

Thursday, 17 November 2011

PRODUCTION COMMENCES AT KANMANTOO

Hillgrove Resources Limited (ASX:HGO) is pleased to advise that first ore has now been delivered to the process plant at the Company's Kanmantoo Copper Mine project, and processing through the plant has commenced.

As previously advised, first ore throughput will be from stockpiled, crushed, relatively low grade ore, to test the plant and to optimise performance. It is expected that as the concentrate thickener fills, first concentrate production will be in several days. Once the plant has been optimised, ore feed will move to higher grade material (0.7- 0.9% Cu), of which about 300,000 tonnes is now stock-piled on the Run-of-Mine (ROM) pad, immediately adjacent to the crushing facility. It is expected that the transition to higher grade feed will occur within days rather than weeks.

The Managing Director of Hillgrove, Drew Simonsen, said "Last evening we commenced production through the mill at the Kanmantoo Project, after 12 months and two weeks of a scheduled 12 month construction project. By any measure, this is an outstanding result, and the Kanmantoo and broader Hillgrove team are to be congratulated on this accomplishment.

"The achievement of this milestone changes the company from 'developer' to 'producer' status. The combination of a producing mine at Kanmantoo, continuing exploration successes in the immediate vicinity of the Kanmantoo pit suggesting Life-of-Mine extension is very probable, and our portfolio of highly prospective Indonesian exploration properties sets the company up for a strong growth trajectory.

"We advised shareholders earlier this month that first production would be slightly delayed, and would commence mid-November, and we are pleased to announce that we have met this revised timetable," he said.

"Our next milestone is formal hand-over of the plant from the construction contractor, which we now expect in the next week, subject to meeting contractual performance criteria. First revenue is expected in December from our contracted off-take party, JP Morgan Metals & Concentrates LLC, and first shipment of concentrate out of Port Adelaide is expected early next year."

Mr Simonsen went on to say "I am excited by the number of revenue enhancing and cost reduction initiatives already identified by the very experienced process plant team, and these have the potential to benefit the operation in the next year or so.

"In addition, initial results from tonnage and grade reconciliations between mining production and the resource model are very encouraging, with grade in line with expectations, but substantially increased tonnages over those predicted by the block models – hence the size of the stockpile on the ROM pad.



HILLGROVE RESOURCES LIMITED

While much too early to extrapolate this experience to the whole resource, the results to date are very encouraging, with implications for strip ratio as well as providing the operation with added grade control flexibility.”

The company will transport copper concentrate from the mine to the port in custom made containers, which will be stored at the port for several weeks awaiting sufficient volume, and then subsequently loaded by emptying the containers into bulk ships. The company has taken the view that this is the most environmentally appropriate and economic option. 450 haulage and storage containers have been manufactured and are en route to Port Adelaide, due for arrival in late November.

“I’m very excited to say that Kanmantoo is now a producing mine. Our focus is now on filling those containers, and getting them to Port Adelaide to generate cash for the company and our shareholders.”

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. Kanmantoo 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

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, containing about 20,000 tonnes of copper metal and 10,000 ounces of gold per annum.

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:

Drew Simonsen
Managing Director
Tel: 0417 246 696