

Friday, 9 December 2011

HILLGROVE NEGOTIATES ADDITIONAL DEBT FUNDING FACILITIES

Hillgrove Resources Limited (ASX: HGO) is pleased to announce that it is well advanced with negotiations on additional project and liquidity facilities to cover previously announced cost overruns and delayed start-up at the company's Kanmantoo Copper Project in South Australia.

The first phase has been successfully completed through the acceptance of an AUD10 million Mezzanine Financing Facility provided to Hillgrove Resources Limited, arranged by Macquarie Bank Limited. This facility will be drawn before 31 December 2011.

In addition, Hillgrove has negotiated with its bankers a temporary reduction of AUD5 million in the minimum Proceeds Account balance for the Kanmantoo project.

The AUD10 million Mezzanine Financing Facility will provide additional funding for Hillgrove Resources, thereby restoring working capital and liquidity in the company, and when combined with the temporary reduction in the Proceeds Account in Hillgrove Copper, will enable the company to progress exploration in Kanmantoo and Indonesia, and provide for general corporate expenses.

Discussions are continuing with the contractor in relation to the unforecasted claim previously reported. At this stage, the Company believes that a mutually agreed outcome is likely.

As part of the financing facilities, the Company will issue approximately 27 million options to the financiers, exercisable at approximately 27 cents, with an expiry date in three years.

Hillgrove's Managing Director, Mr Drew Simonsen stated that "the financing plan we have developed and are now implementing represents a good outcome for shareholders. We believe Hillgrove's existing financiers have demonstrated their confidence in the project and the Company by providing their continued support."

"The Kanmantoo Project has been commissioned, and while the contractor remains on site pending final completion of outstanding construction items, the project is now operating primarily under Hillgrove management control.

The project outlook is very good, and on Wednesday December 7, the project crushed and milled record tonnages representing approximately 90% of design throughput, a very good result at this stage of commissioning. We now have over 700 tonnes of concentrate, grading more than 30% copper and 6g/t Au, in the storage shed at Kanmantoo. While early days, these concentrate grades are in excess of our expectations."

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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:

Total (0.25% Cu cut off grade model)							
Class	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
Total	32,192	0.9	0.2	3.2	292,200	191,100	3,313,600

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 Exploration Results is based on information compiled by Mr Jim Kerr, who is a Member of The Australasian Institute of Geoscientists. Mr Kerr is General Manager – Exploration 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 Kerr consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.

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