

Monday, 27 June 2011

## **BANKS APPROVE FIRST DRAWDOWN FOR KANMANTOO**

Hillgrove Resources Limited (ASX:HGO) is pleased to announce that the Company has been formally advised by its two Financiers, Macquarie Bank and Barclays Bank Plc, that the conditions precedent required for first drawdown on the AUD30 million senior funded debt facility for the Company's Kanmantoo Copper Mines project ("Kanmantoo" or the "Project") have been met.

The final equity injection to the Project, which is required to cover minimum balances and projected working capital requirements under the Project Loan Facility Agreement, will be made by Hillgrove from cash resources prior to first drawdown, expected at the end of July 2011.

This confirmation from the banks follows significant work undertaken by Hillgrove and third parties, including:

- a complete review of the Life-of-Mine plan and new pit optimisation undertaken by Hillgrove personnel, which should see slightly higher grades presented to the mill in the early years;
- incorporation of the new mine plan and pit optimisation results into the financial model used by Hillgrove (and built by Navigator Project Finance), and the banks;
- a review of the model inputs, project status, budget and schedule by an Independent Technical Expert (ITE), AMC Consultants, appointed for and on behalf of Macquarie Bank and Barclays Bank Plc;
- an independent audit of the financial model.

Hillgrove's Managing Director Drew Simonsen said "This third party review and analysis at such a late stage of development is a significant endorsement of the progress to date, and the outlook over the few remaining months of construction. It provides the company with added confidence that we will deliver the project on time and budget for first production of copper concentrate in November of this year. The Kanmantoo management team and staff are to be congratulated on achieving this milestone."

All major contracts for the construction phase of the development are now well underway or nearing completion, including the Tailings Storage Facility (TSF), the plant construction and re-assembly, and power and water infrastructure facilities.

Mr Simonsen said the next major milestones for the project will be delivery of power to the site, scheduled for 31 August, and water (through the now completed pipeline from Mt Barker) expected shortly thereafter: "With completion of this infrastructure we will then be able to commence pre-commission testing of completed elements of the ore processing plant, and this will continue throughout September and October."



“The company is absolutely focussed on bringing the Kanmantoo project into production on time and on budget later this year. This will be a demonstration to the market that we can manage the financing and development of a medium size operation and I hope the market responds accordingly. We are expecting first revenues from concentrate sales to be as early as late November. Given we now have just over 4 months to first production, we are entering an intensive and exciting phase in the development of Hillgrove from explorer to producer,” Mr Simonsen said.

Hillgrove has an off-take agreement for the Kanmantoo project with JP Morgan Metals and Concentrates which provides for early partial payment for concentrate product delivered to the port.

**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 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
<b>Total</b>	<b>32,192</b>	<b>0.9</b>	<b>0.2</b>	<b>3.2</b>	<b>292,200</b>	<b>191,100</b>	<b>3,313,600</b>

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

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