 18g/t Silver (FT2)**
- **2m at 12.5g/t Gold and 11.6g/t Silver (FT5)**
- **9m at 6.51g/t Gold and 9.40g/t Silver, within a 18m zone at 3.93g/t Gold and 8.02g/t Silver (FT1)**
- **34m at 2.07g/t Gold and 3.85g/t Silver (FT5EXT)**
- **7m at 1.05g/t Gold and 1.93g/t Silver (FT6EXT)**
- **17m at 1.16g/t Gold and 1.79g/t Silver (FT7EXT).**

Highlights from trenching of the Eastern Vein System include:

- **14m at 6.97g/t Gold and 10.7g/t Silver (FT18)**
- **78m at 0.8g/t gold and 4.27g/t Silver (FT21A)**
- **52m at 0.51g/t Gold and 5.23g/t Silver (FT20)**
- **24m at 1.06g/t Gold and 3.82g/t Silver (FT23)**
- **20m at 0.52g/t Gold and 1.2g/t Silver (FT16)**
- **20m at 0.54g/t Gold and 0.76g/t Silver (FT16)**
- **70m at 0.53g/t Gold and 3.49g/t Silver (FT24).**

Significant trench results are shown in Figures 5 and 6.

Planned Exploration

Hillgrove is currently in the final stages of preparations for drill testing at the Pahandanjal Prospect and in the process of expanding its base camp to include core logging/cutting facilities. A decision on which drilling contractor will be used is expected to be made by early March.

Regional exploration activities have already uncovered significant mineralisation at North Pahandanjal and reconnaissance work has commenced at Okajara Prospect which is 5km north of Pahandanjal. A second regional exploration team will commence field work in Central Sumba in the coming months.

The information in this report that relates to Exploration Results is based on information compiled by Mr. Adam Freeman, who is a Member of The Australasian Institute of Geoscientists. Mr. Freeman is a Geology Manager for Hillgrove Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Freeman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

KHARTOUM PROJECT, QUEENSLAND

EPM14797

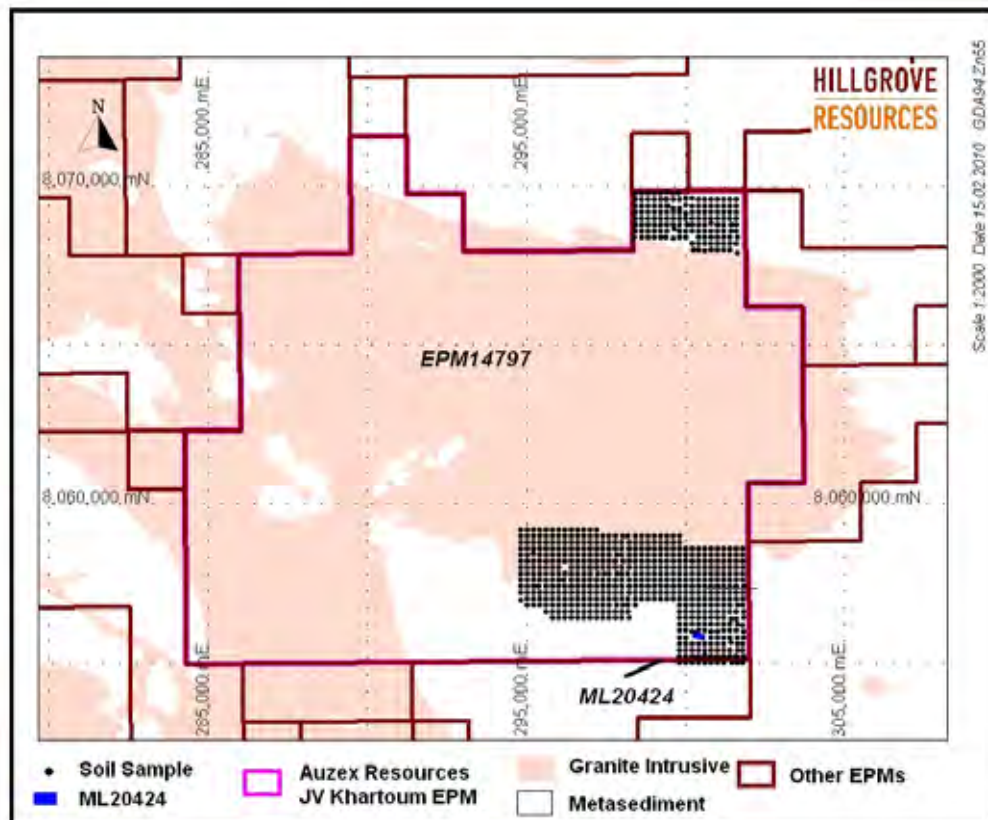
(80% of copper, lead, zinc, nickel and 50% of gold-silver deposits discovered with Auzex)

In January Hillgrove entered into a farm-in with Auzex Resources Limited whereby it may earn up to 80% of all copper, lead, zinc, nickel deposits, and 50% of gold-silver deposits discovered within EPM14797 which is located 20km northwest of the mining centre of Mount Garnet (see Plate 7).

Within EPM14797 is a small mining lease application, MLA20424 which Hillgrove's subsidiary, InterMet Resources has an option agreement over. This lease contains known base metal mineralisation and is in the final stages of being granted.

Auzex Resources conducted soil sampling on the tenement in 2008. Hillgrove has submitted 709 of these samples for assaying and results are expected in the first week of March.

Plate 7. Khartoum Project JV and Soil Sample Locations



INTERMET RESOURCES LIMITED (Hillgrove 84.8% Shareholding)

Activities during the last quarter focussed on drilling copper-zinc-silver-gold targets on the Munderra Project in Queensland and identifying other mapping zones of high potential for mineralisation through regional soil sampling and reconnaissance geological mapping. Highlights included:

- Drilling at the Munderra Project detected base metal/silver mineralisation at Jean Prospect;
- Results at Munderra provided evidence of a gold and base metal anomalous hydrothermal system associated with sericite-pyrite altered quartz porphyry;
- Grant of Mining Lease ML20424 for the Ann Project in Far North Queensland.

Queensland Projects

Munderra Project (EPM 15481, ML 3945 and 20428 - InterMet 100%) *Copper, Gold and Base Metals*

During the last quarter, InterMet conducted a RC drilling program, geological reconnaissance and geochemical sampling. The exploration program included 975m of RC drilling (10 holes), 18 rock chips and 682 soil samples.

Drilling focused on the Mt Cardwell copper workings area (incl. Jesse MLA 20428) and Jean prospect (north of the Paddy ML 3945). Results from this work highlighted a number of mineralised occurrences which require further work to fully evaluate their potential.

Regional scale soil sampling was undertaken so as to determine the potential of areas along strike and adjacent to known base metal mineralization. Results from soil sampling at the Jean Prospect clearly denoted two areas of interest which are anomalous for base metals and gold. Contour mapping of soil results show zoning of various elements, which is often the case in skarn and polymetallic zoned carbonate hosted deposits.

Jesse Prospect

Six shallow RC holes (JRC004 to JRC009) were drilled to test outcropping copper mineralisation associated with the Mt Cardwell Copper Mine. Unfortunately, only minor copper mineralisation was encountered in the drilling.

Soil sampling was undertaken over a large area of prospective Chillagoe Limestone Formation rocks and adjacent granites with several base metal anomalous zones encountered. Follow up soil sampling and reconnaissance geology is currently being undertaken to further define the mineralisation.

Jean Prospect

One 130m RC hole (PRC016) was completed to test a gold anomalous gossan associated with a quartz porphyry intrusive. Disseminated to massive pyrite was noted throughout the hole along with sericite and chlorite alteration. Assay results showed elevated zinc levels and extensive intervals of silver including:

- 52m @ 6.2g/t Silver from 22m;
- 28m @ 5.6 g/t Silver from 102m (EOH).

Three RC holes (PRC017 to PRC019) were completed to test base metal soil anomalism with limestone rich metasediments to the south of PRC016. Logging of PRC018 and PRC019 noted only clay with minor quartz stringers to EOH (65m and 85m respectively). Assay results for PRC018 again showed extensive intervals of elevated silver including:

- 61m @ 25.0g/t Silver from 4m.

Minor elevated zinc levels were also noted in PRC018 including:

- 21m @ 1.1% Zinc from 48m.

Assay results for PRC019 showed silver and zinc anomalism including:

- 80m @ 4.5 g/t Silver from surface;
- 24m @ 1.7% Zinc from 4m.

Results to date provide evidence of a gold and base metal anomalous hydrothermal system associated with sericite-pyrite altered quartz porphyry. The extensive base metal soil anomaly covering a large area of the adjacent Chillagoe Limestone Formation provides several high potential targets for future work.

Tenements

During the quarter the ML 20424 (Ann Project) was granted allowing for exploration to begin in coming weeks. InterMet has an option to acquire the Lease for \$225,000 cash within six months of date of grant.

South Australian Projects

InterMet has a series of projects located within South Australia (Plate 9). There has been no significant work done on these projects during this quarter with InterMet concentrating its exploration activities on the Queensland projects.



Plate 8. InterMet Projects in Queensland



Plate 9. Projects in South Australia

Tenements

During the quarter there were several changes to the South Australian tenement portfolio. For the Watson Project, InterMet and its JV partner Uranium Equities relinquished parts of EL3313 and EL3323 while retaining areas covering the prospective palaeochannels. The easterly protrusion on EL3323 was also retained as it lies along strike of Iluka's Jacinth-Ambrosia heavy mineral sands operation.

At both the Southern Gawler Ranges Project EL3461 and the Coultla Project's EL3948, 25% of the tenements were relinquished due to expenditure commitments not being met.

A renewal has been submitted for EL4003 (Adelaide Fold Belt Project) which is the subject of a joint venture with Flinders Mines, where a voluntary relinquishment was made in consultation with Flinders.

Corporate

As at 31 December 2009 the loan to ITT from its parent company, Hillgrove Resources Limited, stood at \$775,000.

To align its financial reporting to its parent company, InterMet has changed its balance date to 31 January. Future ASX quarterly reports will be for the quarters ending 30 April, 31 July and 31 October. InterMet's next set of annual accounts will be for the seven month period ended 31 January 2010.

HILLGROVE CORPORATE

Share Placement Completed and SPP Announced

On the 18 January Hillgrove announced it had placed a total of 62 million ordinary shares at 40 cents per share to raise \$24.9 million. The proceeds of the placement combined with Hillgrove's strong existing pre-tax cash reserves and an anticipated conservative debt/equity ratio project financing for the Kanmantoo project (total project capital expenditure estimated to be AUD \$98 million) are more than adequate to provide the Company with the funding flexibility to pursue development activities at Kanmantoo and exploration activities in Indonesia and Queensland whilst retaining a conservative cash reserve.

Hillgrove also announced it was launching a Share Purchase Plan at an offer price equivalent to the above stated placement price so shareholders could participate on the same terms.

Cash and Investments

Cash on hand as at 31 January 2010 was \$130.3 million.

The market value of Hillgrove's investment portfolio as at 31 January 2010 was approximately \$3.5 million.

ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its Indonesian, South Australian and Queensland base and precious metals projects. The Company is targeting the discovery of world class epithermal gold and porphyry copper/gold deposits in Eastern Indonesia.

Hillgrove's flagship development is the Kanmantoo Copper Gold Project, located less than 60km from Adelaide in South Australia. Kanmantoo currently hosts a Mineral Resource of 32.2Mt (2.3MT Measured, 22.5MT Indicated and 7.4MT Inferred) grading 0.9% copper and 0.20g/t gold, containing 292,200 tonnes of copper, 191,100 ounces of gold and 3,313,600 ounces of silver. With production targeted for the first quarter of 2011, Kanmantoo will be a 2Mt p.a. open-cut mine producing approximately 17,000 tonnes of copper in concentrate and 8,000 ounces of gold per annum.

The information in this report that relates to Hillgrove Exploration Results is based on information compiled by Mr Dale Ferguson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ferguson is the General Manager – Exploration and Operations of Hillgrove Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ferguson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate is based on information compiled by Mr Paul Payne, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is the Principal of Resource Evaluations Pty Ltd and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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Table 1. Significant Rock Chip Results from Delta Area

Sample No	Sample Type	UTM East	UTM North	Gold Av (g/t)	Silver (g/t)	Copper (%)
120	RO	234,714	9,955,633	33.55	36	7.0
222	RO	236,212	9,959,018	26.83	12	5.2
11	RF	237,084	9,958,322	14.66	4.2	0.0
419	RO	235,683	9,956,328	8.63	12.7	0.0
5	RO	236,204	9,959,010	7.73	6.6	2.3
7	RF	236,387	9,959,140	6.90	7.8	8.6
560	RO	234,402	9,956,838	5.72	10.2	0.0
4	RO	236,197	9,959,020	4.86	1.1	1.9
3	RF	236,247	9,959,082	4.10	10.4	3.4
438	RO	234,862	9,955,488	3.64	72.8	0.9
223	RO	236,182	9,959,032	3.54	2.8	1.4
220	RO	236,218	9,959,016	3.53	4.6	2.0
221	RO	236,219	9,959,019	3.52	3.8	3.8
139	RO	234,081	9,956,487	3.32	98.3	3.7
6	RF	236,335	9,959,098	3.20	4.6	2.1
288	RO	234,847	9,955,700	3.16	47.4	0.1
164	RO	235,858	9,957,410	3.15	4.4	0.0
406	RF	233,432	9,956,408	3.01	13.8	1.3
233	RCH	236,213	9,958,098	2.62	6.2	0.0
297	RF	234,562	9,956,938	2.54	23.5	2.9
162	RO	235,789	9,957,393	1.63	11.2	0.1
576	RF	233,605	9,956,640	1.26	14.5	0.0
166	RF	236,220	9,958,803	1.11	15.2	2.5
632	RCH	233,846	9,955,233	0.66	7.2	2.6
562	RF	233,895	9,956,608	0.50	4.8	0.8
628	RCH	233,851	9,955,232	0.49	12.7	4.6
287	RO	234,865	9,955,690	0.44	6.9	0.8
270	RO	234,993	9,956,114	0.43	9.9	1.0
278	RCH	234,920	9,956,083	0.41	20.1	0.8
276	RO	234,910	9,956,094	0.32	12.6	1.3
290	RO	235,012	9,955,808	0.27	76.7	6.2
291	RO	234,950	9,955,862	0.25	12.4	1.6
546	RO	234,954	9,957,531	0.21	7.9	0.8
545	RO	234,934	9,957,501	0.18	19.7	2.4
282	RCH	234,815	9,956,085	0.17	11	0.6
410	RO	233,608	9,956,144	0.17	6.2	0.7
553	RF	233,938	9,956,757	0.14	36.1	0.4
630	RCH	233,849	9,955,232	0.14	5.4	1.3
619	RCH	234,204	9,956,762	0.13	3.9	0.6
551	RO	234,782	9,957,409	0.10	17.4	2.4

Sample No	Sample Type	UTM East	UTM North	Gold Av (g/t)	Silver (g/t)	Copper (%)
234	RO	234,975	9,956,134	0.09	13.4	0.8
552	RO	234,758	9,957,375	0.09	5.2	0.9
633	RCH	233,844	9,955,233	0.08	4.3	0.8
299	RF	234,633	9,956,797	0.07	9.1	2.1
117	RO	234,892	9,957,397	0.06	9.3	1.0
542	RO	234,810	9,957,465	0.06	10.7	0.8
627	RCH	233,852	9,955,232	0.05	7.2	2.3
118	RO	234,713	9,955,643	0.04	6.6	0.7
547	RO	234,960	9,957,537	0.04	5.1	0.8
631	RCH	233,847	9,955,234	0.04	3.2	1.3
114	RO	235,109	9,957,514	0.03	5.1	0.8
296	RCH	234,565	9,956,998	0.03	8.8	1.6
115	RO	235,129	9,957,518	0.02	1.9	1.5
626	RCH	233,854	9,955,232	0.02	3.3	1.5

Note: Gold values are derived from an average of up to 5 repeats using fire assay method.

Silver and copper values are derived from a multi element sweep using ICP method.

Datum used for the Birdshead Project is WGS 84 Zone 53.

RO = Rock Chip- Outcrop

RF = Rock Chip- Float

RCH = Rock Chip- Channel sample.

Figure 1. Historical Soil Geochemistry by Copper

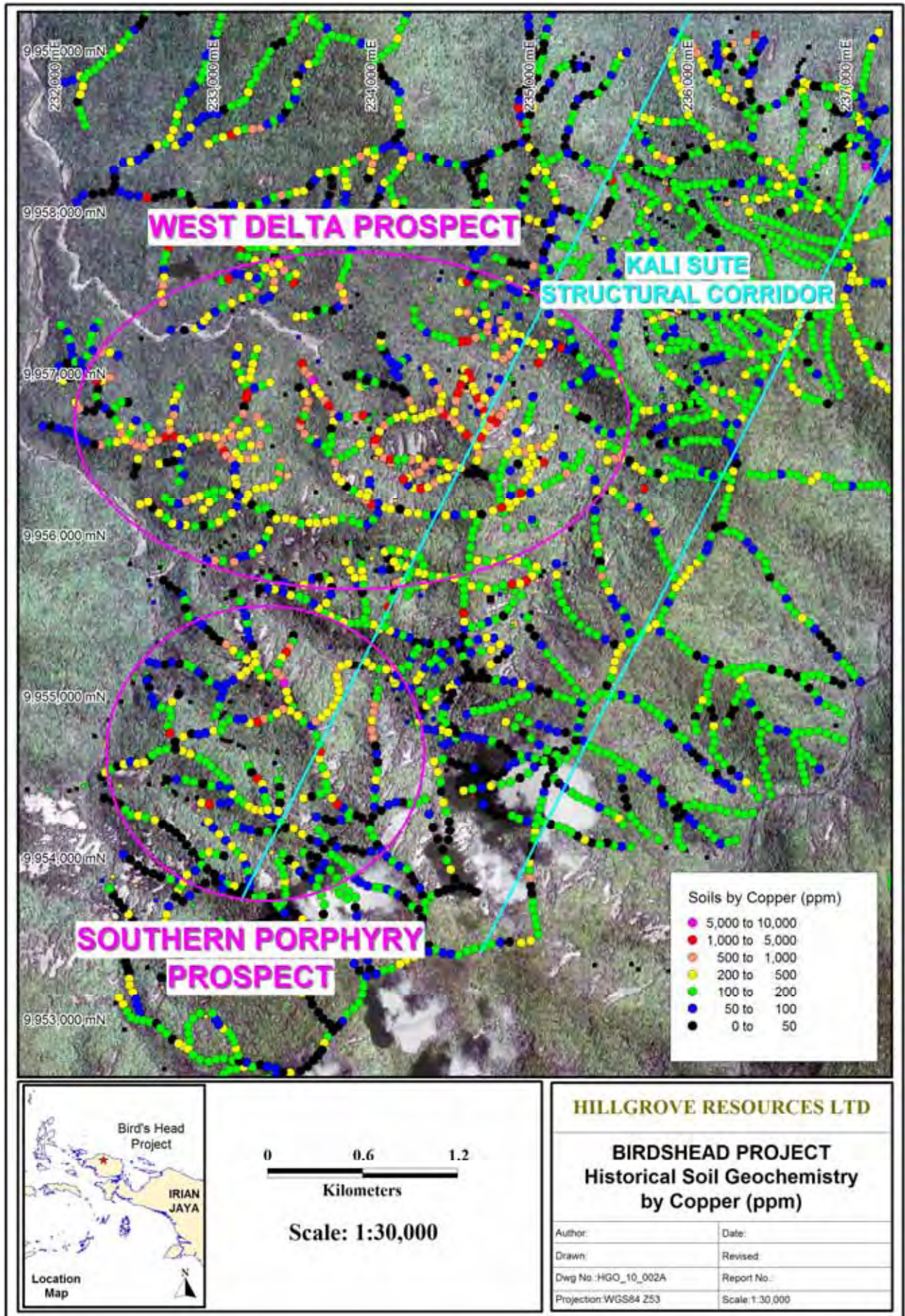


Figure 2. Rock Chip Geochemistry by Gold (g/t)

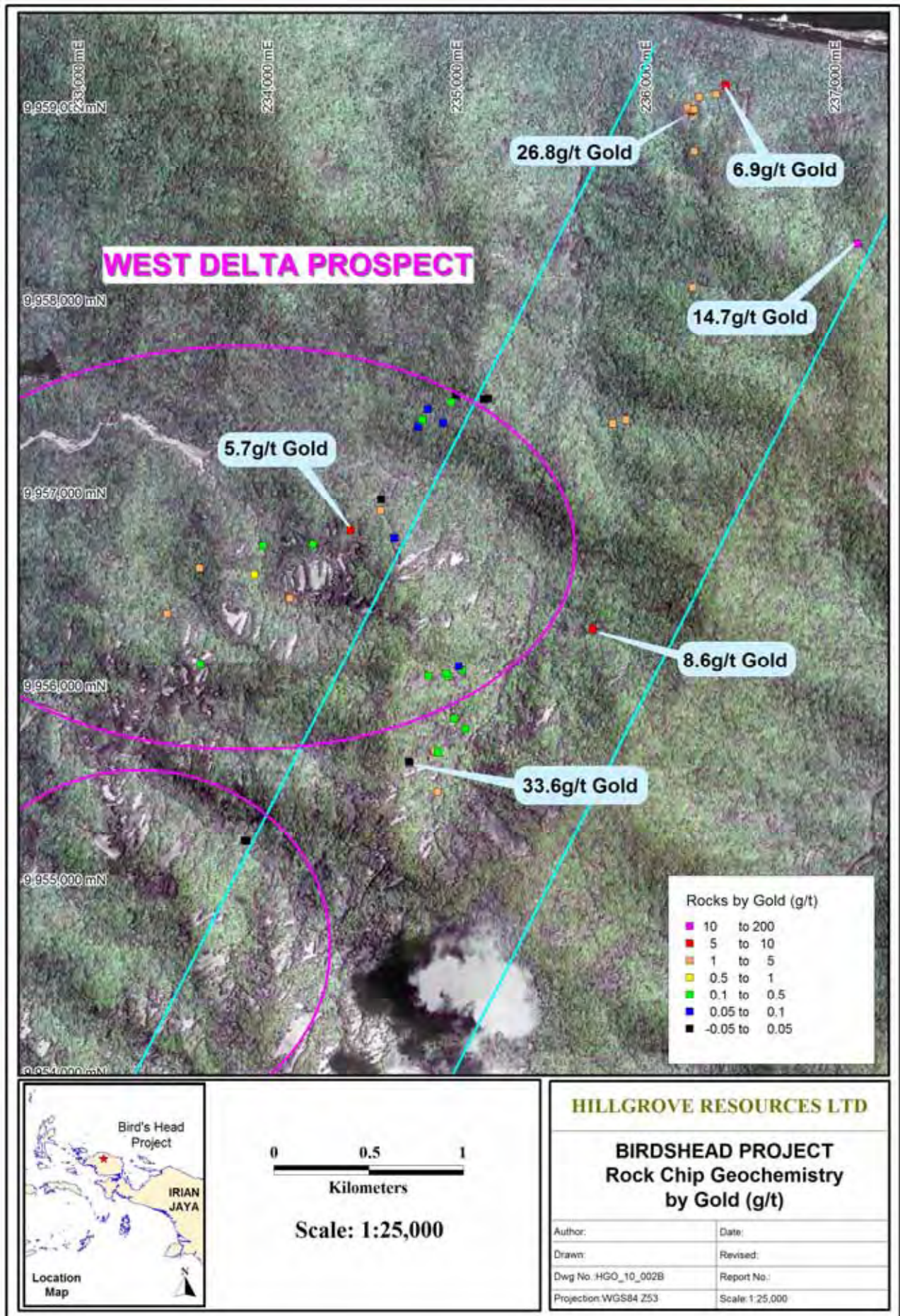


Figure 3. Rock Chip Geochemistry by Copper (%)

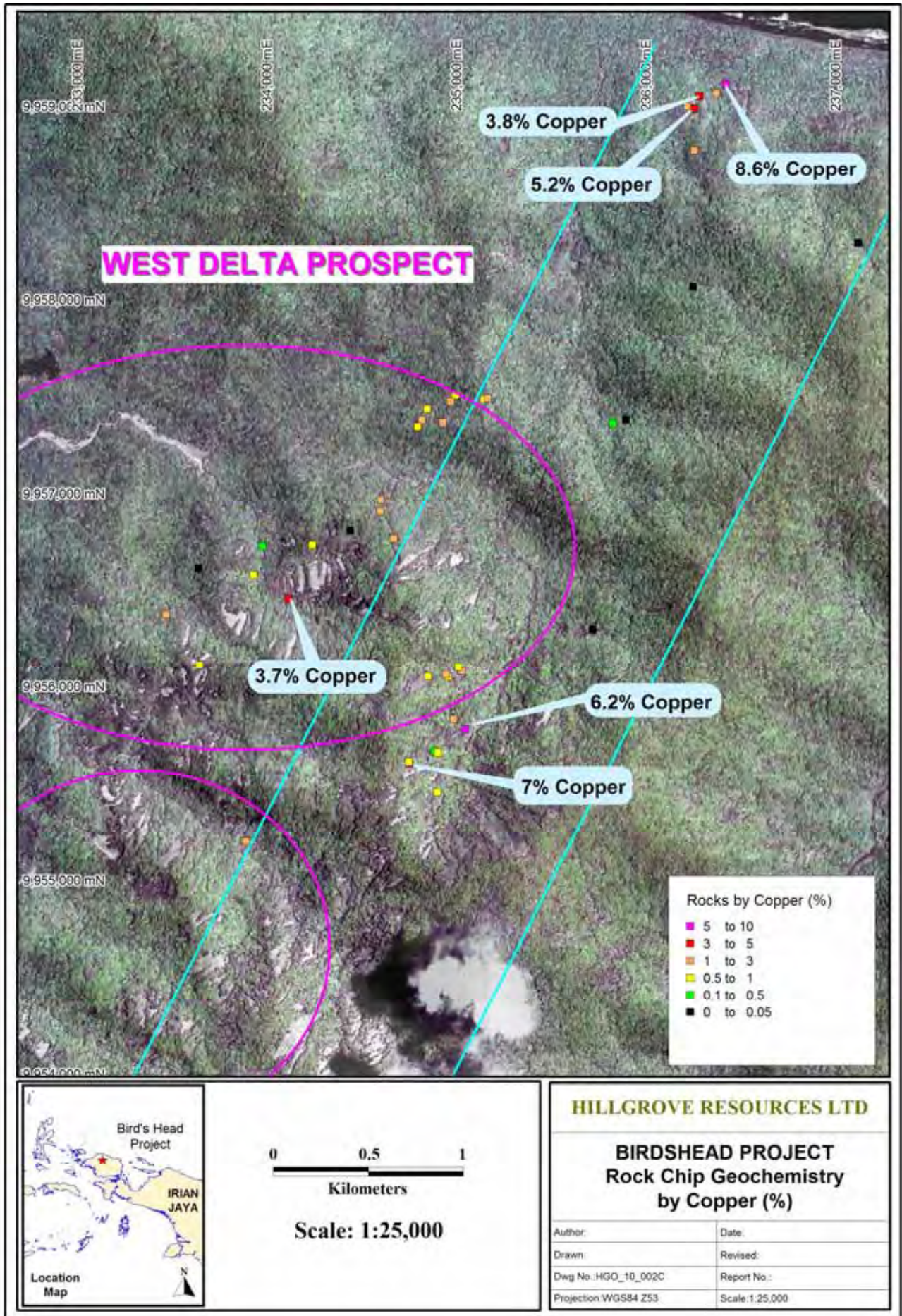


Figure 4. Map showing Soils by Gold (g/t) for Pahandanjal Prospect

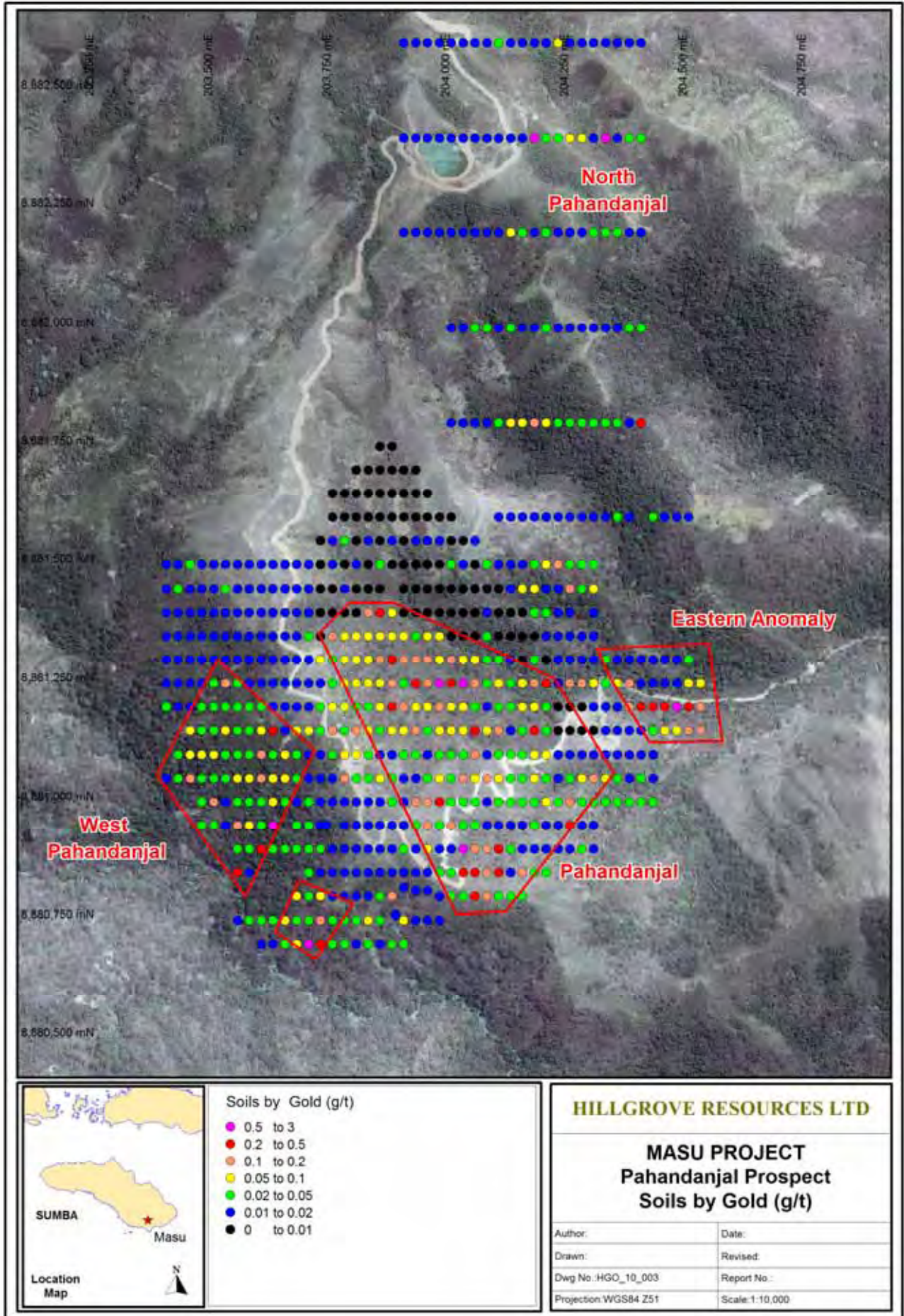


Figure 5. Significant Trench Results from the Western Vein System

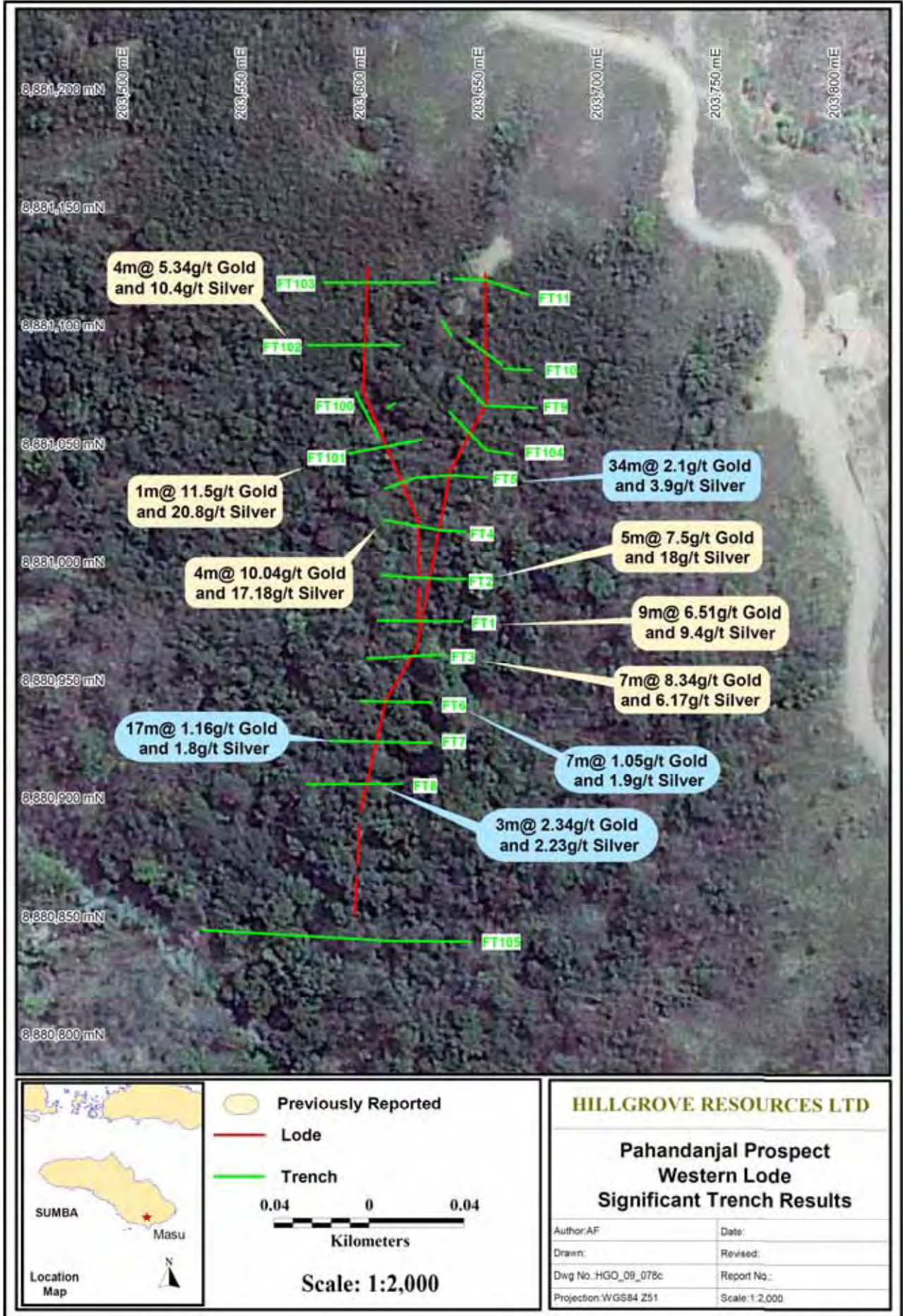


Figure 6. Significant Trench Results from the Eastern Vein System



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

HILLGROVE RESOURCES LIMITED

ABN

73 004 297 116

Quarter ended ("current quarter")

31 January 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date:12.months \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	532	977
1.2 Payments for(a)exploration and evaluation	(921)	(1,771)
(b) development	(850)	(2,875)
(c) production	(500)	(777)
(d) administration	(1,991)	(5,372)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	991	2,315
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(2,656)	(3,556)
1.7 Other (provide details if material)		
Net Operating Cash Flows	(5,395)	(11,059)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b) equity investments		(6,820)
(c) other fixed assets	(181)	(3,766)
1.9 Proceeds from sale of(a)prospects		
(b) equity investments	82	171,207
(c) other fixed assets		
1.10 Loans to other entities	(260)	(915)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(359)	159,706
1.13 Total operating and investing cash flows (carried forward)	(5,754)	148,647

1.13	Total operating and investing cash flows (brought forward)	(5,754)	148,647
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	25,424	29,376
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		2,350
1.17	Repayment of borrowings		(49,862)
1.18	Dividends paid	(4,155)	(7,925)
1.19	Other (provide details if material)		
	Net financing cash flows	21,269	(26,061)
	Net increase (decrease) in cash held	15,515	122,586
1.20	Cash at beginning of quarter/year to date	114,839	7,768
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	130,354	130,354

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	581
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	2,500	2,500
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1000
4.2	Development	750
Total		1,750

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	130,116	114,601
5.2	Deposits at call	238	238
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		130,354	114,839

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			

Appendix 5B
Mining exploration entity quarterly report

7.3	+Ordinary securities	477,826,806	477,826,806		
7.4	Changes during quarter				
	(a) Increases through issues	62,319,495	62,319,495	40 cents per share	40 cents per share
	(b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	Unlisted – ESOP ExSOP	1,000,000		\$0.16	8/02/2011
	Unlisted – ESOP ExSOP	200,000		\$0.40	22/5/2012
	Unlisted – ESOP ExSOP	300,000		\$0.55	13/6/2012
	Unlisted – ESOP ExSOP	500,000		\$0.575	27/6/2012
	Unlisted – ESOP ExSOP	890,000		\$0.38	15/8/2012
	Unlisted – ESOP ExSOP	1,500,000		\$0.26	22/1/2013
	Unlisted – ESOP ExSOP	200,000		\$0.34	28/04/2013
	Unlisted – ESOP ExSOP	130,000		\$0.145	10/2/2014
	Unlisted – ZEPO's	833,334		\$0.00	21/2/2011
	Unlisted – ZEPO's	295,370		\$0.00	1/7/2014
	Unlisted	5,000,000		\$0.30	30/06/2010
	Unlisted	10,000,000		\$0.30	24/10/2011
	Unlisted	8,000,000		\$0.40	30/9/2010
	Unlisted	2,500,000		\$0.70	30/06/2010
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	Unlisted	15,384,615	\$0.65	31/12/2009
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 25 February 2010

Print name: RUSSELL MIDDLETON

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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