

Monday, 1 November 2010

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HILLGROVE COMPLETES FIRST STAGE OF A\$65 MILLION EQUITY RAISING

Hillgrove Resources Limited (ABN 73 004 297 116) (ASX: HGO) (“**Hillgrove**” or the “**Company**”) is pleased to announce that it has successfully completed the unconditional component (“**Unconditional Placement**”) of the A\$65 million equity capital raising announced by the Company on Friday, 29 October 2010 (“**Equity Raising**”).

A total of approximately A\$14.5 million has been committed by institutional investors through the placement of 58.2 million ordinary Hillgrove shares at A\$0.25 per share under the Unconditional Placement.

In addition, a total of A\$50.5 million has been committed by institutional investors through the proposed placement of 201.8 million ordinary Hillgrove shares at A\$0.25 per share, under a conditional placement (“**Conditional Placement**”). Settlement of this tranche is subject to shareholder approval at an Extraordinary General Meeting proposed to be held on Friday, 3 December 2010.

The Equity Raising was oversubscribed with strong demand from new and existing Australian and international institutional investors.

New shares issued under the Unconditional Placement will rank equally with existing fully paid ordinary shares in Hillgrove and are expected to be issued on Friday, 5 November 2010. Trading of these shares on the Australian Securities Exchange (“**ASX**”) is scheduled to commence on Monday, 8 November 2010.

Hillgrove’s Managing Director, Mr Drew Simonsen, commented that “the combination of the two placements will now increase the institutional shareholding percentage significantly. This is an excellent result for the company and all its stakeholders.”

The funds raised under the Equity Raising will be used towards funding the Kanmantoo project through to production, exploration activities in Hillgrove’s Indonesian projects and for other general corporate expenses.

Early Access Hedging

A key feature of the banking offer announced on Friday 29 October 2010 was to allow Hillgrove to access hedging for the project prior to financial close. The first 25,000 tonnes of copper forwards were sold by Hillgrove at an average price of approximately A\$8,000 per tonne of copper, net of all costs. Mr. Simonsen commented “the early access hedging provides the Kanmantoo project with a very good start by reducing the largest risk for the project: commodity pricing risk. These swaps, when combined with the swaptions purchased in late April this year, will allow Hillgrove to underpin



project cashflows at very high prices in the cycle. The early access hedging was arranged by Hillgrove's hedging adviser, Noah's Rule, in conjunction with the participating banks, Macquarie and Barclays."

Share Purchase Plan

In addition to the Equity Raising, Hillgrove proposes to offer eligible shareholders with registered addresses in Australia and New Zealand up to A\$15,000 worth of shares under a non-underwritten Share Purchase Plan ("SPP"). Shareholders that participated in the SPP conducted by Hillgrove earlier this year will only be eligible to participate up to an aggregate of A\$15,000 across the two SPPs.

The record date for the SPP is Thursday, 28 October 2010.

The issue price under the SPP will be no higher than the price paid by institutional investors under the Equity Raising, and will be confirmed with other details of the SPP. Any proceeds raised under the SPP will be used to fund general corporate purposes.

Full details of the SPP will be sent to eligible shareholders shortly.

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 shares in the Equity Raising and the SPP 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 reported the reserves and resources included in this presentation 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 proved and probable reserves, and the SEC does not permit mining companies to disclose mineral resources in SEC filings.

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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 Mines, 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, 0.2g/t gold and 3.2g/t silver, 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.

For more information contact:

Drew Simonsen
Managing Director
Tel: 02 8221 0404

Russell Middleton
Company Secretary
Tel: 02 8221 0404