

13 July 2012

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**HILLGROVE ANNOUNCES SUCCESSFUL \$15 MILLION EQUITY RAISING
AND SHARE PURCHASE PLAN****Proceeds to be used for working capital and to fund operational
improvements at Kanmantoo**

Hillgrove Resources Limited (ABN 73 004 297 116) (ASX: HGO) ("**Hillgrove**" or the "**Company**") today announces a placement of new ordinary Hillgrove shares to certain sophisticated and institutional investors to raise \$15 million, including an unconditional component and a conditional component which is subject to the approval of shareholders¹ ("**Placement**").

A total of approximately \$10.1 million has been committed by investors through the placement of 119,054,786 new ordinary Hillgrove shares at \$0.085 per

share under the unconditional component of the Placement ("**Unconditional Placement**").

New shares issued under the Unconditional Placement will be issued within the Company's ASX Listing Rule 7.1, 15% capacity and the new shares will rank equally with existing fully paid Hillgrove shares and are expected to be issued on Thursday, 19 July 2012.

In addition, a total of approximately \$4.9 million has been committed by investors through the proposed placement of 57,415,803 of new ordinary Hillgrove shares at \$0.085 per share under the conditional component of the Placement ("**Conditional Placement**"). Settlement of the Conditional Placement is subject to shareholder approval at an Extraordinary General Meeting ("**EGM**") proposed to be held on Thursday, 23 August 2012.

Total funds raised will be subject to settlement by investors on the relevant settlement dates, which are scheduled for Wednesday, 18 July 2012 for the Unconditional Placement and Tuesday, 28 August 2012 for the Conditional Placement.

New shares issued under the Placement will rank equally with existing fully paid Hillgrove shares.

In addition to the Placement, Hillgrove proposes to offer eligible shareholders as at 7pm (Sydney time) on Thursday, 12 July 2012 with registered addresses in Australia and New Zealand the opportunity to acquire up to \$15,000 of shares under a Share Purchase Plan ("**SPP**"). Under the SPP, shares will be

¹ The conditional placement is to raise \$4.9 million and is subject to shareholder approval at an Extraordinary General Meeting ("**EGM**") which is expected to be held on 23 August 2012.



priced at the lower of \$0.085 per share and a 5% discount to the 5 day volume weighted average price (“VWAP”) up to and including the close of the SPP on 17 August 2012, subject to a potential adjustment to comply with the ASX Listing Rules following the close of the SPP, only if the SPP price would be less than 80% of the 5 day VWAP.

Full details of the SPP, which is targeted to raise additional working capital of a further \$10 million, subject to the Board’s discretion, will be sent to eligible shareholders shortly.

The proceeds of the Placement and SPP will be used to supplement the Company’s existing cash resources to ensure it has access to the necessary working capital to optimise mining operations at the Company’s Kanmantoo mine in South Australia, and for general corporate purposes.

Hillgrove’s Managing Director, Drew Simonsen, said, “The funds raised position the business to cover working capital requirements for up to 18 months, subject to the EGM vote on the Conditional Placement and the final outcome of the SPP. This will provide time for operations at the mine to be improved and optimised.”

Mr Simonsen said, “Operations at Kanmantoo continue to improve. The mobile crusher has enabled design throughput to be achieved through the mill, and overall metallurgical performance is at or above design. The additional funding provides the Company with sufficient working capital to enable management to focus on optimising mining operations, including productivity and grade control. Attention to these important aspects should now enable us to attain the full potential of Kanmantoo.”

Mr Simonsen continued, “With the current outlook for capital markets and mining investment around the globe, Hillgrove’s Directors took the view that an equity raising to supplement cash reserves for more than the next 12 months was prudent, given delays and issues experienced during ramp-up at Kanmantoo. The Placement was viewed as the best option, and the SPP will provide existing shareholders with the opportunity to participate in the fund raising.”

Management is focussed on further improving operations and achieving sustainable positive cash flow at Kanmantoo, and all expenditure is under review across the group.

PLACEMENT: FURTHER INFORMATION

Overview

Subject to the Conditional Placement being approved by shareholders and settlement, the Placement will raise a total of \$15 million, with the Placement undertaken at a price of \$0.085 per share. The Placement comprises two tranches:

- i) the Unconditional Placement, which raised \$10.1 million; and
- ii) the Conditional Placement, to raise \$4.9 million.

The offer price of \$0.085 per share represents a 19.0% discount to Hillgrove’s closing price on Tuesday, 10 July 2012 and a 25.2% discount to the 5-day VWAP.

Wilson HTM Corporate Finance Ltd is acting as Global Lead Manager and Sole Book-Runner to the Placement, and Casimir Capital L.P. is acting as Joint Placement Agent North America on the Placement.

Use of proceeds

The Placement and proceeds from the SPP will provide working capital for the Company while it continues to optimise mining operations.

| Sources of capital | | \$ million |
|---------------------------------------|------|-------------------|
| Cash Balance – End June | 14.3 | |
| Less: Restricted Cash | 10.3 | 4.0 |
| Placement | | 15.0 ¹ |
| Total | | 19.0 |
| Uses of capital | | \$ million |
| Working capital and transaction costs | | 19.0 |
| Total | | 19.0 |

¹ The Conditional Placement is subject to shareholder approval at the EGM expected to be held on 23 August 2012

Indicative Equity Raising timetable

| Event | Date |
|---|---------------------------|
| Announcement of the results of the Placement | Friday, 13 July 2012 |
| Settlement of Unconditional Placement | Wednesday, 18 July 2012 |
| Allotment of new shares issued under the Unconditional Placement and commencement of trading on ASX | Thursday, 19 July 2012 |
| EGM to approve Conditional Placement | Thursday, 23 August 2012 |
| Settlement of Conditional Placement | Tuesday, 28 August 2012 |
| Allotment of new shares issued under the Conditional Placement and commencement of trading on ASX | Wednesday, 29 August 2012 |

The commencement of trading of new shares is subject to confirmation from ASX.

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Disclaimer and caution regarding forward looking statements

This release is not an offer or an invitation to acquire Hillgrove shares.

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this announcement may not be offered or sold in the United States, except in transactions exempt from, or not subject to, registration under the US Securities Act of 1933 (as amended) and applicable US state securities laws. The securities described in this announcement have not been and will not be registered under the US Securities Act.

This release contains certain "forward-looking statements". The words "anticipate", "believe", "will", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, production targets, the ability to secure financing, expansion and mine development timelines, infrastructure alternatives and financial position and performance are also forward-looking statements. Any forecast or other forward-looking statement contained in this release is subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the issuer, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are based on information available to us as of the date of this release. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

Cautionary note regarding reserves and resources

We have estimated the reserves and resources included in this release in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). The JORC Code differs in several significant respects from Industry Guide 7 of the US Securities and Exchange Commission ("SEC"), which governs disclosures of mineral reserves in registration statements and reports filed with the SEC. In particular, Industry Guide 7 does not recognize classifications other than proven and probable reserves, and the SEC does not normally permit mining companies to disclose mineral resources in SEC filings. Readers are cautioned not to assume that all or any part of the reserves or resources exist or is economically or legally mineable. As such, information regarding reserves and resources contained in this press release may not be comparable to similar information made public by United States companies subject to reporting and disclosure requirements under the United States federal securities laws and the rules and regulations promulgated thereunder.

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 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 release 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 release 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 release 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 release of the matters based on their information in the form and context in which it appears.