



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

OVERVIEW

Kanmantoo Copper/Gold Mine Project, South Australia

- Debt and equity financing has been arranged, hedging has been completed and construction has commenced and is rapidly advancing;
- Conditions Precedent to the provision of the non-funded bonding & guarantee facility have been met, and the facility has now been accessed by the Company;
- Conditions Precedent to access the funded loan portion of the Project Finance Facilities (expected to be required in June 2011) are being worked through; the major condition being an updated Bank Base Case financial model incorporating an updated, optimised mine plan. Expected in next few weeks.

Indonesia

- Exploration continued on the Company's Sumba and Bird's Head exploration properties in Indonesia;
- At Masu in south eastern Sumba, the wet-season and contractor unavailability has unfortunately delayed the planned aero-magnetic survey, which is now scheduled for March;
- At the Pelitalira prospect in the north-central (Tanah Daro) project area, our refurbished drill rig is on site, and scout drilling has commenced;
- At Bird's Head in West Papua, a drilling contractor has been chosen to undertake initial drilling of the West Delta prospect, with a drill rig en-route to site to commence a program in the near term, pending final approvals from central and regional authorities.

Corporate Activity

- Efforts continued to be directed addressing long outstanding issues of strategic importance to the company, narrow the focus of activities, and reduce non-core assets;
- In Indonesia, considerable work has been undertaken at a corporate level to convert the current JV arrangements, where Hillgrove has an 80% beneficial interest in the Sumba and Bird's Head prospects, into a formal corporate ownership structure. This involved conversion of the Indonesian "PT" companies holding the exploration licenses into a different form of company ("PMA"), allowing direct foreign ownership, as permitted under Indonesian law, and acquisition of the shares in those companies by subsidiaries of Hillgrove. Agreements giving effect to this structure were signed on 22 February 2011;
- A strategic review of the Company's interests and assets is underway, and assets deemed to be non-core will be divested;
- The market value of Hillgrove's investment portfolio is being managed downwards, and as at 31 January 2011 was approximately AUD 2.4 million;
- Cash on hand as at 31 January 2011 was AUD 118.1 million;



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

The Board of Hillgrove Resources Limited made a Final Investment Decision (FID) on the 29 October 2010, based on committed offers of finance from debt and equity providers. The financing commitments were subsequently completely documented and closed, and will fully fund construction and development of the Kanmantoo Copper/Gold Mine project through to production, as well as the exploration activities in Hillgrove's Indonesian projects for the next two years.

Following the FID by the Board, construction and reassembly of the Pillara Processing Plant commenced, as has mining pre-strip and ore stockpiling. Waste from our pre-strip operations is being used to form embankments for the Tailings Storage Facility (TSF) (Plate 1). Oxide and transition ore encountered in the pre-strip activity is already being stockpiled for later processing.

Project Funding Completed

Hillgrove announced it had successfully completed an AUD65 million equity raising on 29 October 2010, which consisted of two parts: an unconditional component and a conditional component that was subject to shareholder approval.

On 1 November the Company announced it had completed the unconditional component of the Equity Raising with the placement of 58,185,021 shares to institutional investors, raising approximately AUD14.5 million.

Following shareholder approval at the Company's Extraordinary General Meeting (EGM) held on the 3 December, the Company completed the conditional component of the Equity Raising and issued a further 201,814,979 shares to institutional investors, raising approximately AUD50.5 million.

The Company also received strong support for its Share Purchase Plan (SPP) announced on 28 October 2010. The SPP closed on 14 December, raising AUD12.7 million. The funds raised provide the company with additional comfort that construction at Kanmantoo can be achieved within available cash resources.

At FID, the Company signed a commitment letter for Project Financing Facilities with Barclays Bank and Macquarie Bank. The facilities provide for:

- AUD30 million in funded project debt;
- AUD20 million in non-funded bonding and guarantee facilities; and
- Associated commodity hedging lines.

With the assistance and support of the banks and the level of documentary work undertaken prior to FID, the Company's commodity hedging program commenced immediately after FID, and in advance of the formal loan documentation which was ultimately signed on 1 December 2010. All hedging was completed on 3 December.

The Project Financing terms and conditions required the Company to sell forward 40,000 tonnes of copper in concentrate over the debt term of about 40 months, commencing in June 2012. This represents approximately 50-55% of the projected output of copper metal for the company during this period. Production is scheduled to commence in November 2011, approximately seven months prior to first forward sales commitments.

The Company achieved an average hedge price of AUD 8,230/tonne, net of credit margin to the Project Finance banks who undertook the hedging under the management of the Company's risk management advisor, Noah's Rule. The gross price was at or about all-time highs for copper price at the time.

Plate 1. TSF Embankments Being Constructed



The Company also took out 7,000 tonnes of put options to underpin revenue during the important ramp-up phase following commissioning. These puts were executed on a deferred premium basis at AUD7,500/tonne for about 4,000 tonnes, and outright for the residual at the same strike, with the premium for the outrights offset by cashing in the swaption previously purchased by the Company.

While the Swaption purchased earlier decayed to not much more than time value given the ramp-up in copper price during the period, the importance of the original decision to purchase the swaption cannot be understated – it was a masterstroke in that it underpinned the whole hedging execution strategy which we developed with Noah's Rule and the banks.

All hedging has been executed back into Australian dollars (AUD). Debt will be drawn in AUD, and it is proposed the Company will convert unhedged revenue, albeit USD based, into AUD as and when received, within strict policy guidelines established by the Board.

No gold or silver hedging has been undertaken. Historical operations provide no data on gold and silver recoveries to the concentrate – no doubt a function of relatively little interest in these by-products because of low prices at the time (early to mid-1970's). While confident in the predictions of our metallurgical testwork, which indicate significant gold and silver credits are likely, management has concluded that empirical evidence from operations should be obtained before any consideration of hedging; notwithstanding the recent strong price performance of these by-products.

With the hedging prices we have achieved, and applying prevailing copper, gold and silver prices for the unhedged portion of production, the financial outlook for the project appears very robust.

The Company is now working towards satisfaction of the Conditions Precedent to enable drawdown of the funded loan facility of AUD30 million, not expected to be required until June 2011. The key CP is a complete update and reoptimisation of the mine plan, with the results incorporated into the Company's financial model for the project, and subsequent submission of the Bank Base Case for review and approval by the Independent Technical Expert (ITE). In addition we need to evidence to the ITE's satisfaction that the Cost-to-Complete the project is adequately covered by available funds, which includes the funded debt facility from the project lenders. We expect the ITE process to be completed in April 2011.

Project Milestones

Following FID, to enable construction to commence immediately, the company posted AUD16.75 million in cash to the Project Lenders to secure the issuance of an environment performance bond to PIRSA, which is required to be maintained over the life of the project. On 19 January 2011, following formal signing of the loan agreement, the company satisfied the Conditions Precedent (CP) to the availability of the non-funded bonding and guarantee facility provided by the Project Lenders and the AUD16.75 million was released back to the Company.

Subsequently, the company has posted a total of AUD91 million in cash as security to the Project Lenders, which together with the funded loan facility of AUD30 million, should enable completion of the Project within the total budget of AUD121 million (including contingency).

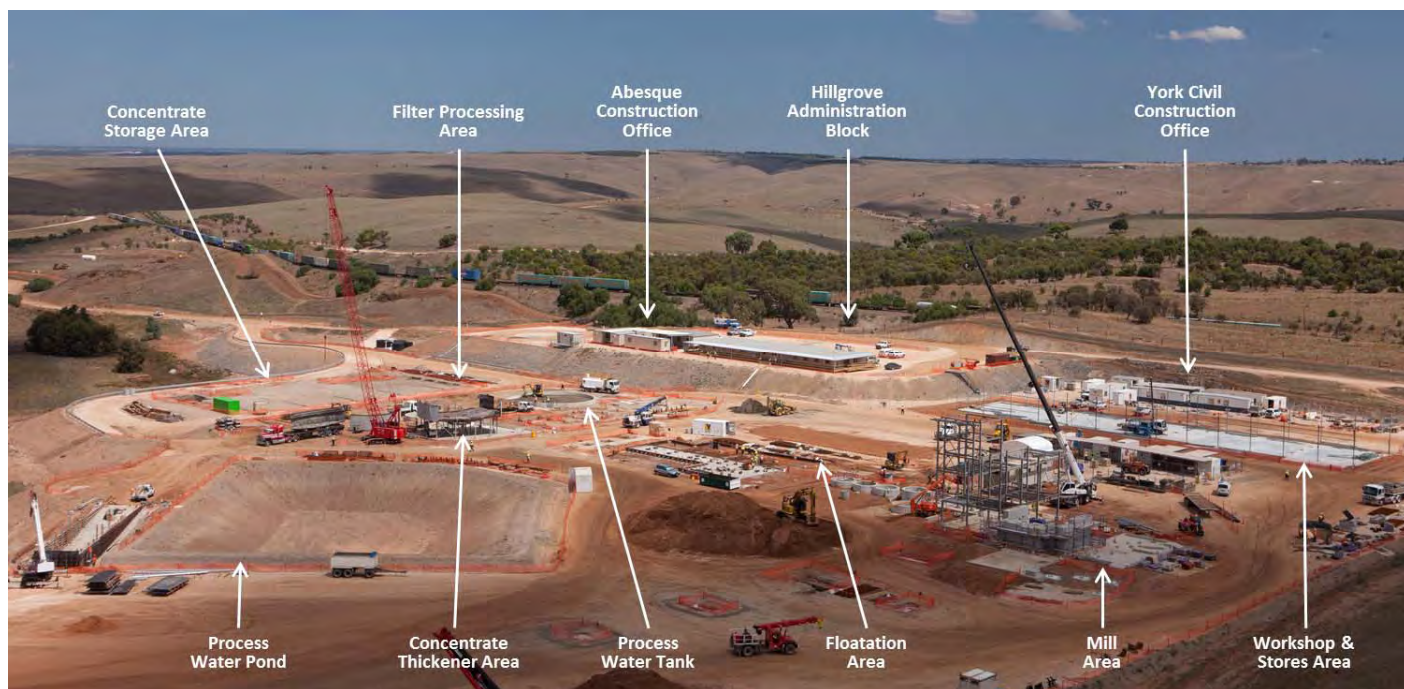
The ElectraNet Transmission Connection Agreement (TCA) was executed with ElectraNet in December 2010. Under the TCA, a performance bond is required for AUD3.25 million for the life of the contract (8 years), which has now been provided under the non-funded project bonding and guarantee facility. In addition, cash payments will be required for a total of AUD7.685 million during the construction period ending on 31 August 2011. These payments have previously been reported as cash backed bond requirements for ElectraNet but the Company has elected to make the payments now.

At the end of January, because of the preliminary site works undertaken ahead of FID, construction of the plant is progressing well and in parallel across a number of discrete components of the plant. Construction risk was identified as a key risk for the Company at a very early stage (prior to FID) and Parsons Brinckerhoff have been appointed on a fee and incentive based contract to provide project management oversight of construction.

The focus of the company is on successfully bringing the Kanmantoo project into production, on time and on budget. At this stage there is no reason to believe that commissioning cannot commence in November, as scheduled, and that costs to complete will be within the total budget of AUD121 million (including contingency). This will provide a clear demonstration of the capabilities we have established over the past year in preparing for the construction period.

Construction of Process Plant

Plate 2. Processing Plant Construction Area, Kanmantoo Copper Mine



The Kanmantoo project has seen a successful ramp-up of construction activities, both on and offsite, since the announcement of FID. Over 90,000 hours have been worked to date and we are proud to report there have been no serious injuries or industrial relations incidents to date. The safety of our workforce and the communities that we operate in is our highest priority. The project has implemented a stringent Fitness for Work Policy, including daily blood alcohol testing and random drug testing of personnel. An ongoing program of maintaining high housekeeping standards and the identification and rectification of hazards within the changing workplace is a priority for all. The project has also had no breaches of environmental licence or lease conditions.

Parsons Brinckerhoff has been retained as Project Managers of all aspects of plant reassembly/construction and infrastructure construction. They have a team of eight on site, with Administration, Contracts, Controls, Safety, Electrical and Mechanical supervisors. While safety is paramount, tight cost and schedule control is critical.

The principal contractor for the reassembly, construction and commissioning of the former Pillara processing plant is Abesque Engineering, who were responsible for dismantling and transporting the Pillara plant to site. Abesque, together with their major subcontractors, York Civil and Cimeco Construction, mobilised to site within two weeks of FID. Physical progress for the processing plant is at 25% and on schedule and financial performance is on budget or well within contingency allowances.

Highlights are completion of the mill foundation pedestals and the first steel erection in the Mill Area (Plate 3). All the offsite procurement and construction activities (including the secondary cone crusher, regrind mill, the Cyclone Cluster and the refurbishment of HV electrical equipment) are also on schedule, with no identified delays likely to impact the construction program.

Plate 3. Mill Area Civil Works with Foundation Pedestal (centre)



The purchase of the Pillara plant removed a key element of construction risk – scheduling delivery and logistics for plant components – since almost all the plant is located on site and is being moved, refurbished and re-erected as required.

The Mining contractor, Exact Mining Services (EMS) also mobilised to site within two weeks of FID, with the first blast within the pit area occurring on the 1 December 2010. Major milestones to date include:

- the establishment of all major mining haul roads;
- completion of the mining hard stand and initial workshop facilities;
- site clearing and preparation of the foundations, and laying of the initial piping system for the tailings storage facility (TSF).

The focus of the pre-strip activity has been to access clean rock-fill to be used for the construction of the earth embankment walls for the TSF, whilst establishing access to the initial sulphide ore feed to be used for commissioning of the plant. Approximately 45,000 tonnes of oxide ore has been recovered to date and stockpiled for later processing.

The major offsite infrastructure is also progressing well with the reclaimed water pipeline from Mt Barker to site over 30% complete, our private site access road (to bypass the township of Kanmantoo) over 70% complete, and the major long lead items for our power connection all on site. ElectraNet and their contractors are due to mobilise to site and start construction in early February. The scheduled date for 'energisation' of the site is the 31 August 2011, well in advance of plant commissioning scheduled for November 2011.

The permanent administration block on site was completed in late January and is now occupied by the site management, administration and technical personnel. On the 2 February the former South Australian Minister for Mineral Resources Development, Paul Holloway, officially opened the block to mark the first stage of the construction process being completed. The event was well attended by the media, Board, staff and guests.

Plate 4. Minister Paul Holloway on a Site Tour (L-R Cam Schubert, General Manager – Kanmantoo; Nicole Cornes, Minerals Adviser; Minister Paul Holloway; Hon. Dean Brown, Chairman and Drew Simonsen, Managing Director)



The Project has seen a ramp up of personnel (both employees and contractors) since FID, including the addition of over 20 direct Hillgrove employees and 180 contractor employees.

Hillgrove is implementing a Local Hire Policy and outcomes of this to date include the hiring of 8 local employees (40% of total new hires from the zoning between Mount Barker and Murray Bridge), plus 464 new applicants in total since FID (51% of those have been from local people – Callington/Kanmantoo = 46 (or 10%), Murray Bridge to Mount Barker = 190 (or 41%)).

Exploration Review

Exploration programmes undertaken by both Hillgrove and previous owners have identified numerous copper and other base metal/gold occurrences within the Kanmantoo tenure package. Hillgrove wishes to maximise its investment in Kanmantoo by ensuring all potentially economically viable copper resources within its tenure are evaluated, prioritised and explored/developed; with highest priority given to opportunities capable of delivering resources for additional mill feed for the Kanmantoo ore processing operation.

A strategic review of the Kanmantoo exploration program was conducted during January 2011 involving key geological and management staff from across the Hillgrove organisation. The focus of the workshop was to review the work conducted to date and develop a plan and recommendations for management and the Board.

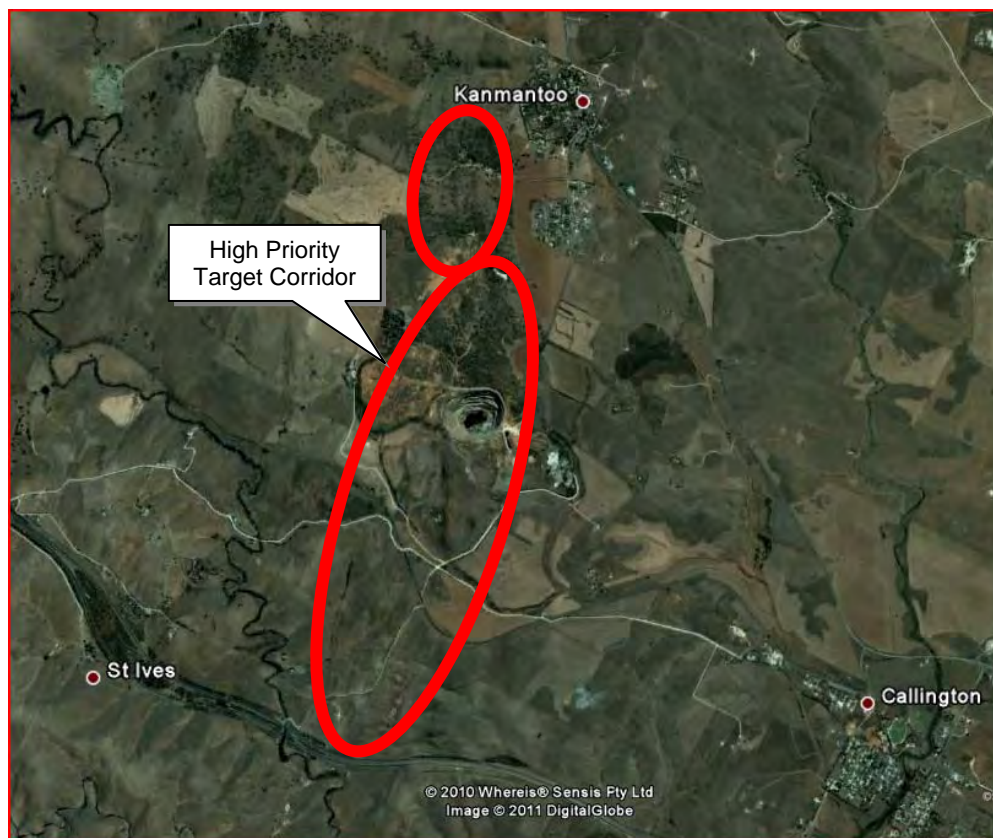
An immediate outcome of the review workshop was the appointment of the key role of Exploration Manager for the Kanmantoo Region. Pat Manogue joins Hillgrove from his previous role as Country Manager – Solomon Islands for a private Canadian resources company.

The primary objective of the exploration program is to add to open pit resources for the Kanmantoo mine and process plant. The obvious target priorities fall within the mining lease ML6345, as the grade hurdle will be less sensitive to transportation costs and in all probability easier to accommodate as a development proposal by way of variation to existing granted mining/environmental permits.

Given the local grade profile of copper mineralisation discovered to date being circa 1% Cu or less, the initial focus on definition of additional resources will principally be in the top 150m profile and not on the down dip/plunge extensions of known mineralised bodies which may be amenable to possible underground development. Underground potential will fall into a deferred category for the time being, with commitment to review opportunities in due course.

Priority will be given to further exploration of potential extensions to, or the closing off of the existing Kanmantoo/Emily Star resources. This will require close consultation and liaison with the mine planning engineers to define targets and prioritise drilling requirements. This effort will be particularly relevant if successful drilling has the potential to influence the current or re-optimised mine plan/schedule.

Plate 5. High priority target corridor along strike from existing mine workings



Secondary priority will be given to a thorough evaluation of all significant drill intersections and anomalous surface geochemical values within ML6345 for ranking and follow up exploration. Third ranking targets will be copper exploration targets outside the ML, in the wider exploration licence.

INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

Plate 6. Exploration Project Locations in Indonesia



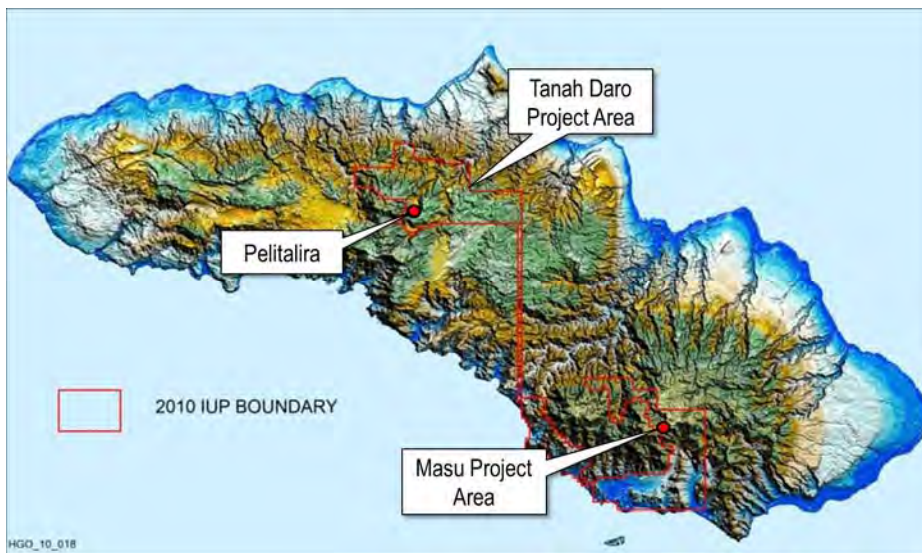
**SUMBA GOLD PROJECT, INDONESIA
IUP 322/KEP/HK/2009**

Hillgrove is an 80% beneficial shareholder in PT Fathi Resources, which holds IUP 322 on the island of Sumba. Hillgrove is responsible for the sole funding and management of all exploration and development activities, up to a decision to mine. The IUP Explorasi (Exploration and Mining Business Licence) covers 999km² and is valid for a period of six years (Plate 7).

The Island of Sumba is covered in recent marine sediments that effectively mask and preserve highly gold-prospective underlying volcanic units. Erosion of this sedimentary cover has created windows through to underlying volcanic lithology, where we are focusing our exploration efforts.

Exploration activities this quarter consisted of trenching, soil sampling and geological mapping within the Masu and Tana Daro projects. No drilling was undertaken this quarter.

Plate 7. Sumba Elevation Model and IUP Boundary



Masu Project

The Masu Project is located in the south-eastern portion of the IUP, where significant gold values were encountered in earlier surface sampling and drilling. Exploration within the Masu project this quarter focussed on extending the coverage of geological mapping over untested regions of the project area, extending geochemical soil sampling over prospective volcanic sequences, infill soil sampling and trenching over soil gold anomalies and evaluation of recent drilling data.

Surface Geochemistry Sampling

Soil sampling over the Masu Project now covers over 10km² identifying 17 high priority gold anomalies to date. Soil sampling continues to discover and delineate quality gold targets for follow up trenching ahead of drill testing in the near future.

Routine and systematic rock chip sampling undertaken to evaluate soil gold anomalies, in conjunction with regional geological mapping, continues to encounter highly anomalous gold (\pm silver) values associated with hydrothermal alteration.

High-grade gold values encountered at the Lake Prospect (**up to 352. g/t Au**) relate to a series of epithermal quartz veins exposed at the contact position with overlying sediments. From mapping and earlier observations, it is clear that mineralised vein systems continue under sedimentary cover, which in this area is patchy and relatively thin. Significant rock chip sample results are presented in Table 1 of the Appendix.

Due to the Christmas break and onset of the wet season, trenching activities were reduced this quarter and kept to areas considered safe to operate in. Trenching at Masu largely concentrated on assessing anomalous gold values at the Okanjara and North Pahandanjaj prospects, with better results presented in Table 2 below.

Table 2. Masu Project Trenching Significant Gold Intercepts

Project	Prospect	Trench ID	East	North	RL	Length	Intercept	Ag g/t
MASU	Okajara	MATRFT042	204327	8884642	1010	206	5.00 m @ 0.56 g/t Au	1.6
MASU	Okajara	MATRFT048	204194	8884735	978	65	2.00 m @ 0.84 g/t Au	6.1
MASU	Pahandanjaj	MATRFT049	204020	8882695	900	68.4	4.00 m @ 1.93 g/t Au	17.35
MASU	Pahandanjaj	MATRFT050	204139	8882545	907	60	10.00 m @ 0.91 g/t Au	3.58
MASU	Pahandanjaj	MATRFT051	204160	8882400	896	30	5.00 m @ 0.54 g/t Au	0.4
							2.00 m @ 0.58 g/t Au	0.1
MASU	Pahandanjaj	MATRFT052	204161	8882461	916	33	6.00 m @ 0.53 g/t Au	2.7
MASU	Pahandanjaj	MATRFT054	204216	8882471	884	45	5.00 m @ 1.02 g/t Au	0.3
MASU		MATRFT059	204053	8882025	781	34.3	1.50 m @ 3.15 g/t Au	103
MASU	Pahandanjaj	MATRFT101	203588	8881033	640	28	1.00 m @ 2.33 g/t Au	3.7
							1.00 m @ 0.65 g/t Au	2.9
							1.00 m @ 8.78 g/t Au	20.8
MASU	Pahandanjaj	MATRFT102	203563	8881085	680	46	5.00 m @ 2.98 g/t Au	8.8
							2.00 m @ 1.04 g/t Au	0.4
MASU	Pahandanjaj	MATRFT103				25	3.00 m @ 1.58 g/t Au	8.57
MASU	Pahandanjaj	MATRFT104	203638	8881062	680	36	6.00 m @ 1.71 g/t Au	2.2

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 0.5g/t Au cut off
East Sumba datum: WGS84 Zone 51 Southern Hemisphere
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

Surface exploration has now delineated widespread gold anomalies within a corridor some 9km long, defining 17 high priority targets (the largest of which extends over 1.5km in strike length). Numerous secondary-order soil gold targets were also identified, confirming the prospectivity of the project area. It is considered highly encouraging that first-pass exploration continues to discover and delineate numerous gold targets for future drill testing (Figure 1).

Geophysics

Unfortunately, the planned aeromagnetic and radiometric survey over Masu has been delayed by contractor unavailability and poor weather conditions associated with the onset of the wet season. We now plan to commence this survey in late March.

Tanah Daro Project – Pelitalira Prospect

The Pelitalira prospect is located in Central Sumba within the Tana Daro Project area. Pelitalira is easily accessed from the main sealed highway connecting the regional centres of Waingapu and Waikabubak. Exploration this quarter focussed on extending soil sampling coverage over the Pelitalira Hill prospect, geological mapping and reconnaissance of the prospect region, rock chip sampling and trenching.

Surface Geochemistry Sampling

Soil sampling has delineated two distinct gold anomalies over the Pelitalira Hill with gold values up to 19.95 g/t Au. Gold anomalism is related to a highly silicified hillside, stockworked with sheeted quartz veins and breccia zones. Strong to very intense hydrothermal alteration of host rock volcanic units is widespread. Soil sampling is currently being extended towards the north, where additional outcrops of highly altered volcanic lithology in association with sheeted quartz and tourmaline occur.

Plate 8. Pelitalira Prospect Looking NW



Trenching continued this quarter over initial soil gold anomalies. Significant gold intercepts in trenching are presented in Table 3 below. Trench TDTR02 sampled across the Waterfall Vein; an exposed quartz vein with earlier-announced rock chip sample assays to 72 g/t Au. Trench sampling returned an intersection of 12m @ 8.3 g/t Au (not true width). Results to date indicate significant gold ± base metal mineralisation associated with quartz veining and hydrothermal alteration at Pelitalira.

Table 3. Pelitalira Prospect Trenching Significant Gold Intercepts

Project	Prospect	Trench ID	East	North	RL	Length	Intercept Au g/t	Ag g/t
Tanah Daro	Pelitalira	TDTR01	803384	8933810	562	152	20.00 m @ 1.72 g/t Au	7.25
							5.00 m @ 0.70 g/t Au	1.3
Tanah Daro	Pelitalira	TDTR02	803726	8933800	577	192	4.00 m @ 1.4 g/t Au	<
							12.00 m @ 8.3 g/t Au	193
Tanah Daro	Pelitalira	TDTR04	804003	8938397	506	60	2 m @ 1.9 g/t Au	<
Tanah Daro	Pelitalira	TDTR07	803910	8934344	502	34	2.00 m @ 0.85 g/t Au	6.4
							4.00 m @ 0.65 g/t Au	14.8
							2.00 m @ 0.80 g/t Au	13.4

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 0.5g/t Au cut off
 East Sumba datum: WGS84 Zone 51 Southern Hemisphere
 Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

Sufficient information is now available to commence an initial scout drilling programme, testing gold anomalies and better trenching results.



Next Steps

We are now in a position to mobilise drilling equipment to Pelitalira to undertake a scout drilling programme, which will commence in late February (Figure 3).

Regional reconnaissance exploration of the Tana Daro Project is ongoing, comprising mapping, rock chip and soil sampling.

Ongoing exploration at Masu continues to generate gold targets that will be prioritised for drill testing in the coming quarter.

The airborne geophysical survey initially planned for this quarter will be undertaken this coming quarter.

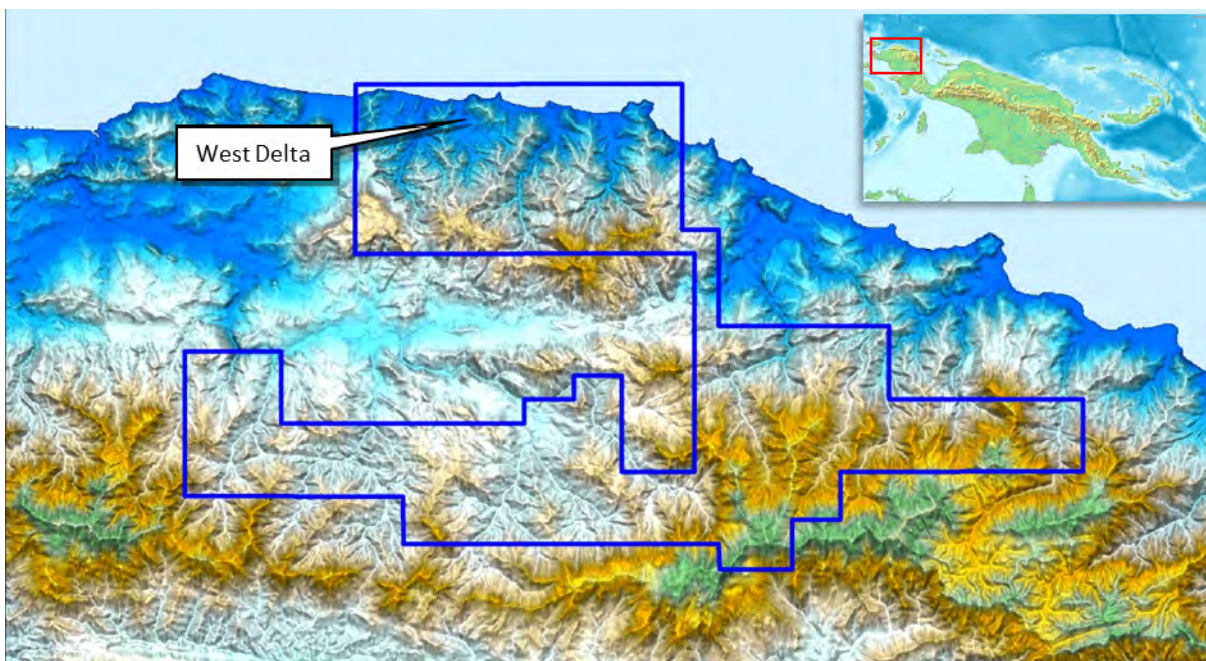
Several areas of the IUP remain untested and regional reconnaissance exploration is scheduled to commence this coming quarter to evaluate prospectivity of these areas.

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

IUP40/2010

(Hillgrove 80%)

Plate 9. Birds Head Project IUP Boundary



Hillgrove is an 80% beneficial shareholder in PT Akram Resources which holds IUP40/2010 in the Bird's Head region of West Papua (Plate 9). 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 valid for a period of six years.

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

Exploration Results

Geological mapping, surface channel and rock chip sampling continued this quarter within the West Delta prospect area.

Exploration activities concentrated on mapping the extent of porphyry-related alteration and copper mineralisation, which appears to be centred on the Green Cliffs area. Detailed trench sampling was carried out to the northeast of the Green Cliffs area to further delineate the extent and style of mineralisation and alteration. This work has uncovered further structurally controlled copper mineralisation within moderate propylitic altered monzonite. Significant intersections are present below in Table 4.



Table 4. Green Cliffs Trenching Significant Copper Intercepts

Prospect	Trench ID	UTM East	UTM North	RL (?)	Total Length	Intersection (x m @ y% Cu)
West Delta	WDT-42	234644	9956986	223	32	32m @ 0.73% Cu including 20m @ 0.95% Cu
West Delta	WDT-43	234652	9956905	295	56	52m @ 0.35% Cu including 12m @ 0.75% cu
West Delta	WDT-46	234770	9956788	298	10	
West Delta	WDT-47	234502	9956902	290	164	132m @ 0.29% Cu including 18m @ 0.65% Cu
Tawon	WDT-48	234683	9957349	197	112	24m @ 0.36% Cu
West Delta	WDT-49	234515	9956974	229	152	32m @ 0.2% Cu
West Delta	WDT-50	234772	9956798	298	154	
Tawon	WDT-51	234561	9957430	220	132	
Tawon	WDT-52	234945	9957582	216	224	54m @ 0.48%Cu including 22m @ 0.97% Cu
West Delta	WDT-53	234386	9956462	258	111	

Note: Gold values are derived from an average of up to 3 repeats using fire assay method.
Copper and molybdenum values are derived from a multi element sweep using ICP method.
Datum used for the Birds Head Project is WGS 84 Zone 53.
Significant intercepts calculated as weighted average, maximum of 2m internal waste at a 0.3 Cu% cut off
Analysis completed by Intertek Laboratories, Jakarta.

Copper mineralisation discovered in these latest trenches appears to be associated with a series of predominantly northwest trending structures.

Rock chip sampling in conjunction with geological mapping continues to encounter strongly anomalous copper values. Significant assays are presented in Table 5 below.

Table 5. Significant Rock Chip Assays

SampNo	Prospect	Easting	Northing	Cu %	Au g/t	Mo ppm
1483	West Delta	234642	9956985	0.93	0.14	86
1484	West Delta	234640	9956984	1.64	0.26	58
1485	West Delta	234638	9956983	1.08	0.14	13
1486	West Delta	234637	9956982	1.46	0.13	101
1487	West Delta	234635	9956982	1.53	0.3	46
1491	West Delta	234627	9956981	1.18	0.25	12
1497	West Delta	234616	9956979	0.92	0.01	153
1604	West Delta	234669	9956910	1.08	0.07	35
1605	West Delta	234671	9956910	1.49	0.24	377
1606	West Delta	234672	9956910	0.82	0.11	75
1612	West Delta	234682	9956910	0.90	0.06	18
1723	West Delta	234701	9957351	0.79	0.24	93
1742	West Delta	234731	9957353	0.91	0.06	7
1641	West Delta	234527	9956900	1.30	2.88	73
1651	West Delta	234544	9956902	1.34	0.23	99
1657	West Delta	234554	9956902	2.12	0.85	23
1658	West Delta	234556	9956902	0.79	0.38	7
1700	West Delta	234625	9956911	0.68	0.06	6
1801	West Delta	234627	9956911	0.52	0.06	9
1883	West Delta	234614	9956983	0.56	0.01	42

Note: Gold values are derived from an average of up to 3 repeats using fire assay method.
Copper and molybdenum values are derived from a multi element sweep using ICP method.
Datum used for the Birds Head Project is WGS 84 Zone 53.
Analysis completed by Intertek Laboratories, Jakarta

Geological mapping, historical soil sampling, aeromagnetic survey results and trenching have now provided sufficient information about West Delta for us to conclude there is one, if not several porphyry systems present in the West Delta area.

We can see from alteration mapping that zonation intensity increases towards Green Cliffs, which forms the core of the target area. Remnant lithocap material on high ridge tops indicates that the system is partially eroded, but we do not see the porphyry outcropping.

To test these targets, we plan to have capacity to drill deep holes to test the width and depth of the porphyry systems to gain an initial understanding of the geology, alteration zonation at depth and the distribution of copper mineralisation (Figure 3).

Site works and logistical planning have now commenced to facilitate planned drilling at West Delta. Tenders for the drilling contract have closed and a contractor selected. In conjunction with this process, we are currently obtaining the necessary permits required to undertake drilling activities at West Delta.

Next Steps

Mapping and sampling of target areas will expand towards the south into adjacent drainages, where strong copper anomalies in stream sediment sampling, float rock and soil sampling indicate the presence of additional porphyry targets. We are currently establishing reconnaissance fly camps to facilitate these activities.

Planning for drilling at West Delta has commenced. It is likely commencement of drilling will be towards the end of this coming quarter, with a nominal 5,000m programme planned to test porphyry targets down to 650m depth.

INTERMET RESOURCES LIMITED **(Hillgrove 84.8% Shareholding)**

Highlights from the Intermet Resources Quarterly report are as follows:

Kalimantan Bauxite

Results of sampling undertaken within the Landak licence area indicate the presence of widespread gibbsitic bauxite in the southern portion of the licence. Bauxite averages 3m in thickness and is generally best developed as a draped formation over gently undulating topography within an 18km² area.

Exploration has shifted to the Tayan South licence area, where socialisation and test pitting continues. Initial test pitting in the southern area of Ngbung has encountered widespread bauxite averaging ~4m in thickness, with maximum grades over 54% Al₂O₃.

Exploration is ongoing, following up these encouraging results.

No work was conducted on either the Queensland or South Australian tenements.

HILLGROVE CORPORATE

Equity Raising Overview

Hillgrove announced it had successfully completed the A\$65 million equity raising on Friday, 29 October 2010. The Equity Raising consisted of two parts, an unconditional component and a conditional component that was subject to shareholder approval. On 1 November 2010 the Company announced that it had completed the unconditional component of the Equity Raising with the placement of 58,185,021 Shares to institutional investors, raising approximately AUD14.5 million.

Following shareholder approval at the Company's Extraordinary General Meeting (EGM) held on the 3 December 2010, the Company completed the conditional component of the Equity Raising and issued a further 201,814,979 shares to institutional investors, raising approximately AUD50.5 million. The number of shares on issue upon completion of the Conditional Placement was 742,618,890.

Share Purchase Plan

The Company received strong support for its Share Purchase Plan (SPP) announced on 28 October 2010 that closed on 14 December, raising AUD12.7 million. The opportunity to invest was taken up strongly by the Company's existing shareholders with over 1,285 applications received (approx. 18.4% of all shareholders). The price for shares issued was 25 cents per share, with new shares being allotted on 21 December 2010. A total of 50,932,000 new shares were issued to participating eligible shareholders under the SPP.

The funds raised provide the company with additional comfort that construction of Kanmantoo can be achieved within available cash resources. In addition, the funds also allow Hillgrove the opportunity to consider additional strategic investments in the Company's asset portfolio. These opportunities may include exploration in and around the Kanmantoo Copper Project or by making further investments that fit within Hillgrove's tightened strategic focus and Indonesia in particular.

Completion of ESG Sale Conditions

Under the agreement for the sale of Hillgrove's stake in Eastern Star Gas Limited (ASX:ESG) on the 15 July 2009, a provision was made 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. The deadline has now expired completing all aspects of the deal which placed Hillgrove in an enviable financial position during a very difficult global financial period, and 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 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 32.2Mt (2.3Mt Measured, 22.5Mt Indicated and 7.4Mt Inferred) grading 0.9% copper and 0.20g/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 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 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.

For more information contact:

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Company Secretary
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Table 1. Masu Project Significant Rock Chips

Prospect	Sample No.	UTM E Z51	UTM E Z51	Au g/t	Ag g/t
Big Sulphur	MARK009126	202758	8887111	7.92	18
Big Sulphur	MARK009129	203296	8887617	17.5	8.3
Big Sulphur	MARK009450	202771	8887072	4.77	2.3
Big Sulphur	MARK009451	202731	8886934	2.27	3.8
Kanjilu	MARK006690	203250	8887646	8.67	6.8
Kanjilu	MARK006692	202871	8888015	17.7	24.3
Kanjilu	MARK006693	202355	8888628	2.12	12.7
Kanjilu	MARK009186	201972	8888209	14.6	10.8
Kanjilu	MARK009191	202319	8888772	5.66	4.7
Kanjilu	MARK009195	202570	8888204	3.59	1.2
Kanjilu	MARK009196	201696	8887076	1.46	2.1
Kanjilu	MARK009197	203334	8887530	3.78	41.5
Kanjilu	MARK009198	203286	8887700	3.82	306
Kanjilu	MARK009200	202487	8887095	2.58	5.4
Kapumbung	MARK009309	201395	8886222	1.11	4.3
Lake Prospect	MARK12168	204216	8882295	2.22	36.1
Lake Prospect	MARK12169	204246	8882290	3.19	1.8
Lake Prospect	MARK12177	204078	8882033	1.59	52.3
Lake Prospect	MARK12179	204087	8881994	2.34	5
Lake Prospect	MARK12181	204084	8881990	1.27	5.6
Lake Prospect	MARK12182	204088	8881972	2.74	3.8
Lake Prospect	MARK12183	204149	8881865	352.5	163
Lake Prospect	MARK12184	204289	8882231	7.72	80.1
Lake Prospect	MARK12185	204303	8882112	11.5	58.6
Lake Prospect	MARK12188	205172	8881539	5.68	33.8
Lake Prospect	MARK12189	205237	8881478	2.31	3.5
Meteor	MARK009345	211151	8893020	2.84	2.3
Meteor	MARK009350	210408	8892527	4.10	1.9
Meteor	MARK009361	211274	8892798	6.00	4.6
Narrow Ridge	MARK009096	201032	8885539	2.69	0.8
Narrow Ridge	MARK009473	203579	8885084	1.17	3.2
Narrow Ridge	MARK009474	203640	8885121	4.15	9.6
Narrow Ridge	MARK009477	203579	8885151	10.25	13.6
Narrow Ridge	MARK009483	203644	8885132	5.41	6.6
Narrow Ridge	MARK009493	203556	8885114	1.06	1.55
Nggongi Road	MARK009055	196714	8872040	9.50	1.6
Nth Pahadanjaj	MARK009051	204226	8882450	1.07	5.7
Nth Pahadanjaj	MARK009052	204073	8882652	1.66	50.4
Swamp	MARK009100	203507	8885997	73.00	29.2
Swamp	MARK009101	203502	8886005	5.00	7.6
Tanah Asin	MARK12201	202839	8886100	1.27	0.4
Tawon	MARK009074	200979	8886004	1.26	69.6
Tawon	MARK009083	201032	8885539	2.49	1
Tawon	MARK009356	200957	8885713	4.42	8.9
Tawon	MARK009366	200968	8885871	24.35	21
Waiwou Quarry	MARK009137	185839	8872149	23.85	9.2
Waiwou Quarry	MARK009141	185881	8872120	1.92	62.4
Wild Rooster	MARK009066	200019	8887237	1.6	2.1
Wild Rooster	MARK009067	200003	8887255	1.63	15.8
Wild Rooster	MARK009069	199979	8887288	1.27	0.9
Wild Rooster	MARK009070	199963	8887382	3.94	28.4
Wild Rooster	MARK009071	199963	8887417	1.11	21.4
Wild Rooster	MARK009367	200968	8885871	1.52	14.2
Wild Rooster	MARK009381	200074	8887488	7.13	56.6

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 0.5g/t Au cut off
East Sumba datum: WGS84 Zone 51 Southern Hemisphere
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

Figure 1. Masu Project Generalised Geology with Significant Rock Chip and Soil Gold Anomalies

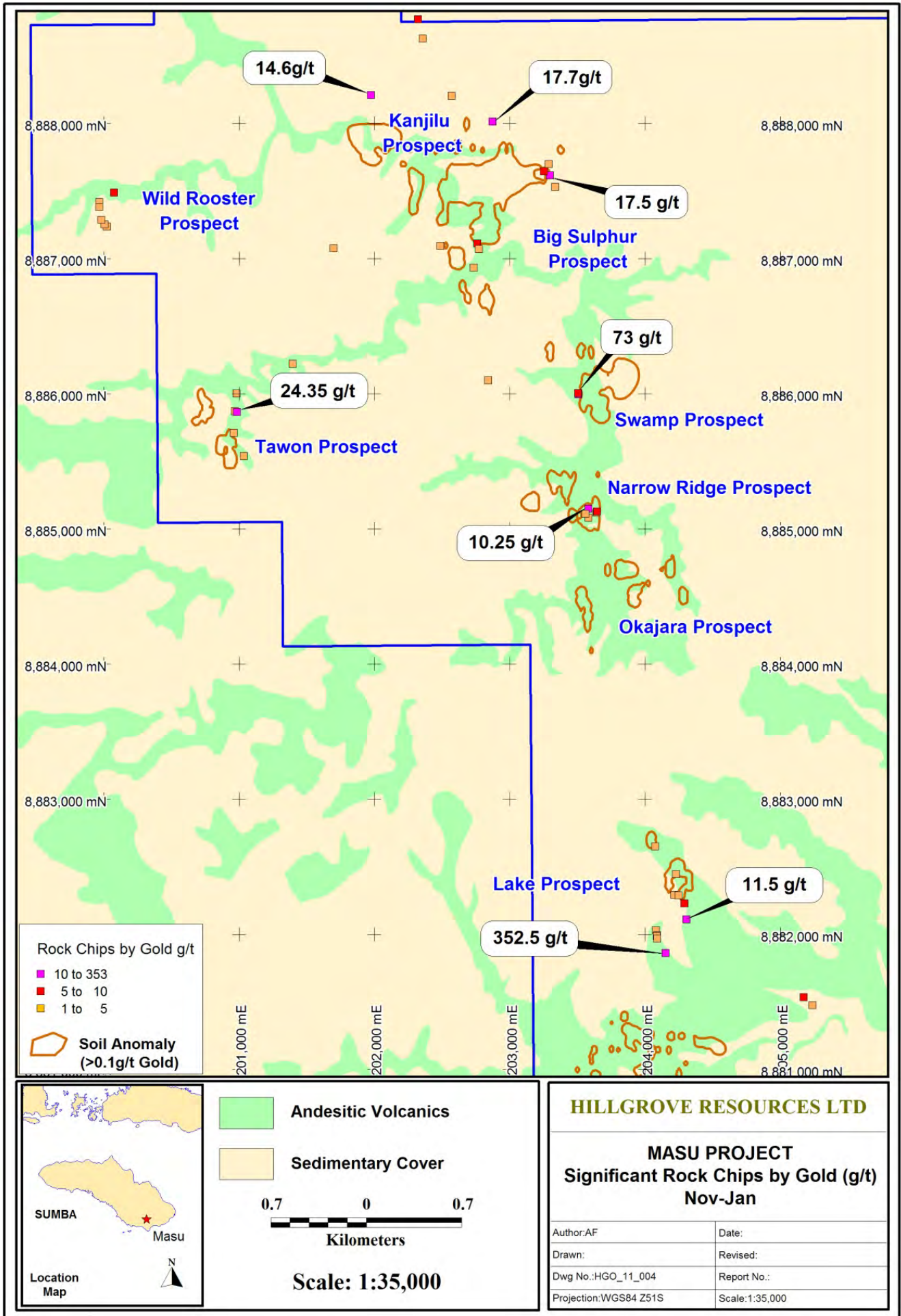


Figure 2. Pelitalira Soils, Rocks And Trenching

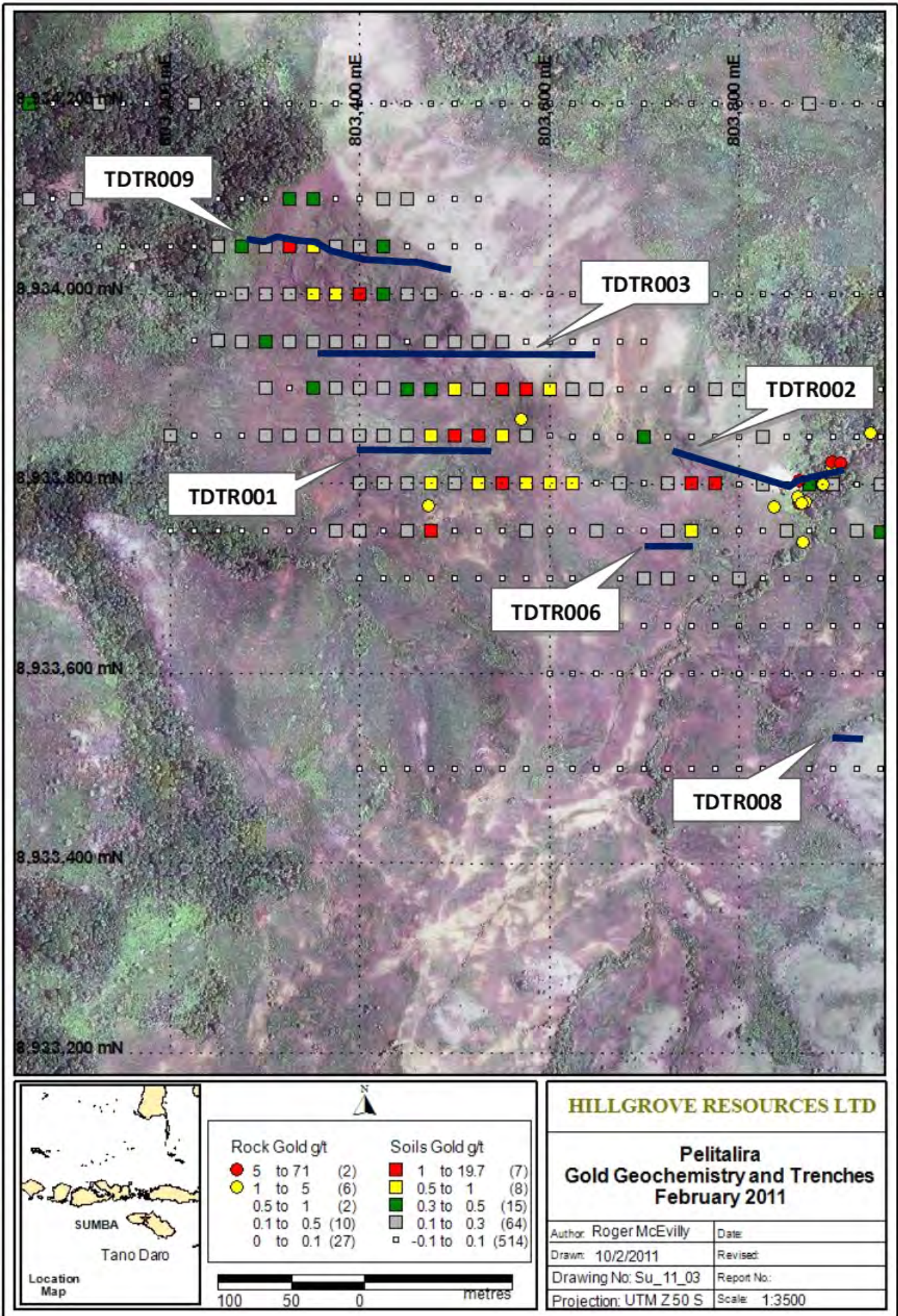
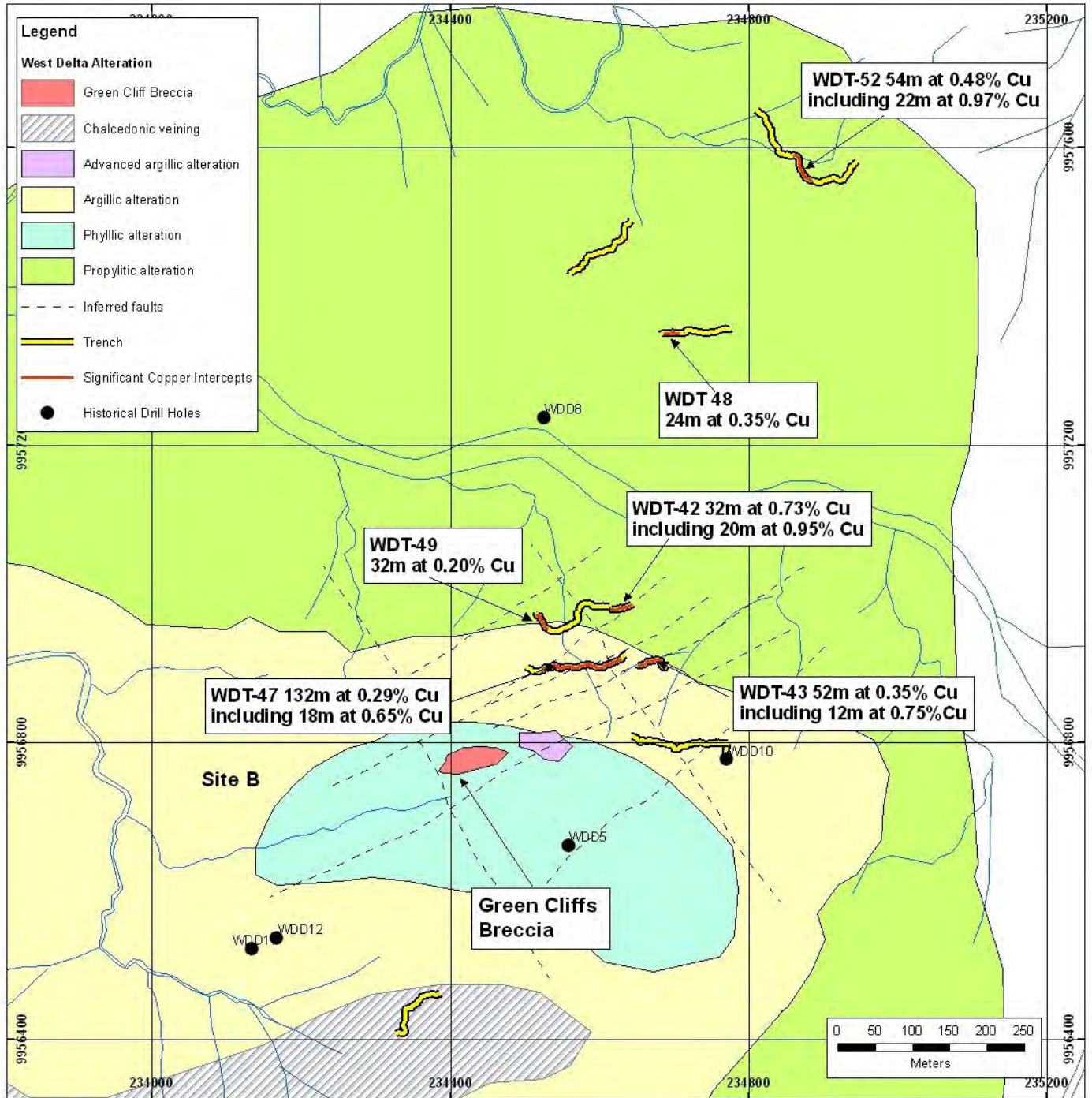


Figure 3. West Delta Trench Locations



Appendix 5B

Mining exploration entity quarterly report

Name of entity

Hillgrove Resources Limited

ABN

73 004 297 116

Quarter ended ("current quarter")

31 January 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	950	3,643
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,867) (14,155) (282) (3,416)	(8,568) (46,386) (1,637) (12,482)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1,068	5,028
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	0	(19,453)
1.7 Other (provide details if material)	(2,098)	(10,805)
	(19,800)	(90,660)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	0 (2,645)	(620) (2,727)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	1,697 0	1,865 8,287
1.10 Loans to other entities	(53)	(560)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	(1,001)	6,245
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(20,801)	(84,415)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(20,801)	(84,415)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	72,978	74,305
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	0	(2,500)
1.18	Dividends paid	(6)	(77)
1.19	Other (provide details if material)		
	Net financing cash flows	72,972	71,728
	Net increase (decrease) in cash held	52,172	(12,686)
1.20	Cash at beginning of quarter/year to date	65,496	130,354
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	117,668	117,668

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	255
1.24	Aggregate amount of loans to the parties included in item 1.10	1,469

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		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,330
4.2 Development	35,500
4.3 Production	200
4.4 Administration	3,721
Total	41,751

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	107,417	64,165
5.2 Deposits at call	10,251	1,331
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	117,668	65,496

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	310,932,000 147,685	310,932,000 147,685	\$0.25 \$0.00	\$0.25 \$0.00
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	200,000 500,000 890,000 1,500,000 200,000 147,685 10,000,000 4,720,000 8,000,000	<i>Exercise price</i> \$0.40 \$0.575 \$0.38 \$0.26 \$0.24 \$0.00 \$0.30 \$0.00 \$0.40	<i>Expiry date</i> 22/5/2012 27/6/2012 15/8/2012 22/1/2013 28/4/2013 1/7/2014 24/10/2011 24/9/2013 30/9/2011
7.8 Issued during quarter				
7.9 Exercised during quarter	ESOP ExSOP	147,685	\$0.00	1/7/2014
7.10 Expired during quarter	ESOP ExSOP	300,000	\$0.55	13/6/2012

+ See chapter 19 for defined terms.

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:



Date 25 February 2011

(Company Secretary)

Print name:

Russell Middleton

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.