

Friday, 23 December 2011

HILLGROVE ASSUMES OPERATIONAL CONTROL AFTER PLANT HANDOVER AT KANMANTOO

Hillgrove Resources Limited (ASX: HGO) is pleased to advise that Practical Completion of the recently commissioned plant at the Company's Kanmantoo Copper Mine in South Australia has been declared.

The construction contractor, Abesque Engineering Limited, a member of Forge Group Limited (ASX: FGE) has now demobilised from the site and Hillgrove has taken possession of the plant, commencing operations utilising its own personnel.



Hillgrove is already trucking concentrate product in containers to storage facilities at Port Adelaide, and first revenue for Kanmantoo will be achieved when the Company accumulates 2,500 dry metric tonnes of concentrate at the port in January 2012, with the first shipment of concentrate from Port Adelaide expected in February 2012.

Execution and drawdown of the previously announced Mezzanine Financing Facility has now occurred.



HILLGROVE RESOURCES LIMITED

Hillgrove has also reached an in-principle agreement with Abesque involving a deferred payment structure for cost overruns experienced on the plant during the final stages of commissioning, as previously reported.

The contract with Abesque is an “Alliance” style agreement, with both parties sharing the cost of overruns and delays. The settlement agreement involves partial payment before 31 December 2011, and deferred payment of the balance, in monthly payments spread over 12 months, commencing no later than 30 April 2012.

The Managing Director, Drew Simonsen said “the Company is pleased to have commenced operations with its own personnel, and recent plant performance has been excellent, with regular operation of the crusher, SAG mill and wet plant at about 90% of design throughput.”

“Our shareholders now have a great asset with significant operational flexibility and optionality, with ramp-up well underway, and the very real prospect of near-term cashflow”, Mr Simonsen said.

“The Definitive Feasibility Study finalised by Lycopodium in early 2008 contemplated a new, 2.0 million tpa plant, involving projected total capital expenditure, including pre-strip, of \$135 million. Four years later we have acquired a larger plant for \$22 million, including dismantling and transportation costs, and rebuilt it with an initial 2.4 million tpa design throughput for approximately \$138 million. We believe the plant will achieve in excess of the design throughput of 2.4 million tpa, and can be expanded to 3.5 million tpa with relatively minor additional capital expenditure, subject to identification of additional reserves, which has been a focus of our near-mine exploration drilling this year.”

Mr Simonsen said “the resolution of the claim and the subsequent agreement reflects the overall spirit of understanding and cooperation between Hillgrove and Abesque, having been involved successfully together on the Kanmantoo project for several years. It is a good outcome for both companies. Abesque will continue to assist Hillgrove personnel as we optimise plant performance.”



“Abesque have done Hillgrove a great service by identifying and facilitating the acquisition, dismantling, transportation, and re-construction of this plant, and we are pleased to have finalised the project with them,” Mr Simonsen said.

For more information contact:

Drew Simonsen
Managing Director
Tel: +61 (0)2 8247 9300

Russell Middleton
Company Secretary
Tel: +61 (0)2 8247 9300

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
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.