

Monday, 4 June 2012

KANMANTOO UPDATE – 31 MAY 2012

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

This information is intended to highlight progress at the 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:

- A total of USD11.2m of revenue was received in the month. This was comprised of USD6.2m in early payments for 3,983 dry metric tonnes (dmt) of copper concentrate; and USD5.0m of provisional payments relating to Hillgrove's first two shipments.
- 207k dmt crushed, representing 103.5% of design annual throughput rate of 200k dmt per month. This was a result of improved reliability of the crusher circuit, including the mobile crusher combined with operational improvements in the crushing area.
- Average crushing rate achieved when operating was 455 dry metric tonnes per hour (dmtph), representing 110.7% of target of 411 dmtph. The mobile crusher significantly reduced downtime and improved throughput for the month.
- 196k dmt milled, representing 98% of annual throughput rate of 200k dmt per month.
- Average milling rate achieved was 317 dmtph, representing 105.7% of design throughput of 300 dmtph. The improved performance of the crushing circuit allowed feed to be maintained to the milling circuit, rather than restricted by crushed ore availability as has been the case in previous months.
- 4,854 dmt of copper concentrate was produced, grading 27.1% Cu, 3.2 g/t Au and 72.1 g/t Ag. The concentrate grade was maintained at the target 27% Cu which was mainly due to the operational improvements made in April with the regrind mill, as well as the addition of flotation circuit cleaner capacity.
- Feed grade averaged 0.73% Cu for the month and is in line with the mine plan.
- Copper recovery through the plant averaged 91.9%, which was above expectations for the feed grade of the ore presenting to the mill. Copper recovery rates continue to improve with circuit modifications and consistent mill operation.
- The third concentrate shipment, of approximately 10,000 dmt, is planned for mid-June 2012.
- A new Global Mineral Resource estimate for the Kanmantoo Copper Mine was released during the month totalling 32.8Mt @ 0.80% Cu, 0.15g/t Au and 2.2g/t Ag.
- Broader spaced exploration drilling at Kanmantoo continues, with a focus on increasing resource tonnage (after last year's closer spaced drilling program was directed at lifting known resource confidence levels).



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Hillgrove Resources has been very pleased with the operational performance during May. Overcoming the bottlenecks in the crushing circuit experienced in previous months has allowed the mill and wet plant to perform to design. The processing team believes that further operational improvements in the plant can be achieved.

A feasibility study is underway to examine options and costs for a permanent fix to the crusher circuit. These options will be considered for implementation over the next 6-12 months.

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ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on the operation of the Kanmantoo Copper Mine in South Australia, and exploration on its Indonesian tenements, where the Company is targeting the discovery of world class epithermal gold and porphyry copper/gold.

The Kanmantoo Copper Mine is located less than 55km from Adelaide in South Australia. With construction now completed, Kanmantoo is an open-cut mine, and is ramping up to an initial throughput of 2.4Mt per annum in the first half of 2012, to produce approximately 80,000 tonnes of concentrate per annum.

Global Mineral Resource (March 2012)

	JORC Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Bi (g/t)	Cu Metal (kt)
In Situ Resource	Measured	4.2	0.85	0.13	2.26	173	35.3
	Indicated	20.5	0.87	0.16	2.34	129	178.3
	Inferred	6.5	0.66	0.15	1.73	114	43.0
Long Term Stockpiles	Measured	1.1	0.46	N/A	N/A	N/A	5.0
	Indicated	0.5	0.18	N/A	N/A	N/A	0.9
	Total	32.8	0.80	0.15	2.20	132	262.6

Note: The estimation of Bi is based on limited sampling data. Bi is recognised as a potential penalty element at Kanmantoo. As at end of March 2012.
 2012 In Situ Resource > 0.25% Cu.
 Long Term Stockpiles > 0.15% Cu. Au, Ag and Bi assays are not available.

Ore Reserve (April 2010)

Category	Tonnage	Cu	Au	Ag
	Mt	(%)	(g/t)	(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

Competent Person's Statements

The information in this report that relates to Kanmantoo Exploration Results, Exploration Targets and Stockpiles is based on information compiled by Mr Pat Manouge, who is a Member of The Australian Institute of Geoscientists. Mr Manouge is the Kanmantoo Copper Mine Exploration Manager for Hillgrove Resources and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration 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 (JORC Code)'.

The information in this report that relates to in situ Mineral Resource estimates is based on information compiled by Mr Aaron Meakin, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Meakin is a full-time employee of AMC Consultants Pty Ltd and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration 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 (JORC Code)'.

The information in this report that relates to Ore Reserve estimates is based on information compiled by Mr Geoff Davidson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Davidson is a Principal Consultant and Director of Mining and Cost Engineering 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 (JORC Code)'.

The Competent Persons have consented to the inclusion in the report of the matters based on their information in the form and context in which it appears.