

Friday, 3 February 2012

## KANMANTOO UPDATE – 31 JANUARY 2012

Hillgrove Resources Limited (ASX: HGO) is pleased to provide shareholders with the following update for operations at the Kanmantoo Copper Mine during the month of January 2012.

This information is intended to highlight progress at the recently commissioned mine during the first months of operations, and is intended to supplement the Company's Quarterly Report disclosure program during ramp-up of the mine to full production:

- Early payment for 4,360 dry tonnes of copper concentrate, for total revenue of USD7.3 million received, representing 75% of the total copper concentrate value, with a further 113 tonnes of concentrate in the shed at Kanmantoo.

### Crushing

- 138,000 dry tonnes crushed and milled, representing 69% of annual throughput rate of 200,000 tonnes per month. Crusher availability was less than plan.
- Average crushing rate achieved was 337 dry tonnes per hour (tph), representing 82% of design of 411 tph. When the crusher is available, it typically operates above design capacity.

### Milling

- Average milling rate achieved was 236 dry tph, representing 76% of design throughput of 311 dry tph.
- 2,302 dry tonnes of copper concentrate produced, grading 31% copper and 4.8 g/t gold. Volume was below plan, partially offset by higher than plan concentrate grades.
- Lower ore feed grades were incurred during the month from processing previously stockpiled material, but this has now been exhausted. Current feed grade is 0.8% plus copper.
- Average copper recovery of 84.2%, reflecting continuing build-up of primary sulphide ore in the feed to the mill. Recovery has increased steadily since start-up, and is now running at approximately 90%.

### Resource

- A new Resource estimate is now expected for late February, early March 2012.

While throughput and production levels were lower than plan, when combined with December results, the ramp-up progress overall is on-track, and we are now milling higher grade, primary sulphide material.



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**ABOUT HILLGROVE**

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its Indonesian and Australian 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 Mines, located less than 55km from Adelaide in South Australia. With construction now completed, Kanmantoo is an open-cut mine, and will ramp up over the first half of 2012 to an initial throughput of 2.4Mt per annum, producing approximately 80,000 tonnes of concentrate per annum.

The Project currently hosts a Mineral Resource of:

Class	Total (0.25% Cu cut off grade model)						
	Tonnes Kt	Cu %	Au g/t	Ag g/t	Cu Metal Tonnes	Au Ounces	Ag Ounces
Measured	2,290	0.9	0.2	3.5	21,700	12,100	255,300
Indicated	22,525	0.9	0.2	3.3	204,400	139,900	2,381,200
Inferred	7,376	0.9	0.2	2.9	66,100	39,100	677,100
<b>Total</b>	<b>32,192</b>	<b>0.9</b>	<b>0.2</b>	<b>3.2</b>	<b>292,200</b>	<b>191,100</b>	<b>3,313,600</b>

and Reserves of:

Category	Tonnes Mt	Cu %	Au g/t	Ag g/t
Proved	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

*The information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Aaron Green, who is a Member of The Australian Institute of Geoscientists. Mr Green is a full-time employee of Runge Limited 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 Green consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*