

Thursday, 3 May 2012

KANMANTOO UPDATE – 30 APRIL 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 April 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 was received for 2,850 dry metric tonnes (dmt) of copper concentrate in the month, for total revenue of USD4.3 million received, with a further 1,976 dmt unsold stockpile at port and 308 dmt of concentrate in the shed at Kanmantoo.
- 161k dmt crushed, representing 80.5% of design annual throughput rate of 200k dmt per month. Crushing for the month was adversely affected by overall crusher downtime, including the new mobile crusher.
- Average crushing rate achieved when operating was 365 dry metric tonnes per hour (dmtph), representing 88.8% of design of 411 dmtph. The mobile crusher has reduced downtime and improved throughput through the month.
- 153k dmt milled, representing 76.5% of annual throughput rate of 200k dmt per month.
- Average milling rate achieved was 251 dmtph, representing 83.7% of design throughput of 300 dmtph. Mill throughput was maintained at this level throughout the month to align with crushed ore availability from the stockpile.
- 3,596 dmt of copper concentrate was produced, grading 24.1% Cu, 3.1 g/t Au and 64.0 g/t Ag. The concentrate grade moved to be in line with DFS expectations. The reintroduction of the regrind mill and an additional cleaner cell into the flotation circuit in the last week has lifted concentrate grades to 27-28% with no loss of recovery – an excellent result.
- Feed grade averaged 0.62% Cu for the month, approximately 18% down on expectations of 0.76% Cu. This was mainly a function of recovering any previously crushed ore available, including from low-grade stockpiles and base.
- Copper recovery through the plant averaged 91.3%, notwithstanding the lower feed grade, indicating good progress towards optimising plant performance.
- The second shipment of 5,163 dmt of concentrate left Port Adelaide for China on 28 April 2012. The third concentrate shipment, of approximately 10,000 dmt, is planned for June 2012.



- Exploration drilling at Kanmantoo continued its focus on increasing Resources (after last year's program directed at Resource to Reserve conversion), and continues to be very encouraging. Work is continuing on an updated Resource statement, now expected by the end of May.

Overall operational performance was once again significantly impacted by low crusher availability. Most of the month was operated with the mobile crusher operating in series with, and feeding, the ROM bin of the installed fixed jaw to reduce the work-load on the fixed jaw. This arrangement meant that downtime to either piece of equipment took down the entire crushing circuit. We have now purchased a mobile stacker (AUD150 thousand) to work with the Lippmann 3252 mobile crusher on the ROM pad, totally independently of the ROM bin. This has "decoupled" the two crushers, with either now being able to be operated independently if the other goes down.

Record throughput of 10,577 dmt was achieved through the crushing plant on 2 May, and we now expect that our immediate crusher issues are behind us. Longer-term, permanent solutions to the current constraints imposed by the fixed jaw are under review, including design improvements to the ROM bin, and replacement of the existing feeder and jaw crusher. These options will be considered for implementation over the next 12 months. Preliminary estimates of capex indicate approximately AUD4-6 million will be required.

The performance of the mill during the month was very pleasing, under very trying crusher performance conditions. The mill operated "throttled back" to 250 tph for most of the month. Nevertheless, recoveries are now consistently 90% or above, and the work of the mill team to change the operating characteristics of the regrind circuit has yielded a 3-4% increase in concentrate grade with no loss of recovery.

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ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on the development and 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.

HILLGROVE RESOURCES LIMITED

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	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

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'.

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'.

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.