

Tuesday, 25 January 2011

EXPIRY OF ESG CONTINGENT PAYMENT

Hillgrove Resources Limited (ABN 73 004 297 116) (ASX: HGO) advises that the deadline has expired for the liability of a contingent payment from Santos Limited (ASX:STO) arising out of HGO's earlier sale to STO of its interest in Eastern Star Gas Limited (ASX:ESG).

The sale agreement provided for an additional payment to Hillgrove in the event that Santos or a third party completed the acquisition of a more than 50% beneficial interest in ESG by 15 January 2011.

Commenting on the event, Hillgrove's Managing Director, Mr Drew Simonsen, said "While it is disappointing that Hillgrove can no longer receive any further benefit from the transaction, there was no way for us to influence this outcome. The investment in, and subsequent sale of, HGO's stake in ESG on 15 July 2009 placed Hillgrove in an enviable financial position, without which the development of Kanmantoo, in parallel with the significant exploration program now underway on our Indonesian properties, would have proven very challenging".

About Hillgrove

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its Indonesian and Australian base and precious metals projects. The Company is targeting the discovery of significant epithermal gold and porphyry copper/gold deposits in Eastern Indonesia.

Hillgrove's flagship development is the Kanmantoo Copper Mine, located less than 55km from Adelaide in South Australia. Kanmantoo currently hosts a Mineral Resource of 32.2Mt (2.3Mt Measured, 22.5Mt Indicated and 7.4Mt Inferred) grading 0.9% copper and 0.2g/t gold, containing 292,200 tonnes of copper, 191,100 ounces of gold and 3,313,600 ounces of silver. With completion of construction targeted for 2011, Kanmantoo will be a 2.4MT per annum open-cut mine producing approximately 20,000 tonnes of copper in concentrate and 10,000 ounces of gold per annum.

The information in this presentation that relates to Mineral Resource estimates for the Kanmantoo Project is based on information compiled by Mr Paul Payne, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is Executive Consultant with 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'. Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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