

3 August 2012

Dear Shareholder,

A Message from the Board

The Hillgrove Resources Board of Directors wish to take this opportunity to inform our shareholders of their continued focus on building a profitable mining business; primarily by capitalising on the significant revenue potential of the Kanmantoo Copper Mine and through realising the resource potential within our highly prospective Indonesian assets.

With the recent successful completion of an unconditional \$10 million share placement the Company now has working capital outside the Kanmantoo Copper Mine, and our attention can turn to encouraging shareholders to participate in the Share Purchase Plan (SPP) and to support the resolutions for the Extraordinary General Meeting (EGM).

Separate papers have been mailed to you on both matters that provide additional details, but I am particularly pleased with the increasing number of shares personally purchased by the Board. With your approval of the conditional placement for a further \$5 million and the following three resolutions this number will increase and reinforces our confidence in your Company.

Another initiative which is strongly supported by the Board is the SPP which provides all our shareholders with the same opportunity to purchase shares at a share price equivalent to the placement (8.5 cents per share) or at a 5% discount to the five day volume weighted average at the close of the offer period, whichever is the lower. I encourage all eligible shareholders to participate and take advantage of this opportunity to directly support the Company.

Building on Hillgrove's Status as a Producer

The Kanmantoo Copper Mine is ramping up to an initial throughput of 2.4Mt per annum, to produce approximately 80,000 tonnes of concentrate per annum. The Company has achieved a steady production improvement during the July quarter compared to the previous quarter. In the last month the operation recorded two production records: material moved (waste and ore) in the mine and crushed ore through the crushing circuit.

Focus at the mine is now on managing the quality of the ore from the pit to the mill feed – an operation which will improve as mining practices are bedded down. More information on all these aspects will be provided in the next Quarterly Report due at the end of August.

Kanmantoo is now generating cash from its shipments of copper concentrate, so I am pleased to advise the fourth shipment of copper concentrate bound for China will be loaded in the middle of August. We have worked closely with our off-take provider, Freepoint Metals and Concentrate



LLC, who have successfully introduced the Kanmantoo product to Chinese smelting operations. Another milestone that confirms the mine's copper concentrate is readily accepted by the market.

Acting CEO – Russell Middleton

It provides the Board with confidence that Hillgrove's CFO, Russell Middleton, has accepted the role of Acting CEO whilst a thorough search is undertaken to fill the role permanently.

Many of you will be aware of Russell's achievements since joining Hillgrove in January 2008; having supported the previous managing director David Archer to develop the Hillgrove story, and more recently with Drew Simonsen he was pivotal in assisting the Company to meet the challenges of obtaining funding for the Kanmantoo project.

In addition to his experience with Hillgrove as the Company's most senior finance executive, Russell has a track record of more than 20 years' experience in the mining industry that includes senior management positions with BHP, Shell and Anglo American. He has worked across all facets of the mining business including planning, development, construction and operational roles.

Clear Objectives

With the objective of growing cash-flow, the Board has set an immediate priority: the consolidation of the significant operational gains at Kanmantoo to achieve targeted production levels for the mine. The Acting CEO has been mandated by the Board to deliver on this strategy to underline future corporate programs and provide a robust platform to build shareholder wealth.

Hillgrove is also finalising two drilling campaigns in Indonesia where we are targeting epithermal gold on the Island of Sumba and porphyry copper/gold deposits in West Papua. At the end of these programs, as is usual, we will assess the next phase of the projects in terms of work programs and funding.

So whilst the Board and staff are focussed on our copper concentrate production at Kanmantoo and the resulting cash-flows over the next quarter, you can expect to receive more news on Indonesia from the exploration team later in the financial year as assays are completed.

This is an important time for the Company, so should you have further queries I encourage shareholders to take the opportunity to attend the forthcoming EGM in Sydney where, along with Russell, I will be available to discuss the Company's strategies in greater detail.

On behalf of the Board, I urge you to support both the SPP and the EGM and in turn the future of Hillgrove Resources Limited.

Yours sincerely,



Hon. Dean Brown, AO
Chairman