NEW EXPLORATION UNDERWAY ON HILLGROVE’S KANMANTOO MINING AND EXPLORATION TENEMENTS

Hillgrove Resources Limited (ASX: HGO) today announces that exploration is once again underway at the Kanmantoo Copper Mine and surrounding exploration tenements in South Australia.

With the project mining and production tracking as planned, it is now important to look at potentially expanding the resource and possible mine life of the operations and maintaining the exploration tenements that surround the project. First drilling commenced this week, with key points of the exploration program including:

- A three stage exploration strategy with a budget of approximately $1M for 2015;
- Three stages will include:
  - Kanmantoo mining lease and near-mine ore zone extensions
  - existing regional near-surface prospects on exploration tenements
  - defining new potential prospects based on modern geophysical techniques;
- Initial exploration drilling is underway at Wheal Ellen, an historic Cu-Zn-Pb prospect within the exploration lease;
- A number of ground gravity surveys of potential ore extensions on the Kanmantoo mining tenement (which have already commenced), over near mine prospects and the Kitticoola Prospect, with the latter two continuing during January 2015;
- A trial of deep Reverse Circulation (RC) drilling into and below existing ore zones at Kanmantoo will also be undertaken in January 2015;
- A significant regional-scale helicopter-borne electromagnetic (EM) survey covering the Kanmantoo mining lease, near-mine and regional targets is planned for March 2015;
- Follow up of anomalous Zn-Pb-Ag results along strike from the current mining ore zones;
- Community consultation for the Wheal Ellen drilling was undertaken, and further consultation is now underway or due to commence soon for other planned off-mining lease exploration.

Preparation work for the exploration program by Hillgrove’s Exploration Manager has involved a detailed review of existing historical and recent (up to 2012) drilling results, consultation with exploration geologists who worked on previous exploration and drilling programs, up to date information from Mine Geologists on associations and structures within existing ore zones now being mined, and data searches of South Australian Mines Department (now DSD) databases.

“This is a very positive development for the Kanmantoo project, and we believe the best opportunity to potentially add value to the Kanmantoo mine is to review the long term prospects available for exploration in and around the Kanmantoo mine lease.” said Greg Hall, CEO and Managing Director of Hillgrove Resources.
Three Stage Exploration Program

- **Kanmantoo mining lease and near-mine:** explore existing mineralisation at depth and along strike within the near-mine corridor and delineate new non-contiguous ore bodies in favourable structural settings, which can be developed in a cost-effective manner with the current infrastructure and pit design.
  
  Utilising Gravity, Deep RC drilling, Downhole EM, Aircore drilling

- **Existing prospects:** evaluate the scale and character of existing regional near-surface prospects in Hillgrove’s tenure, including Wheal Ellen (high-grade Cu-Zn-Pb of the Angas style) and Kitticoola (high-grade Au-Cu). These prospects are potentially within trucking distance of the Kanmantoo processing plant.
  
  Utilising Drilling, Gravity, Heli-EM, Ground EM

- **Define new prospects:** necessarily involves a step-change in the regional exploration rationale to identify new prospective belts via helicopter-borne electromagnetics, previously an untested technique on Hillgrove’s tenure.

![Figure 1. Hillgrove – Kanmantoo tenement and prospects location map](image)

**Wheal Ellen drilling – testing for Cu-Zn-Pb**

Drilling at Wheal Ellen has now commenced, and involves the drilling of six x 70 metre deep RC holes along strike following untested soil and geophysical anomalies. Along with this, one x 180 metre deep diamond drill hole will follow up a deep down-hole EM target.

The Kanmantoo plant is capable of processing mixed metal ores with some operational changes (as it was previously a Zn-Pb plant).
Figure 2. Wheal Ellen drill rig starting program

Figure 3. Previous ground EM and Heli magnetics around Wheal Ellen showing drill holes
Deep RC drilling around and beneath existing Kanmantoo copper ore zones

This drilling is targeted to test deep down-dip and lateral extensions of existing ore bodies, including the possible NE extension of the Giant pit. Three holes will be drilled initially with each hole planned to be 350m to 400m deep. This is also testing the ability to use RC drilling on these deeper holes rather than diamond drilling, with potentially over 50% savings in drilling costs. Down hole geophysics will be used within the holes to target follow up closer spaced resource drilling programs.

Figure 4. (at right) Initial deep exploration holes (red arrows) immediately adjacent to existing ore zones being mined. Subsequent deep program holes are labelled magenta.

Ground gravity survey of Kanmantoo ore extensions, near-mine targets and Kitticoola

This involves the collection of over 1,200 gravity data points on a 50 x 25m and 100 x 50m grid pattern on the Kanmantoo mining lease over potential ore extension regions. Targeted near-mine prospects and the Kitticoola Prospect will also be surveyed. This is a low impact exploration method involving data points gathered either on foot, by 4WD or by quad bike.

The key aims of this program are again to:

- characterise Kanmantoo, near-mine, Kitticoola and various other prospect environments and define possible extensions of favourable zones;
- direct detect new concealed sulphide environments, beyond those currently established, which may be associated with base metal ore bodies;
- assist in structural and geological mapping.

Initial survey work has begun to the N and NE of existing ore zones.
Helicopter-borne Electromagnetics Survey

This will involve the collection of 70km\(^2\) or 500 line kilometres of EM data using a helicopter and towed array on the mining lease and targeted areas of the exploration tenements (see photo at right). Prior to commencement of the survey a detailed community information program will be initiated involving letters to property and land owners, information newsletters and brochures, and community meetings. This is a low impact exploration technique, with the whole program involving approximately three to five days of helicopter flying.

The key aims of this program are similar to the gravity data survey aims, being:

- characterise Kanmantoo, Wheal Ellen, Kitticoola and various other prospect environments and define possible extensions of favourable zones;

- direct detect new concealed sulphide environments, beyond those currently established, which may be associated with base metal ore bodies;

- assist in structural and geological mapping.

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 with exploration projects 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 with a throughput of 3.0Mtpa, to produce approximately 100,000 dry metric tonnes of copper concentrate per annum.

Kanmantoo Global Mineral Resource Estimate at end February 2013

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<th>Classification</th>
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<th>Tonnage (Mt)</th>
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Note: In Situ Resource >0.20% Cu, Long Term Stockpiles >0.15% Cu.
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<th>Cu (%)</th>
<th>Au (g/t)</th>
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Note: In Situ Reserve >0.20% Cu. Long Term Stockpiles >0.15% Cu.

**Competent Person's Statement**

The information in this release that relates to Mineral Resources is based upon information compiled by Mrs Michaela Wright, who is a Member of The Australasian Institute of Mining and Metallurgy. Mrs Wright 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 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)’. Mrs Wright 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 Ore Reserves 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 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)’. Mr McClare has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.