



The Board of Directors of Hillgrove Resources Limited (Hillgrove)
(ASX: HGO) reports for the quarter ended 31 July 2011

HIGHLIGHTS

- Construction of the Ore Processing Plant at Kanmantoo is 80% complete and remains on schedule for ore commissioning during October, and Practical Completion and plant handover by 1 November 2011;
- Cost to complete Kanmantoo construction is currently estimated at AUD 120-125 million, comparing well with the estimate at FID of AUD 121.2 million;
- Very detailed commissioning schedules have been developed for the remaining time to first concentrate, which add confidence and control to the achievability of our overall timelines;
- First concentrate shipment from Port Adelaide is planned for late November/early December;
- All supporting infrastructure including water pipeline, site access road and power infrastructure is either complete or nearly so. Site energisation from the electricity grid has occurred;
- Excellent results from the Kanmantoo near mine Exploration program. A total of 48 holes were drilled to July 31, with every hole returning visible chalcopyrite. Results suggest a re-optimised mine plan undertaken next year will incorporate additional tonnage into the Life-of-Mine plan, thereby extending mine life. Results included:
 - **KTRC762 – 18m @ 1.29% Cu from 135m (23m%)**
 - **KTRC763 – 14m @ 1.54% Cu from 75m (22m%)**
 - **KTRC765 – 31m @ 0.77% Cu from 99m including 12m @ 1.03% Cu from 104m (12m%);**
- Sulphide ore is now being stockpiled in preparation for Processing Plant commissioning;
- In West Papua in Indonesia, significant additional mineralisation anomalies at the Bird's Head Project have been identified, pending award of drilling permit;
- On Sumba Island in Indonesia at the Masu (Southern) Project, 800m strike length of significant gold mineralisation has been delineated with very encouraging showings in trenching and test pits;
- Also on Sumba, a 3,300 line kilometre aeromagnetic and radiometric survey over the bulk of the Sumba IUP was completed;
- Cash on hand as at 31 July 2011 was AUD 55.3 million, together with undrawn debt facilities of AUD 18.0 million, compare favourably with the estimated remaining cost to complete Kanmantoo of AUD 20 million.



KANMANTOO COPPER PROJECT, SOUTH AUSTRALIA
Mining Leases 5776 and 6345; Exploration License 4401 (Hillgrove 100%)

Plate 1. Processing Plant Construction Area, Kanmantoo Copper Mine (30/8/11)



Ore Processing Plant and Infrastructure Construction

The project remains on schedule for commissioning of the processing plant during October and practical completion and plant hand-over to Hillgrove by Abesque Engineering Limited by 1 November. The estimated cost at completion is AUD 120-125 million, comparing well with the estimate at FID of AUD 121.2 million.

Significant milestones to date include the completion of the:

- ore crushing plant,
- the reagent mixing building and facilities,
- the crushed ore stockpile reclaim tunnel,
- the Ball Mill refurbishment and installation,
- the floatation building structural erection and mechanical installations,
- the re-grind mill installation,
- the concentrate and tailings thickeners,
- the refurbishment and positioning of the Larox concentrate filters.

Remaining work in progress for the process plant includes:

- final piping and electrical cabling,
- completion of the crushed ore stockpile cover,
- installation of instrumentation,
- cladding of the flotation and filter buildings,
- running of conveyor belts,
- completion of the concentrate storage building,
- dry, wet and ore commissioning of the plant.

Kanmantoo Exploration Update

Exploration activities at Kanmantoo ramped up significantly in late May with the arrival of a Reverse Circulation (RC) drill rig from a specialist RC drilling contractor from Kalgoorlie in Western Australia. The initial program consisted of 7,500m of RC drilling in and around the currently planned open pits in an effort to expand the copper resource base and significantly extend the Kanmantoo mine life.

Drilling first targeted near-surface extensions to the high-grade O'Neil/Nugent Zone, with 12 holes completed for a total of 2,092m. All 12 holes intersected readily visible chalcopyrite (copper sulphide) mineralisation, returning highly significant intercepts, including:

- KTRC762 – 18m @ 1.29% Cu from 135m (23m%)
- KTRC763 – 14m @ 1.54% Cu from 75m (22m%)
- KTRC765 – 31m @ 0.77% Cu from 99m (24m%) including 12m @ 1.03% Cu from 104m (12m%).

All significant intersections to 31 July are tabulated in Table 1 and 2 of the Appendix. A long section through the O'Neil/Nugent Zone before the 2011 drilling program is shown below (Plate 2) and highlights several areas where the mineralisation remains open and infill and/or extensional drilling is warranted. Initial drilling in 2011 targeted this potential.

Plate 2: O'Neil/Nugent Zone - Long Section (Looking West) BEFORE 2011 RC Drilling

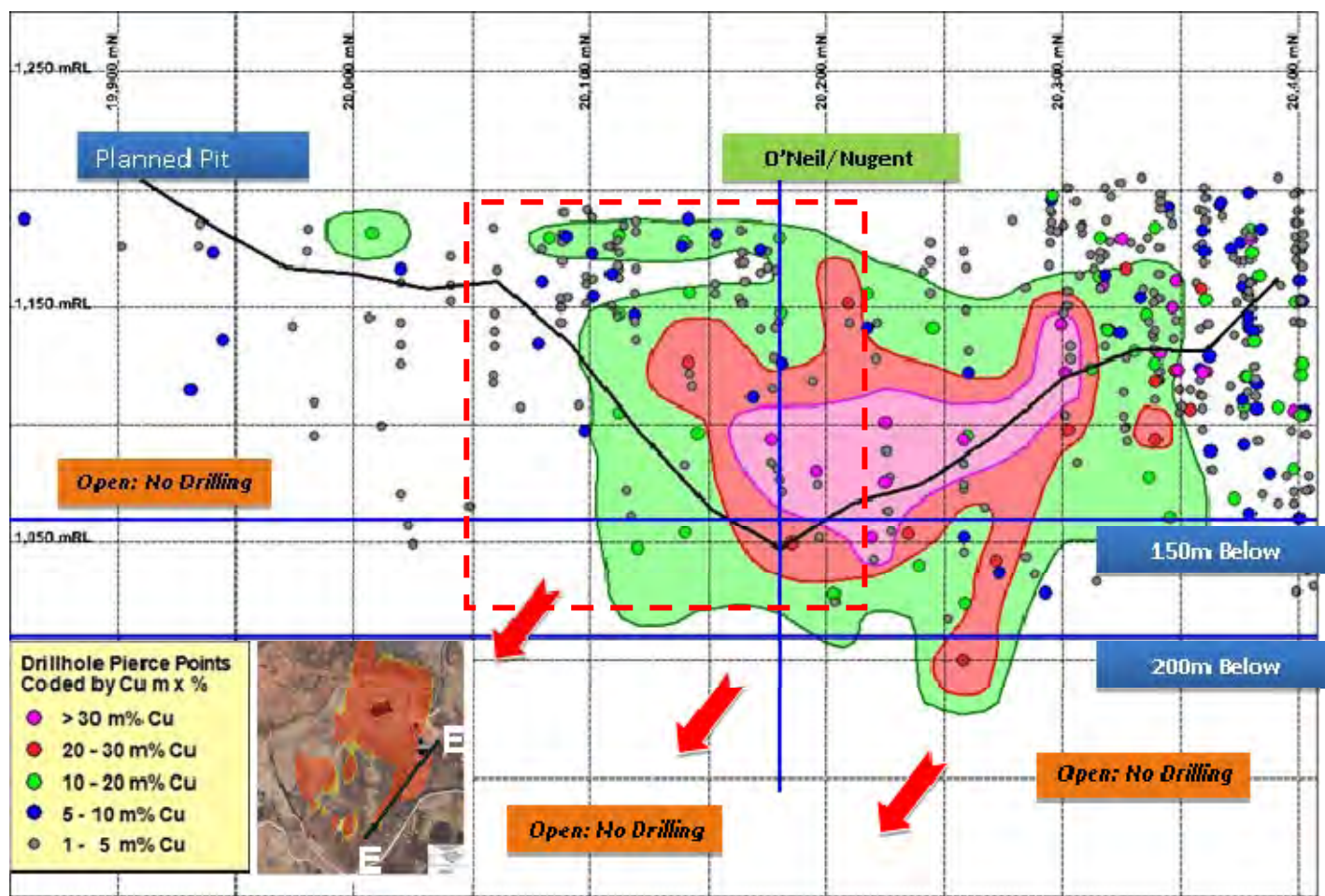
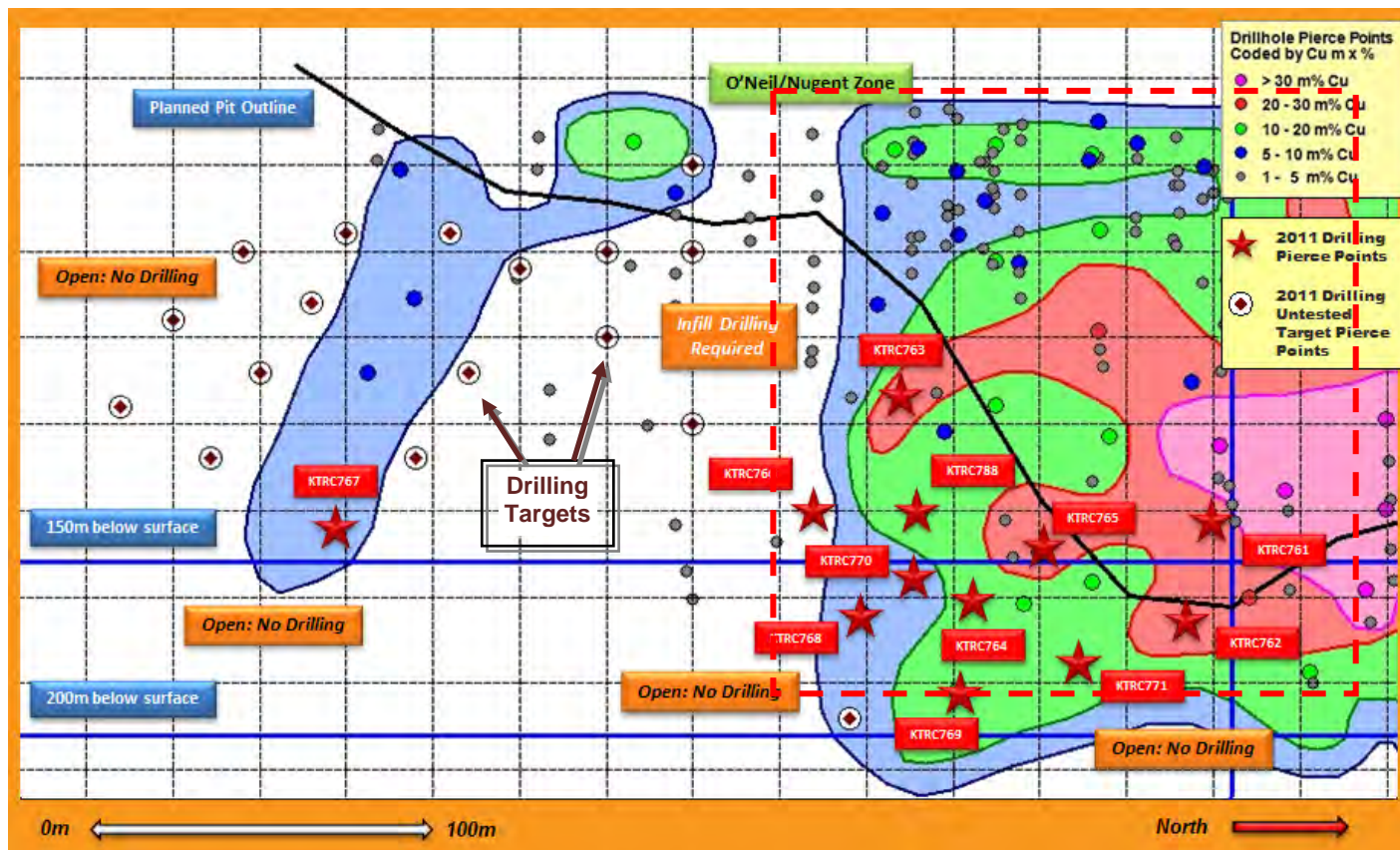


Plate 3 shows the same long section through the O'Neil/Nugent Zone after the 2011 drilling pierce points of the RC drilling program to date and the interpreted extension of the intersected ore zones.

As a result of this initial drilling at the O'Neill/Nugent Zone, all nominally 30m x 30m spacing and immediately adjacent to the existing optimised pit profile, we believe existing inferred resources will be converted to indicated category (and hence into reserves in due course), and additional inferred resources added to the inventory. Importantly, mineralisation remains open along strike, down dip and down plunge, as attested by the "speculative" pierce point approximately 125m beyond the boundary of recent drilling.

Plate 3: O'Neil/Nugent Zone - Long Section (Looking West) AFTER 2011 RC Drilling



The O'Neill/Nugent results demand future near-term investigation. Proposed drill holes are shown as circle-ringed dots in Plate 3.

With the first few holes completed at O'Neil/Nugent, the RC rig moved to the Emily Star deposit. This drilling produced immediate success, also returning good widths of strong chalcopyrite mineralisation at shallow depths, outside of the currently designed Emily Star open pit.

The Emily Star and O'Neil/Nugent drilling was so encouraging that the initial program of 7,500m was expanded to 10,500m and a second RC drill rig was brought in for the month of July to accelerate progress. The second rig has now left the site.

Drilling continued with a single rig at Emily Star, where approximately 5,700m of drilling had been completed to the end of July. All holes have intersected visible chalcopyrite mineralisation and, as with O'Neil/Nugent, Emily Star remains open, both at depth and along strike.

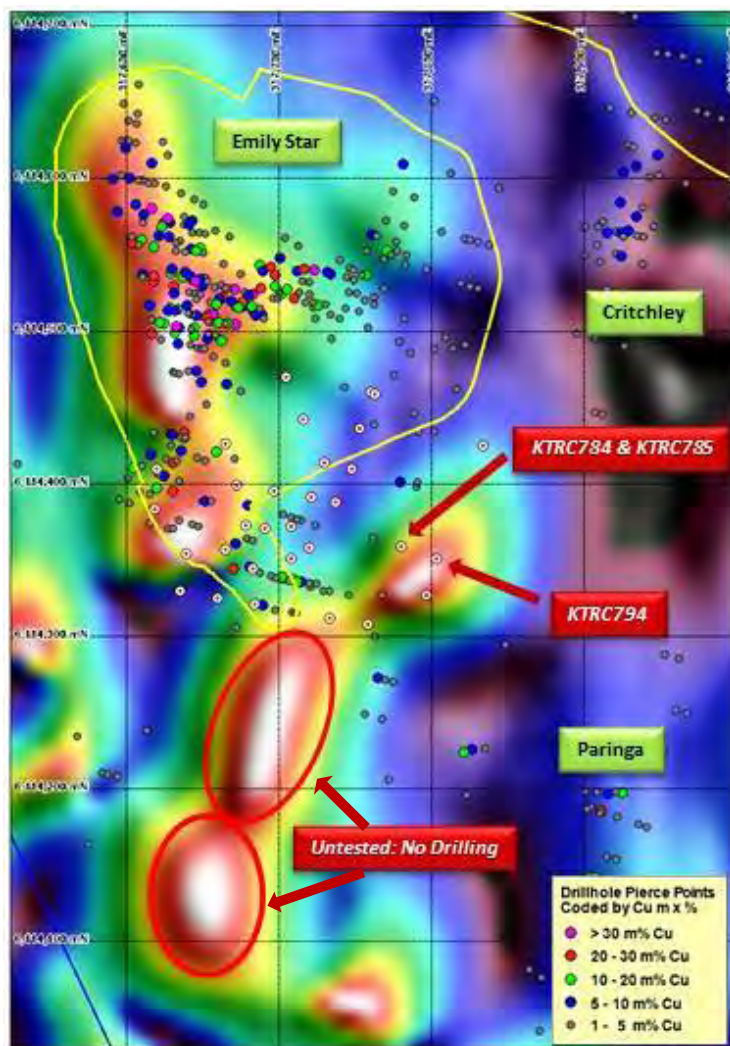
All significant Emily Star intersections to date are tabulated within this report (Table 1 and 2 in Appendix), with best intersections including:

- **KTRC777: 23m @ 0.97% Cu from 112m (22m%), including 12m @ 1.41% Cu from 114m (17m%)**
- **KTRC784: 16m @ 1.07% Cu from 52m (17m%)**
- **KTRC785: 12m @ 1.44% Cu from 60m (17m%)**

Plate 3 shows the planned Emily Star pit outline (yellow) and historical down-hole pierce points (coloured circles). The main pit is north east, just off picture. The background image is RTP magnetics and there is a strong association between magnetic highs and significant mineralisation.

Hillgrove's 2011 drill collars are shown as pink and white circles. KTRC784 and KTRC785 (intercepts above) correlate well with the magnetics, as does KTRC794, for which results are pending. Strong, visible chalcopyrite mineralisation was intersected in this hole. The grid spacing is 100m, highlighting the excellent, untested potential to extend the Emily Star pit to the south and east.

Plate 4: Emily Star Pit



A total of 48 holes were drilled in the O'Neill/Nugent and Emily Star pit areas to the end of July, with every hole intersecting visible chalcopryite mineralisation, and many returning good grades and widths suggesting a re-optimised mine plan undertaken next year will incorporate additional tonnage into the Life-of-Mine plan, and thereby extend the mine life of the Kanmantoo project.

Geological interpretation of all previous and current drilling at Kanmantoo is ongoing and the results of this process will be used to develop a new Resource model for the Kanmantoo deposits, which can be integrated into an updated Resource/Reserve statement in early-mid 2012.

To date Reserve conversion drilling has only been undertaken in the O'Neil/Nugent and Emily Star zones (and incomplete at that), and several high quality targets remain untested, particularly in the Critchley and North Kavanagh zones, where excellent potential exists for significant extensions to the Resource/Reserve base. Initial testing of these and other zones is planned for the next quarter.

In conjunction with the Resource/Reserve drilling, a number of geochemical and geophysical programs are underway or planned in an effort to identify further drill targets, initially on the mining lease, but also further afield within the exploration license area, where there appears to be no shortage of untested targets.

The aim of drilling over the next year is to further expand the reserve and resource base, and to provide a continuous "pipeline" of quality targets for the project in future years.

A near term objective (1-2 years) of the current exploration program is to build reserves to 20+ million tonnes, which may justify expansion of the Kanmantoo plant from 2.4 Mtpa nominal start-up capacity to 3.5 Mtpa, which can be achieved relatively cost-effectively because of current unutilised capacity.

INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

Plate 5. Indonesian Archipelago



Plate 7. Karipi Trenching Plan with Significant Gold Intersections

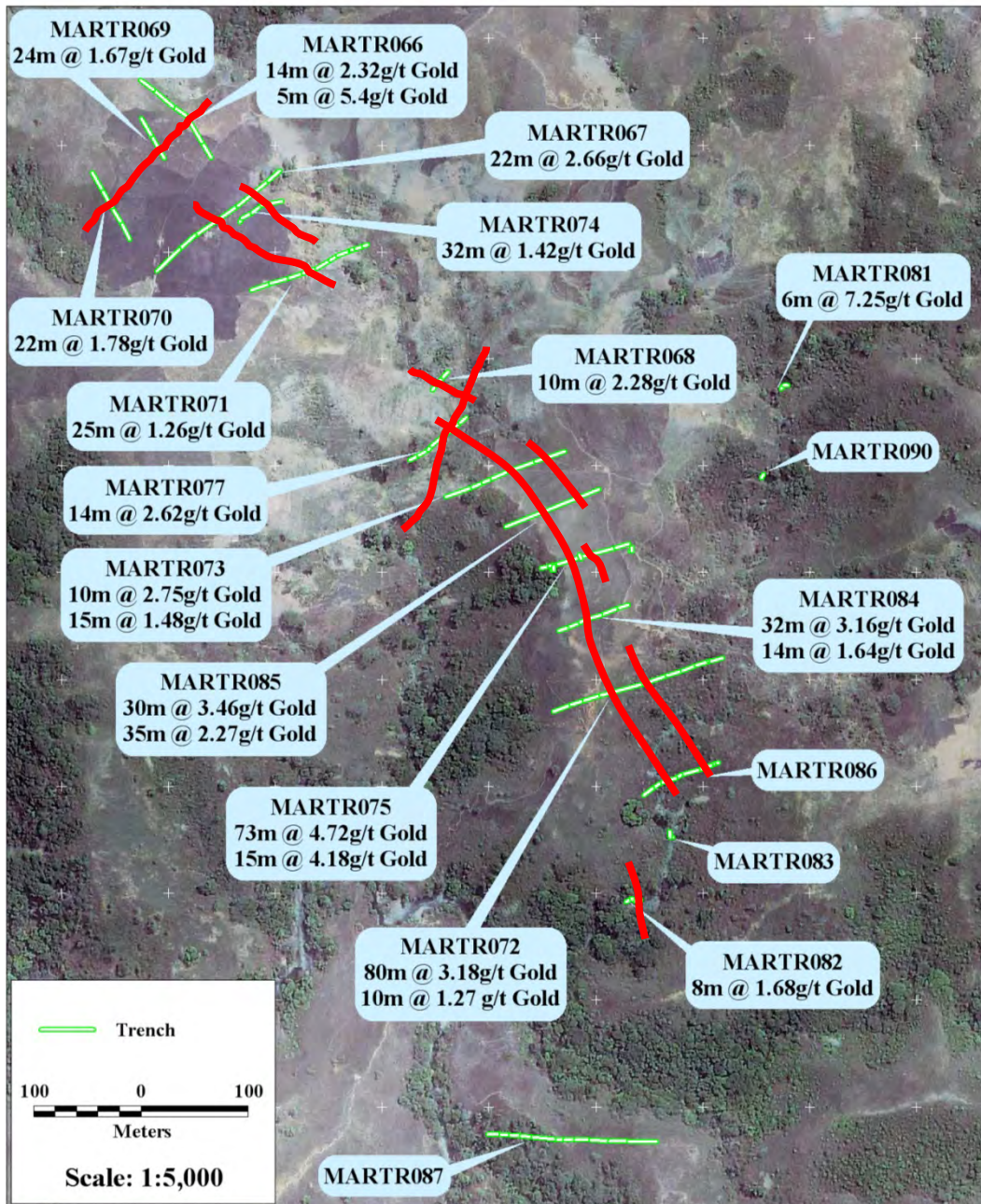


Table 3. Karipi Trenching Significant Gold Intersections

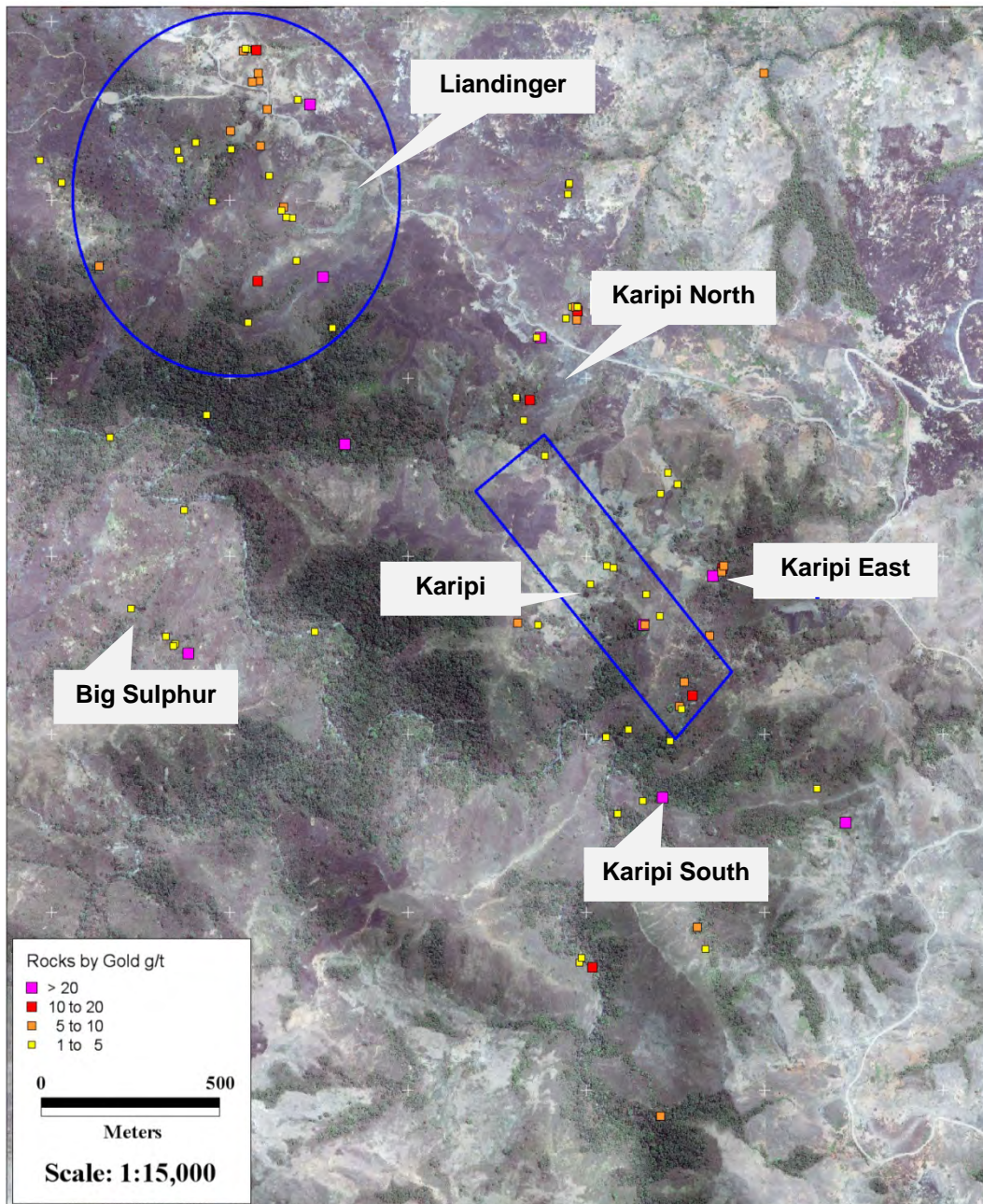
| TRENCH | INTERVAL | Ag g/t |
|---------------------------|--------------------------|--------|
| MATR074 (extended) | 2m @ 0.81 g/t Au | 1.8 |
| and | 32m @ 1.42 g/t Au | 1.65 |
| and | 2m @ 0.835 g/t Au | 3.2 |
| MATR076 | 5m @ 1.84 g/t Au | 1.1 |
| MATR077 | 14m @ 2.62 g/t Au | 33.5 |
| MATR078 (Test Pit) | 4m @ 51.2 g/t Au | 20.85 |
| MATR079 (Test Pit) | 4m @ 1.54 g/t Au | 0.3 |
| MATR080 | 4m @ 3.14 g/t Au | 3.17 |
| MATR081 | 6m @ 7.25 g/t Au | 4.73 |
| MATR082 | 8m @ 1.68 g/t Au | 1.67 |
| MATR083 | NSI | |
| MATR084 | 32m @ 3.16 g/t Au | 1.36 |
| and | 14m @ 1.64 g/t Au | 4 |

| TRENCH | INTERVAL | Ag g/t |
|------------------------------|-------------------|--------|
| MATR085 | 30m @ 3.46 g/t Au | 1.98 |
| | 35m @ 2.27 g/t Au | 2.62 |
| MATR087 and and and | 5m @ 0.72 g/t Au | 0.8 |
| | 2m @ 0.59 g/t Au | 1.3 |
| | 2m @ 0.8 g/t Au | 1.4 |
| | 2m @ 1.64 g/t Au | 1.1 |

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
 Silver values calculated from multi element sweep using ICP analytical method
 Significant intercepts calculated as weighted average, maximum of 2m internal waste at a 0.5 g/t Au cut off
 Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

At Karipi East and Karipi North, surface sampling has identified a number of parallel epithermal veins separate to the main Karipi system, with highly anomalous gold values up to 1,200g/t Au (Plate 8 and Table 4 in Appendix). These parallel, high grade veins occur at higher elevations to the main Karipi trend and are largely obscured by thin (<10m thick) sedimentary cover.

Plate 8. Karipi Area Prospect Location Plan and Gold Rock Chip Values



Trenching encountered highly altered volcanic lithology with associated low grade gold and silver anomalism consistent with the current interpretation that outcropping altered volcanic lithology represents the uppermost portion of a larger, buried high sulphidation epithermal target.

The results of the planned IP survey, the interpretation of aeromagnetic data and petrological evaluation of drill core from Pelitalira will all be assimilated into a drill target model in the next quarter.

Next Steps

Scout drilling over the Karipi prospect within the Masu (southern) area is expected to recommence in the next few months.

Surface sampling and mapping will extend coverage to the North, South, East and West of Karipi, assessing for possible extensions to the exciting gold mineralisation identified to date.

Reconnaissance exploration along the South coast of the IUP (Ngonggi – Lewitu areas) will continue next quarter. There are a number of potential porphyry-related targets that require evaluation and ranking.

Interpretation of the airborne geophysical data will continue this coming quarter, with the intent of identifying and ranking target areas.

An IP geophysical survey over the Karipi, Pelitalira and possibly Laironja target areas will be undertaken this quarter. IP is intended to aid in delineating drill targets at depth and under shallow sedimentary cover.

A series of deeper drill holes at Pelitalira is under consideration, dependent on petrology and geophysical interpretations, but also subject to our community liaison, socialisation and local support activities.

BIRD'S HEAD COPPER/GOLD PROJECT, WEST PAPUA, INDONESIA

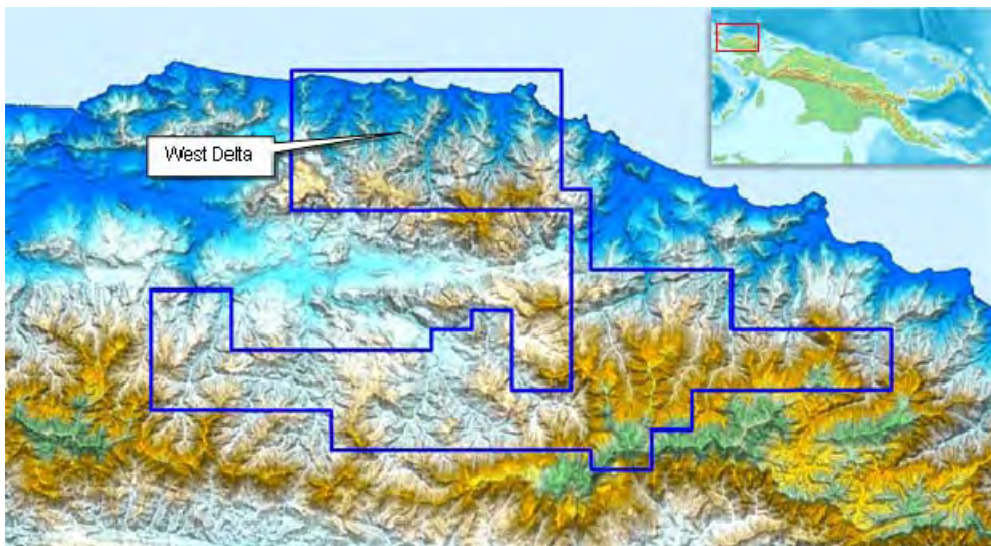
IUP40/2010

(Hillgrove 80%)

Hillgrove is an 80% beneficial shareholder in PT Akram Resources which holds IUP40/2010 in the Bird's Head region of West Papua. Hillgrove is responsible for the sole funding and management of all exploration and development activities up to a decision to mine. The IUP covers 992.3km² and is valid until March 2017.

Exploration activities this quarter focused on continuing geological mapping, trenching and preparation for planned drilling.

Plate 9. Bird's Head Project IUP Boundary



Exploration Results

Geological mapping, surface channel and rock chip sampling continued this quarter in the West Delta prospect area, focusing on extending coverage to the South over the Rak Rak and Southern Porphyry target areas.

Plate 10. West Delta Area Analytical Signal Magnetic Image with Rock Chip Copper Values

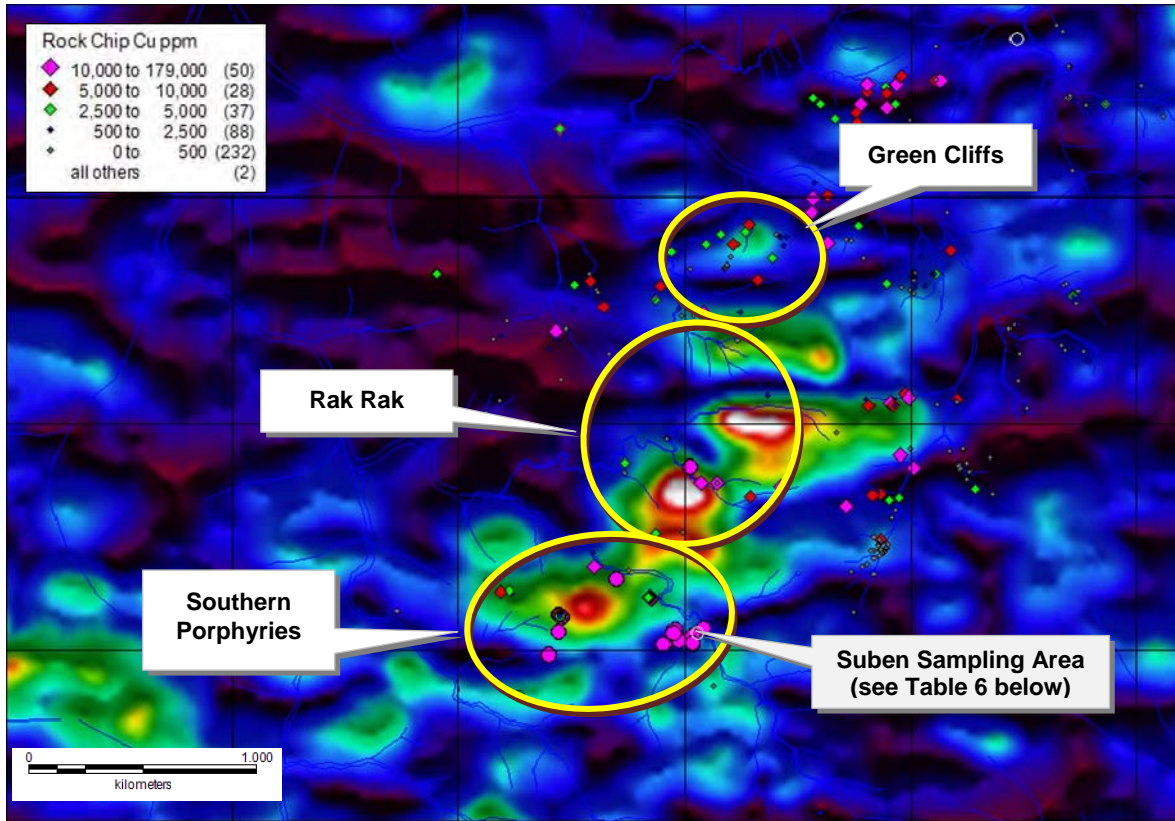


Table 6. West Delta Mapping Areas with Rock Chip Copper Values

| Sample No | Prospect | Type | Cu % |
|-----------|----------|------|-------|
| 2501 | Rak-Rak | RCH | 1.83 |
| 2542 | Rak-Rak | RCH | 1.11 |
| 2603 | Suben | RO | 2.93 |
| 2604 | Suben | RO | 3.86 |
| 2606 | Suben | RO | 3.8 |
| 2612 | Suben | RO | 1.51 |
| 2503 | Rak-Rak | RCH | 4.29 |
| 2514 | Rak-Rak | RCH | 1.46 |
| 2515 | Rak-Rak | RCH | 1.69 |
| 2516 | Rak-Rak | RO | 1.33 |
| 2517 | Rak-Rak | RO | 1.65 |
| 2519 | Rak-Rak | RCH | 2.21 |
| 2520 | Rak-Rak | RCH | 2.88 |
| 2521 | Rak-Rak | RCH | 1.23 |
| 2523 | Rak-Rak | RCH | 1.72 |
| 2526 | Rak-Rak | RO | 9.89 |
| 2527 | Rak-Rak | RO | 19.7 |
| 2618 | Suben | RCH | 1.82 |
| 2620 | Suben | RCH | 1.79 |
| 2619 | Suben | RCH | 1.66 |
| 2627 | Suben | RCH | 1.54 |
| 2637 | Suben | RO | 1.1 |
| 2621 | Suben | RCH | 0.674 |

Note: Copper values are derived from a multi element sweep using ICP method. Analysis completed by Intertek Laboratories, Jakarta.
RCH = Rock Chip, RO = Rock Outcrop



Mapping continues to delineate extensive alteration consistent with the interpreted presence of buried porphyry intrusive complexes. Significant copper results from sampling of outcropping veins and structures confirms the prospectivity of the porphyry systems south of the main West Delta target at Green Cliffs. Our current interpretation is that there are a number of additional porphyry targets to the south of the Green Cliffs target area.

Drilling

PT Akram is still waiting for the Department of Forestry to issue the necessary Izin Pinjam Pakai permit in order to undertake drilling at Green Cliffs. Although all planned target holes are located outside protected forest, the laws of Indonesia stipulate the requirement for Pinjam Pakai to undertake drilling. The process is proving to be an opaque, time consuming exercise, and has delayed planned exploration investment, and local benefits arising therefrom. The project is at drill ready status but cannot proceed without the required permit, which to date has not been forthcoming despite a complete lack of objection to the proposed very low impact drilling programme and the full support of the local landowners, local community and Governor of West Papua, and the Department of Mines and Energy.

Like many other applicants in Indonesia, including other Australian companies, slow progress is being made, and under the circumstances, patience is necessary. Permits are being issued, so the system is not broken, but it is groaning under the weight of several thousand pending applications, and the resultant and continuing delays are very frustrating.

We understand that we have fulfilled all required documentation and submissions, and have been advised that we have passed internal scrutiny by the Department of Forestry. We believe permitting will be forthcoming, but cannot specify when. In the meantime, surface exploration continues. Drilling will commence once the Izin Pinjam Pakai is granted.

Next Steps

Surface mapping will keep pushing out to the south, exploring the open areas of alteration and following anomalous copper values in stream sediment sampling and rock float.

As we remain optimistic that Pinjam Pakai will be granted in due course. Drilling will commence once the Izin Pinjam Pakai is awarded.

COMET VALE MINE ML577 (Hillgrove 100%)

The NSW Department of Industry & Investment (DI&I) approved Hillgrove's submission for the Mine Operations Plan for Mine Closure for the former Comet Vale Mine on 21 February 2011.

Negotiation of a site access agreement to the old lease with the local landowner, to enable the Company to undertake the approved works, is progressing slowly. The Company has provisioned approximately AUD 1.1 million against the liability to complete the rehabilitation works.

INTERMET RESOURCES LIMITED (ASX: ITT) (Hillgrove 84.8% Shareholding)

Hillgrove's 84.8% shareholding in InterMet remains under review. There was no exploration activity within InterMet during the quarter.

HILLGROVE CORPORATE

The Annual General Meeting was held in Adelaide on Wednesday 22 June with all resolutions passed.

Cash and Investments

Cash on hand as at 31 July 2011 was AUD 55.3 million.

Debt as at 31 July 2011 was AUD 12.0 million.

The market value of Hillgrove's listed investment portfolio as at 31 July 2011 was approximately AUD 1.7 million.

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 world class 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. With completion of construction targeted for November 2011, Kanmantoo will be an open-cut mine with an initial throughput of 2.4Mt per annum, producing approximately 80,000 tonnes of concentrate per annum.

The Project currently hosts a Mineral Resource of:

| Class | Total (0.25% Cu cut off grade model) | | | | | | |
|--------------|--------------------------------------|------------|------------|------------|--------------------|----------------|------------------|
| | Tonnes Kt | Cu % | Au g/t | Ag g/t | Cu Metal Tonnes | Au Ounces | Ag Ounces |
| Measured | 2,290 | 0.9 | 0.2 | 3.5 | 21,700 | 12,100 | 255,300 |
| Indicated | 22,525 | 0.9 | 0.2 | 3.3 | 204,400 | 139,900 | 2,381,200 |
| Inferred | 7,376 | 0.9 | 0.2 | 2.9 | 66,100 | 39,100 | 677,100 |
| Total | 32,192 | 0.9 | 0.2 | 3.2 | 292,200 | 191,100 | 3,313,600 |

and Reserves of:

| Category | Tonnes 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 Reserve | 14.8 | 0.85 | 0.17 | 3.1 |

The information in this report that relates to Exploration Results is based on information compiled by Mr Jim Kerr, who is a Member of The Australasian Institute of Geoscientists. Mr Kerr is General Manager – Exploration for Hillgrove Resources 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 Kerr consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Aaron Green, who is a Member of The Australian Institute of Geoscientists. Mr Green is a full-time employee of 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 Green 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:

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APPENDIX

Table 1: 2011 Kanmantoo RC Drillhole Details

| Hole_ID | Zone | East (GDA) | North (GDA) | RL (Mine) | Dip | Azimuth (Mag) | Depth (m) |
|---------|------------|------------|-------------|-----------|-----|---------------|-----------|
| KTRC761 | O'Neil | 318407 | 6114460 | 1172 | -62 | 271 | 152 |
| KTRC762 | O'Neil | 318408 | 6114460 | 1172 | -75 | 270 | 203 |
| KTRC763 | O'Neil | 318310 | 6114408 | 1182 | -65 | 260 | 100 |
| KTRC764 | O'Neil | 318340 | 6114409 | 1179 | -80 | 260 | 150 |
| KTRC765 | O'Neil | 318358 | 6114431 | 1177 | -70 | 260 | 158 |
| KTRC766 | O'Neil | 318305 | 6114375 | 1182 | -70 | 260 | 131 |
| KTRC767 | O'Neil | 318216 | 6114259 | 1186 | -70 | 260 | 146 |
| KTRC768 | O'Neil | 318325 | 6114371 | 1180 | -70 | 260 | 175 |
| KTRC769 | O'Neil | 318372 | 6114395 | 1179 | -75 | 260 | 200 |
| KTRC770 | O'Neil | 318363 | 6114397 | 1178 | -65 | 260 | 180 |
| KTRC771 | O'Neil | 318385 | 6114433 | 1174 | -75 | 260 | 203 |
| KTRC772 | Emily Star | 317705 | 6114470 | 1184 | -70 | 260 | 130 |
| KTRC773 | Emily Star | 317760 | 6114460 | 1188 | -70 | 260 | 190 |
| KTRC774 | Emily Star | 317716 | 6114442 | 1183 | -70 | 260 | 178 |
| KTRC775 | Emily Star | 317753 | 6114436 | 1185 | -80 | 260 | 202 |
| KTRC776 | Emily Star | 317665 | 6114426 | 1180 | -70 | 260 | 100 |
| KTRC777 | Emily Star | 317730 | 6114414 | 1184 | -70 | 260 | 205 |
| KTRC778 | Emily Star | 317753 | 6114436 | 1185 | -70 | 260 | 200 |
| KTRC779 | Emily Star | 317620 | 6114410 | 1177 | -55 | 277 | 50 |
| KTRC780 | Emily Star | 317672 | 6114399 | 1182 | -70 | 260 | 125 |
| KTRC781 | Emily Star | 317721 | 6114391 | 1184 | -70 | 260 | 185 |
| KTRC782 | Emily Star | 317691 | 6114371 | 1182 | -70 | 260 | 123 |
| KTRC783 | Emily Star | 317720 | 6114358 | 1180 | -80 | 278 | 200 |
| KTRC784 | Emily Star | 317780 | 6114359 | 1172 | -60 | 260 | 150 |
| KTRC785 | Emily Star | 317780 | 6114359 | 1172 | -70 | 260 | 165 |
| KTRC786 | Emily Star | 317797 | 6114327 | 1169 | -70 | 260 | 170 |
| KTRC787 | Emily Star | 317619 | 6114383 | 1183 | -70 | 260 | 90 |
| KTRC788 | O'Neil | 318340 | 6114409 | 1179 | -70 | 260 | 164 |
| KTRC789 | Emily Star | 317748 | 6114410 | 1185 | -72 | 260 | 205 |
| KTRC790 | Emily Star | 317697 | 6114395 | 1182 | -65 | 260 | 90 |
| KTRC791 | Emily Star | 317737 | 6114388 | 1184 | -75 | 260 | 205 |
| KTRC792 | Emily Star | 317708 | 6114372 | 1182 | -60 | 260 | 170 |
| KTRC793 | Emily Star | 317678 | 6114373 | 1183 | -65 | 260 | 145 |
| KTRC794 | Emily Star | 317803 | 6114351 | 1172 | -70 | 260 | 200 |
| KTRC795 | Emily Star | 317708 | 6114351 | 1178 | -70 | 255 | 200 |
| KTRC796 | Emily Star | 317683 | 6114344 | 1180 | -70 | 260 | 173 |
| KTRC797 | Emily Star | 317665 | 6114357 | 1183 | -70 | 260 | 150 |
| KTRC798 | Emily Star | 317797 | 6114327 | 1170 | -80 | 260 | 185 |
| KTRC799 | Emily Star | 317834 | 6114425 | 1176 | -75 | 260 | 150 |
| KTRC800 | Emily Star | 317834 | 6114425 | 1176 | -65 | 260 | 130 |
| KTRC801 | Emily Star | 317708 | 6114372 | 1182 | -70 | 260 | 185 |
| KTRC802 | Emily Star | 317763 | 6114459 | 1187 | -80 | 260 | 205 |
| KTRC803 | Emily Star | 317733 | 6114312 | 1168 | -70 | 260 | 205 |
| KTRC804 | Emily Star | 317758 | 6114308 | 1167 | -70 | 260 | 105 |
| KTRC805 | Emily Star | 317639 | 6114354 | 1181 | -70 | 260 | 120 |
| KTRC806 | Emily Star | 317635 | 6114330 | 1177 | -70 | 260 | 110 |
| KTRC807 | Emily Star | 317660 | 6114325 | 1175 | -70 | 260 | 135 |
| KTRC808 | Emily Star | 317684 | 6114321 | 1174 | -70 | 260 | 160 |



Table 2: 2011 Kanmantoo RC Significant Drill Intercepts

| Hole ID | Zone | From (m) | To (m) | Width (m) | Copper (%) | Cu m x % | Gold (g/t) | Comments |
|---------|------------------|---------------|---------------|--------------|-------------|-----------|-------------|-----------------------------------|
| KTRC761 | O'Neil | 108.00 | 134.00 | 26.00 | 0.69 | 18 | 0.35 | |
| | <i>including</i> | 123.00 | 132.00 | 9.00 | 1.13 | 10 | 0.33 | |
| | | 139.00 | 142.00 | 3.00 | 0.64 | 2 | 0.08 | |
| KTRC762 | O'Neil | 91.00 | 92.00 | 1.00 | 0.55 | 1 | 0.02 | |
| | | 103.00 | 104.00 | 1.00 | 1.06 | 1 | 0.73 | |
| | | 115.00 | 124.00 | 9.00 | 0.81 | 7 | 1.11 | |
| | | 135.00 | 153.00 | 18.00 | 1.29 | 23 | 0.30 | |
| | <i>including</i> | 144.00 | 149.00 | 5.00 | 2.97 | 15 | 0.86 | |
| KTRC763 | O'Neil | 75.00 | 89.00 | 14.00 | 1.54 | 22 | 0.50 | |
| KTRC764 | O'Neil | 32.00 | 33.00 | 1.00 | 0.55 | 1 | 0.43 | |
| | | 107.00 | 117.00 | 10.00 | 1.01 | 10 | 0.15 | |
| | | 143.00 | 150.00 | 7.00 | 1.14 | 8 | 0.27 | <i>Open - End of Hole</i> |
| KTRC765 | O'Neil | 99.00 | 130.00 | 31.00 | 0.77 | 24 | 0.22 | |
| | <i>including</i> | 104.00 | 116.00 | 12.00 | 1.03 | 12 | 0.42 | |
| | <i>and</i> | 124.00 | 130.00 | 6.00 | 1.28 | 8 | 0.21 | |
| | | 148.00 | 151.00 | 3.00 | 0.44 | 1 | 1.40 | |
| KTRC766 | O'Neil | 21.00 | 22.00 | 1.00 | 0.58 | 1 | 0.06 | |
| | | 117.00 | 120.00 | 3.00 | 0.44 | 1 | 0.11 | <i>Predominantly Fe sulphides</i> |
| KTRC767 | McFarlane's | 0.00 | 9.00 | 9.00 | 0.92 | 8 | 0.16 | <i>Oxide</i> |
| | <i>including</i> | 0.00 | 4.00 | 4.00 | 1.74 | 7 | 0.20 | <i>Oxide</i> |
| | | 64.00 | 66.00 | 2.00 | 0.60 | 1 | 0.59 | |
| | | 108.00 | 117.00 | 9.00 | 0.64 | 6 | 0.21 | |
| | | 125.00 | 134.00 | 9.00 | 0.52 | 5 | 0.51 | |
| | <i>including</i> | 128.00 | 130.00 | 2.00 | 1.66 | 3 | 0.66 | |
| KTRC768 | O'Neil | 79.00 | 83.00 | 4.00 | 0.76 | 3 | 0.43 | |
| | | 107.00 | 111.00 | 4.00 | 0.36 | 1 | 0.13 | |
| | | 140.00 | 143.00 | 3.00 | 0.97 | 3 | 0.64 | |
| | | 123.00 | 126.00 | 3.00 | | | 2.68 | <i>Au only zone</i> |
| KTRC769 | O'Neil | 135.00 | 140.00 | 5.00 | 0.45 | 2 | 0.13 | |
| | | 157.00 | 159.00 | 2.00 | 0.64 | 1 | 0.08 | |
| | | 171.00 | 186.00 | 15.00 | 0.86 | 13 | 0.50 | |
| | <i>including</i> | 172.00 | 183.00 | 11.00 | 1.11 | 12 | 0.63 | |
| KTRC770 | O'Neil | 132.00 | 133.00 | 1.00 | 5.95 | 6 | 1.47 | |
| | | 155.00 | 162.00 | 7.00 | 0.45 | 3 | 0.43 | |
| KTRC771 | O'Neil | 120.00 | 121.00 | 1.00 | 0.82 | 1 | 0.08 | |
| | | 138.00 | 159.00 | 21.00 | 0.76 | 16 | 0.30 | |
| | <i>including</i> | 149.00 | 156.00 | 7.00 | 1.87 | 13 | 0.61 | |
| | | 192.00 | 193.00 | 1.00 | 0.62 | 1 | 0.01 | |
| | | 202.00 | 203.00 | 1.00 | 0.43 | 0 | 0.04 | <i>End of Hole - Limit of rig</i> |
| KTRC772 | Emily Star | 108.00 | 110.00 | 2.00 | 2.44 | 5 | 0.24 | |
| | | 120.00 | 121.00 | 1.00 | 2.49 | 2 | 0.08 | |
| KTRC773 | Emily Star | 34.00 | 37.00 | 3.00 | 0.63 | 2 | 0.08 | |
| | | 41.00 | 44.00 | 3.00 | 1.58 | 5 | 0.06 | |
| | | 157.00 | 160.00 | 3.00 | 0.79 | 2 | 0.06 | |
| | | 173.00 | 181.00 | 8.00 | 0.57 | 5 | 0.15 | |
| KTRC774 | Emily Star | 92.00 | 99.00 | 7.00 | 0.71 | 5 | 0.23 | |
| | <i>including</i> | 92.00 | 96.00 | 4.00 | 1.08 | 4 | 0.40 | |
| | | 119.00 | 122.00 | 3.00 | 2.31 | 7 | 0.06 | |
| | | 142.00 | 144.00 | 2.00 | 0.50 | 1 | 0.08 | |
| KTRC775 | Emily Star | 176.00 | 179.00 | 3.00 | 1.51 | 5 | 0.02 | |
| | | 195.00 | 199.00 | 4.00 | 0.82 | 3 | 0.01 | |
| KTRC776 | Emily Star | 55.00 | 59.00 | 4.00 | 1.03 | 4 | 0.07 | |
| | | 77.00 | 79.00 | 2.00 | 0.51 | 1 | BDL | |
| KTRC777 | Emily Star | 112.00 | 135.00 | 23.00 | 0.97 | 22 | 0.31 | |



| Hole ID | Zone | From (m) | To (m) | Width (m) | Copper (%) | Cu m x % | Gold (g/t) | Comments |
|---------|------------------|---------------|---------------|--------------|-------------|-----------|-------------|----------------------------------|
| | <i>including</i> | 114.00 | 126.00 | 12.00 | 1.41 | 17 | 0.28 | |
| | | 143.00 | 157.00 | 14.00 | 0.75 | 11 | 0.01 | |
| | <i>including</i> | 149.00 | 152.00 | 3.00 | 2.42 | 7 | 0.02 | |
| | | 161.00 | 167.00 | 6.00 | 0.52 | 3 | 0.10 | |
| | | 170.00 | 172.00 | 2.00 | 0.72 | 1 | BDL | |
| KTRC778 | Emily Star | 133.00 | 139.00 | 6.00 | 0.42 | 3 | 0.07 | |
| | | 160.00 | 174.00 | 14.00 | 0.96 | 13 | 0.08 | |
| | | 168.00 | 173.00 | 5.00 | 1.65 | 8 | 0.15 | |
| KTRC779 | Emily Star | 9.00 | 13.00 | 4.00 | 0.39 | 2 | 0.05 | |
| KTRC780 | Emily Star | 35.00 | 52.00 | 17.00 | 0.55 | 9 | 0.05 | |
| | | 59.00 | 65.00 | 6.00 | 1.34 | 8 | 0.12 | |
| | | 99.00 | 100.00 | 1.00 | 0.55 | 1 | 0.03 | |
| | | 116.00 | 118.00 | 2.00 | 2.00 | 4 | 0.14 | |
| KTRC781 | Emily Star | 164.00 | 166.00 | 2.00 | 0.42 | 1 | 0.05 | |
| | | 170.00 | 173.00 | 3.00 | 0.92 | 3 | 0.07 | |
| KTRC782 | Emily Star | 34.00 | 62.00 | 28.00 | 0.52 | 15 | 0.10 | |
| | | 116.00 | 117.00 | 1.00 | 0.60 | 1 | 0.03 | <i>Abandoned @ 123m</i> |
| KTRC783 | | | | 0.00 | | 0 | | |
| | | | | 0.00 | | 0 | | |
| | | | | 0.00 | | 0 | | <i>All assays pending</i> |
| KTRC784 | Emily Star | 32.00 | 35.00 | 3.00 | 0.52 | 2 | 0.01 | |
| | | 52.00 | 68.00 | 16.00 | 1.07 | 17 | 0.14 | <i>4m composites - resampled</i> |
| | | 109.00 | 129.00 | 20.00 | 0.50 | 10 | 0.04 | |
| KTRC785 | Emily Star | 60.00 | 72.00 | 12.00 | 1.44 | 17 | 0.12 | <i>4m composites - resampled</i> |
| | | 116.00 | 125.00 | 9.00 | 0.62 | 6 | 0.04 | |
| | | 133.00 | 147.00 | 14.00 | 0.84 | 12 | 0.09 | |
| | <i>including</i> | 133.00 | 141.00 | 8.00 | 1.13 | 9 | 0.13 | |
| KTRC786 | Emily Star | | | 0.00 | | 0 | | |
| | | | | 0.00 | | 0 | | |
| | | | | 0.00 | | 0 | | <i>All assays pending</i> |
| KTRC787 | Emily Star | | | 0.00 | | 0 | | |
| | | | | 0.00 | | 0 | | |
| | | | | 0.00 | | 0 | | <i>All assays pending</i> |
| KTRC788 | O'Neil | 64.00 | 67.00 | 3.00 | 1.34 | 4 | 0.31 | |
| | | 107.00 | 108.00 | 1.00 | 0.63 | 1 | 0.06 | |
| | | 123.00 | 145.00 | 22.00 | 0.49 | 11 | 0.19 | |

Note:

1. All intercepts length weighted & represent downhole widths.
2. Lower cutoff 0.2% copper, no upper cut applied.
3. Minimum intercept width of 1m.
4. Minimum reported intercept equivalent to 1m% copper.
5. Maximum internal dilution of 3m.
6. Duplicate & original sample analyses have been averaged.



Table 4: Karipi Significant Rock Chip Results

| Prospect | Au g/t | Ag g/t |
|--------------|--------|--------|
| North Karipi | 1120 | 54.4 |
| Liandinger | 220 | 55.7 |
| Karipi | 57 | 14.4 |
| Karipi | 55 | 25.5 |
| Karipi | 48.6 | 18.4 |
| East Karipi | 40.6 | 81.4 |
| Lake | 37.73 | 133 |
| Big Sulphur | 35.9 | 7.9 |
| Liandinger | 35 | 5.2 |
| Karipi South | 33.1 | 2.4 |
| Karipi South | 25.8 | 32.8 |
| East Karipi | 19.1 | 23.2 |
| Karipi South | 14.5 | 4.6 |
| Liandinger | 14.23 | 9.8 |
| North Karipi | 13.8 | 21.8 |
| Karipi South | 13 | 5.8 |
| Liandinger | 12.16 | 27 |
| North Karipi | 10.75 | 1.4 |
| North Karipi | 9.89 | 8.6 |
| Karipi East | 9.7 | 3.8 |
| Liandinger | 8.94 | 3 |
| Liandinger | 8.86 | 8.3 |
| Liandinger | 8.475 | 15.5 |
| Karipi South | 8.44 | 12.7 |
| Liandinger | 8.31 | 8.8 |
| Liandinger | 7.71 | 14 |
| Lake | 7.59 | 10.1 |
| North Karipi | 7.47 | 14 |
| North Karipi | 7.46 | 15 |
| North Karipi | 7.38 | 26.7 |
| Karipi | 6.59 | 1.7 |
| Karipi | 6.57 | 3.3 |
| East Karipi | 6.16 | 7.4 |
| North Karipi | 6.15 | 2.1 |
| North Karipi | 6.09 | 4.3 |
| East Karipi | 5.79 | 1.2 |
| Liandinger | 5.39 | 18.7 |
| North Karipi | 5.29 | 6.8 |
| Karipi South | 5.25 | 1.5 |
| Karipi | 5.01 | 14.1 |

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
Silver values calculated from multi element sweep using ICP analytical method
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia



Appendix 5B

Mining exploration entity quarterly report

Name of entity

Hillgrove Resources Limited

ABN

73 004 297 116

Quarter ended ("current quarter")

31 July 2011

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | 594 | 1,511 |
| 1.2 Payments for (a) exploration & evaluation | (1,928) | (3,795) |
| (b) development | (39,342) | (72,390) |
| (c) production | (312) | (665) |
| (d) administration | (1,660) | (3,093) |
| 1.3 Dividends received | 0 | 0 |
| 1.4 Interest and other items of a similar nature received | 1,903 | 3,083 |
| 1.5 Interest and other costs of finance paid | 0 | 0 |
| 1.6 Income taxes paid | 0 | 0 |
| 1.7 Other (Refunds from ATO/ others) | 1,200 | 1,200 |
| Net Operating Cash Flows | (39,545) | (74,149) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | | |
| (b) equity investments | (0) | (225) |
| (c) other fixed assets | (91) | (195) |
| 1.9 Proceeds from sale of: (a) prospects | 0 | 0 |
| (b) equity investments | 73 | 381 |
| (c) other fixed assets | 3 | 3 |
| 1.10 Loans to other entities | (72) | (140) |
| 1.11 Loans repaid by other entities | | |
| 1.12 Other (provide details if material) | | |
| Net investing cash flows | (87) | (176) |
| 1.13 Total operating and investing cash flows (carried forward) | (39,632) | (74,325) |

+ See chapter 19 for defined terms.

| | | | |
|------|--|----------|----------|
| 1.13 | Total operating and investing cash flows (brought forward) | (39,632) | (74,325) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 0 | 0 |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | 12,000 | 12,000 |
| 1.17 | Repayment of borrowings | 0 | 0 |
| 1.18 | Dividends paid | (0) | (0) |
| 1.19 | Other (provide details if material) | | |
| | Net financing cash flows | 12,000 | 12,000 |
| | Net increase (decrease) in cash held | (27,632) | (62,325) |
| 1.20 | Cash at beginning of quarter/year to date | 82,975 | 117,668 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 55,343 | 55,343 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 278 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | 1,836 |

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | | |
| 3.2 Credit standby arrangements | 30,000 | 12,000 |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|---------------|
| 4.1 Exploration and evaluation | 3,500 |
| 4.2 Development | 38,100 |
| 4.3 Production | 100 |
| 4.4 Administration | 1,330 |
| Total | 43,030 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 53,121 | 81,571 |
| 5.2 Deposits at call | 2,222 | 1,404 |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 55,343 | 82,975 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | |
| 6.2 | Interests in mining tenements acquired or increased | | | |

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--|---|--|--|
| 7.1 Preference +securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 793,698,575 | 793,698,575 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | ESOP ExSOP ESOP ExSOP ESOP ExSOP ESOP ExSOP ESOP ExSOP ESOP ExSOP Unlisted EOPR Unlisted EOPR | 200,000 500,000 870,000 1,500,000 200,000 147,685 10,000,000 4,720,000 8,000,000 4,595,000 | <i>Exercise price</i> \$0.40 \$0.575 \$0.38 \$0.26 \$0.34 \$0.00 \$0.30 \$0.00 \$0.40 \$0.00 | <i>Expiry date</i> 22/5/2012 28/6/2012 16/8/2012 22/1/2013 28/4/2013 1/7/2014 24/10/2011 24/9/2013 30/9/2011 30/6/2014 |
| 7.8 Issued during quarter | EOPR | 4,595,000 | \$0.00 | 30/06/2014 |
| 7.9 Exercised during quarter | | | | |

+ See chapter 19 for defined terms.

| | | | | | |
|------|---|--|--|--|--|
| 7.10 | Expired during quarter | | | | |
| 7.11 | Debentures <i>(totals only)</i> | | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | | | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 (Company Secretary)
 Print name: Russell Middleton

Date 31 August 2011

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.