

Friday, 26 July 2013

KANMANTOO COPPER MINE – MUTUAL TERMINATION OF MINING SERVICES CONTRACT

Hillgrove Resources Limited (ASX:HGO) advises that its wholly owned subsidiary Hillgrove Copper Pty Ltd (Hillgrove or the Company) is finalising a settlement agreement with Exact Mining Services Pty Ltd (Exact) to allow a mutual termination of the Mining Services Contract (Contract) at the Kanmantoo Copper Mine. As a result Exact will be leaving the Kanmantoo mine site immediately upon finalisation.

The Company has been in negotiations with the current contractor Exact with regard to the Contract for the provision of mining services at the Kanmantoo Copper Mine. As of Friday 26 July, Hillgrove and Exact are concluding a settlement agreement of the Contract, and arranging for Exact to finish on site.

Hillgrove has in place alternate contract arrangements to continue ore feed into the plant from run-of-mine and low grade stockpiled material to maintain mill throughput, and produce copper at approximately 60% to 70% of nameplate capacity.

Hillgrove has commenced mobilisation of an alternate mining fleet that will enable a resumption of pit mining operations in approximately two weeks, while suitable longer term mining services arrangements are implemented. Once these longer term arrangements are approved and in place it is anticipated that pit mining will ramp up to normal operations in approximately six weeks.

Hillgrove Resources Managing Director, Greg Hall advised that as a result of current mining contract market conditions and the general state of the industry, Hillgrove has secured quotes for replacement mining services at competitive prices.

The Company will also be using this situation as an opportunity to further review its mining and technical arrangements to reduce mining costs at Kanmantoo and to implement process and production improvements.

“Hillgrove views this as a short-term transition to a stronger, more competitive outcome for the Company and shareholders. Through this changeover process the Kanmantoo Copper Mine is forecast to remain cash flow positive,” Mr Hall said.

Once finalised, Hillgrove will update the market further with details of the replacement mining services arrangements, and any potential impact on full year production and other relevant information.

For more information contact:

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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. The Kanmantoo Copper Mine is located less than 55km from Adelaide in South Australia. With construction completed in late 2011, Kanmantoo is an open-cut mine which has now ramped up to a throughput of 2.8Mtpa, to produce approximately 80,000 dry metric tonnes of concentrate per annum.

Hillgrove has current stated Mineral Resources and Ore Reserves of:

Mineral Resources (March 2012)

	JORC Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Bi (g/t)	Cu Metal (kt)
In Situ Resources	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: Estimation of Bi is based on limited sampling data. Bi is recognised as a potential penalty element at Kanmantoo. 2012 In Situ Resources > 0.25% Cu. Long Term Stockpiles > 0.15% Cu. Au, Ag and Bi assays are not available.

Ore Reserves (April 2010)

Category	Tonnage 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 Reserves	14.8	0.85	0.17	3.1

Hillgrove has a 31 January financial year end and therefore quarter references are February to April for Q1, May to July for Q2, August to October for Q3 and Q4 runs from November to January.

Competent Person's Statements

The information in this release that relates to Exploration Targets is based upon information compiled by Mr Steven McClare, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr McClare is a full-time employee of Hillgrove Resources Limited 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 Competent Person has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

The information in this release that relates to Mineral Resources and Ore Reserves is based on previously released reports:

1. 2012 Resource Statement by AMC Consultants Pty Ltd compiled by Mr Aaron Meakin as released to the ASX on 31 May 2012;
2. 2010 Ore Reserve estimates by Mining and Cost Engineering Pty Ltd compiled by Mr Geoff Davidson as released to the ASX on 4 May 2010.

Hillgrove Resources Limited confirms in this announcement that it is not aware of any new information or data that materially affects the information included in the previously released reports. In the case of estimates of Mineral Resources or Ore Reserves, the company confirms that all material assumptions and technical parameters underpinning the estimates in the previously released reports continue to apply and have not materially changed.