

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

HIGHLIGHTS

- **Plant construction completed.** Construction of the ore processing plant and supporting infrastructure at Kanmantoo is complete, with plant handover from the contractor scheduled for early December 2011.
- **Plant commissioned; first concentrate.** Testing and commissioning of the plant commenced in late October, and has continued into November with first ore processed through the plant on 17 November, and first concentrate on shed floor on 29 November 2011.
- **Contractor claim.** Discussions have progressed with the contractor at Kanmantoo regarding an unexpected claim announced on 8 November. Hillgrove expects to be able to advise shareholders of the resolution of this claim and a mutually acceptable outcome during the current quarter.
- **Early concentrate grades promising.** The plant has been intentionally commissioned with low-grade (circa 0.35% Cu feed), and early assays indicate concentrate grades in the range of 24-27% – better than expected for this feed grade.
- **Early resource reconciliation positive.** Sampling of grade control and blast-hole drilling in early benches indicates orebody grades are in line with expectations with the resource block model. Ore tonnages however have been significantly higher than predicted by the block model.
- **Excellent near-mine exploration results; mine-life extension likely.** During the quarter a total of 27 holes were completed for 4,242m at Emily Star and North Kavanagh pits. Drilling and ore reconciliation results to date suggest a re-optimised mine plan undertaken next year will incorporate additional tonnage into the Life-of-Mine plan, thereby extending mine life.
- **A total of 74 RC (reverse circulation) holes** have been completed to the end of October for the 2011 campaign, aggregating 11,895m. Resource-to-Reserve conversion drilling is planned to continue until the 'close off' date of 30 November to allow for updated Resource and Reserve statements in Q1/Q2 2012. All significant intersections to 31 October are tabulated at the end of this report.
- **Initial scout drilling at Karipi** on the Indonesian island of Sumba (Hillgrove 80%) has intersected gold mineralisation in all drill holes, including:
 - 17m @ 3.72 g/t Au
 - 8.5m @ 2.42 g/t Au
 - 20.2m @ 1.41 g/t Au.
- **Excellent overall exploration results** incorporating surface mapping, trenching, interpretation of aeromagnetic and IP surveys have identified the Karipi Prospect as a high priority drilling target for the Company.
- **Continued strong surface copper values** from recent sampling of Southern Porphyry Target, Birds Head, pending award of Pinjam Pakai permit before commencement of drilling.

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

The Kanmantoo Copper Mine Project is now producing copper concentrate, and is expected to realise first revenue in December 2011.

The exploration team has developed a robust brownfields exploration model and a solid pipeline of resource and reserve extension targets has been identified. These targets are expected to lead to an extension of mine life and may form the basis of a decision to expand the plant in the medium term.

Plate 1. Processing Plant Construction Area, Kanmantoo Copper Mine (23/11/11)



Foreground: Crushed low-grade ore stockpiled adjacent to the live stockpile under the dust containment cone

Hillgrove has commenced mining in what we believe is a low risk ore production stream from the main pit (Spitfire cutback) – the predominant mineralised zone which was mined in the 1970's, with well-known mineralogy and flotation characteristics. Ore production to date is slightly ahead of plan for both tonnage and grade. At 31 October there were approximately 200,000 tonnes of higher grade ore (circa 0.7% to 0.9% Cu) on the Run of Mine (ROM) pad, ready for crushing and mill-feed following commissioning on lower grade ore.

At 31 October, construction of the ore crushing and processing plant was complete and both were in advanced stages of commissioning.

The entire critical support infrastructure is now complete and operational, including the reclaimed water pipeline from Mt Barker, the site potable water supply, the electrical supply infrastructure, the private site access road, the Tailings Storage Facility (TSF) and the environmental monitoring infrastructure. Final approvals to utilise the TSF in operations have been received. All operating permits have now been issued.

On 8 November 2011, Hillgrove advised the market of an unexpected claim from a contractor at the Kanmantoo site. Hillgrove is in discussions with the contractor with respect to the unexpected claim associated with the commissioning of the processing plant. The claim was received within weeks of previously scheduled Practical Completion of the plant. In addition the plant has been delayed beyond the scheduled Practical Completion date of 1 November 2011. Both parties are working towards a mutually acceptable outcome, and significant progress has been made in this regard. Importantly, work on the ground is not impacted, and commissioning activities are proceeding towards meeting the Practical Completion criteria and plant handover as soon as possible.

The impact of the claim and the accompanying delay is expected to increase capital costs to about \$138 million, representing an approximate 14% overrun on the original budget of \$121 million, and an increase in working capital (due to ongoing G&A and mining costs, represented by additional ore stocks on stockpile) of approximately \$8 million.

From a staffing perspective, the recruitment schedule for Kanmantoo has now been finalised, with 17 positions filled over the past quarter and over 80 positions filled in total. We are pleased to report our goal of providing increased employment opportunities to local people has been achieved, with more than 54% of our workforce being residents of the Adelaide Hills (16% from the surrounding communities of Callington and Kanmantoo).

Specific plant orientation and training programs have been completed for new staff. The new processing team is in the process of evaluating the flow-sheet design and likely performance based on individual and collective experience (which includes previous experience of this plant at its prior location). This includes identifying plant optimisation opportunities in order to maximise operational efficiencies, complimenting the work already underway within the more established technical services and mining teams.

Maintenance and supply preparations for operations have been established, including site-based warehouses and supply agreements for critical spares and operational consumables. Many spares were acquired with the plant, including spare mill motor, gearbox, ring-gear, pinion and liners – this is a highly advantageous position for Hillgrove.

The Kanmantoo – Callington Community Consultative Committee met on the 8 September. This was another constructive open project community forum and we thank all the community members who attended. Our ‘Local Community Site Tours’ designed to keep nearby neighbours informed of mining and construction activities were completed during the quarter with over 200 people attending the four tours.

Kanmantoo Construction – Summary & Next Steps

At 31 October, the final elements of the project to be completed included:

- Final commissioning of the concentrate flotation and filter circuits (29 November);
- Installation and commissioning of instrumentation and controls (early December);
- Receiving the 450 purpose built concentrate transport containers for hauling, and storing our product at Port Adelaide ready for unloading into the hold of ships destined for our export markets (26 November);
- Installation and commissioning of the permanent site security and access control (5 December);
- First revenue from concentrate is expected in December as per the off-take agreement with JP Morgan Metals & Concentrates LLC. Concentrate will be stockpiled in containers at the port until there is sufficient volume for shipping;
- First shipment is expected to occur in February 2012;
- The project is expected to be cash flow positive in February 2012;
- Production ramp-up to design ore throughput capacity of 2.4 Mtpa is expected to take 4-6 months.

Grade Control Reconciliation

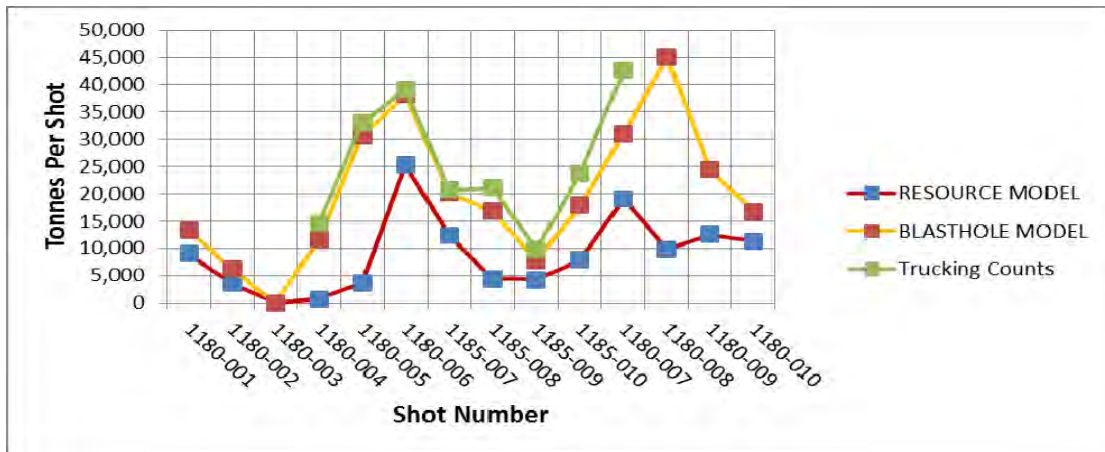
Early indications from the grade control sampling, modelling and ore mining in the upper benches is indicating that the ore grades are in line with expectations from the resource block model. Ore tonnages however have been substantially higher and this experience is believed to be a result of the better definition of the mineralisation provided by the closer spaced grade control sampling and geological mapping.

As a result, the team has been able to create long-term lower grade stockpiles that will further de-risk the future production profiles and provide optionality for potential throughput expansion.

Each production shot is reconciled against the resource model before mining, with the data being analysed by site geologists to account for differences in the grade control model and the resource model.

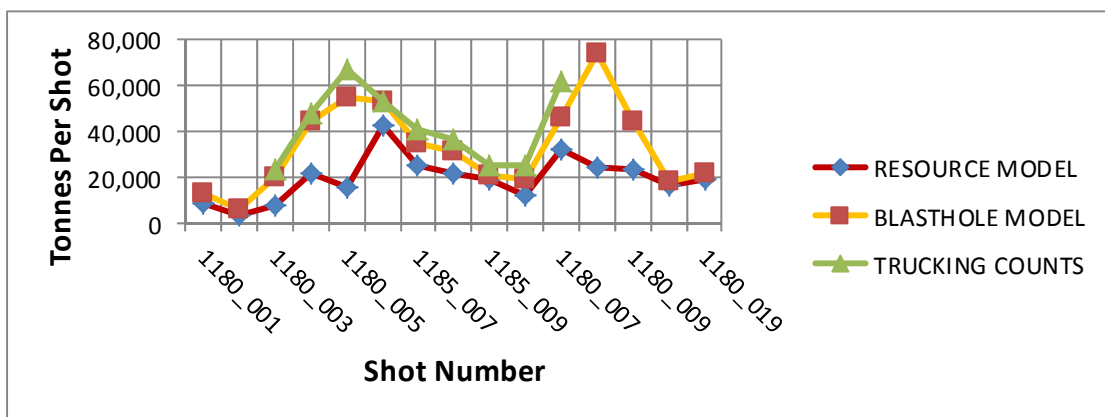
The graphs below detail shot reconciliations for the 1180 bench which is now complete. Tonnage reported by truck counts in the production reporting system is also included in the graphs.

Graph 1. Reconciled Primary Ore Tonnes Per Production Shot



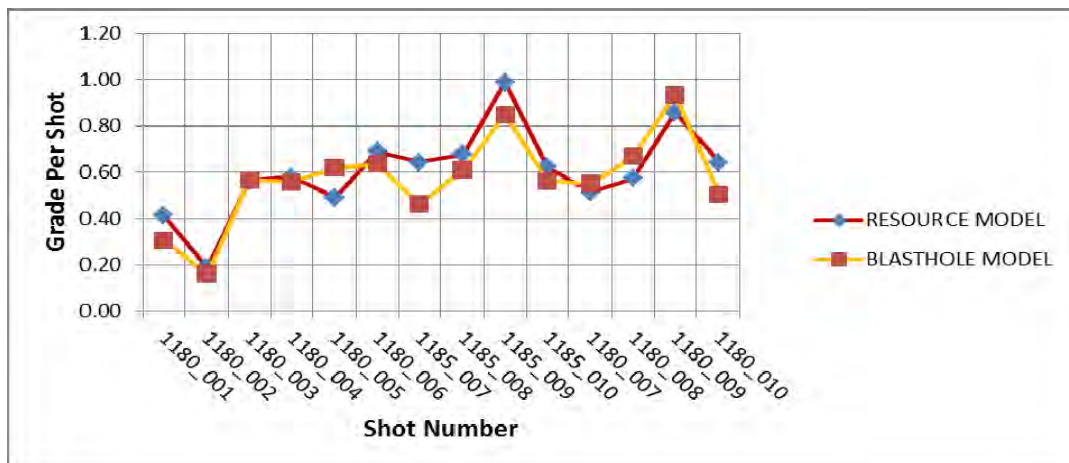
Graph 1 above shows primary sulphide ore, reconciled by the Grade Control blast-hole model (yellow) against the Resource model (Red) and the trucking counts (green).

Graph 2. Reconciled Total Ore Tonnes Per Production Shot

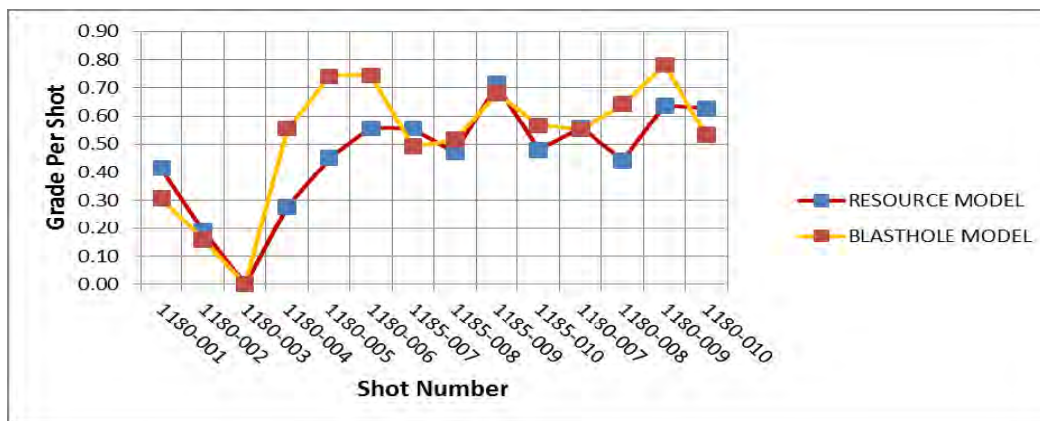


Graph 2 above shows Total Ore, regardless of material type, reconciled by the Grade Control blast-hole model (yellow) against the Resource model (Red) and the trucking counts (green).

Graph 3. Reconciled Grade Per Production Shot – all ore types



Graph 3 shows the reconciled grade between the Resource model (Red) and the Grade Control Blasthole model (Yellow) for all ore types on a shot by shot basis (for the 1180RL).

Graph 4. Reconciled Primary Ore Copper Grade Per Production Shot

Graph 4 shows the reconciled grade for all Primary Ore between the Resource model (Red) and the Grade Control Blast-hole Model (Yellow) on a shot by shot basis (for the 1180RL).

Run of Mine Stockpile Reconciliation

Reclamation from the low grade ROM1 has now been closed out and the crusher is now being fed from the high grade ROM2. A reconciliation of the milled tonnages and grades from ROM1 is in progress, with results expected soon.

Summary of Tonnage & Grade Reconciliation to Date

The closer sample spacing and better definition of the primary/transitional/oxide cut-offs in the blast-hole model has allowed definition of substantially more primary ore, at a slightly lower average grade. A similar process of reconciliation has begun on the 1170 bench with assay results now in for the first four shots. Initial results indicate that there is an option to stockpile some of the lower grade (0.15% to 0.4% Cu) material in order to boost the ROM grade and still achieve more tonnes than the resource model predicted.

If these early results continue through an extended operating period on the resource, there should be a beneficial impact on strip ratios, life-of-mine and operating flexibility.

Kanmantoo Exploration Update

Resource-to-Reserve conversion drilling continued at Kanmantoo throughout the quarter, with a total of 27 holes completed for 4,242m at Emily Star and North Kavanagh. Drilling success has seen the initial programs of 7,500m of RC drilling in and around the currently planned open pits virtually doubled to ~14,500m, with the majority allocated to extending the Emily Star deposit. Of the four zones initially selected for Resource-to-Reserve conversion drilling, only two (Emily Star and Nugent/O'Neil) have seen any significant drilling, and both remain open along strike, down dip and down plunge.

At the end of October a total of 74 RC (reverse circulation) holes had been completed during the 2011 campaign, for 11,895m. Resource-to-Reserve conversion drilling is planned to continue until the 'close off' date of 30 November to allow for development of updated Resource and Reserve statements in 2012.

Most of the drilling during the October quarter was completed at Emily Star, with 20 holes drilled for 3,197m. The drilling focussed on the high-grade eastern or hanging wall zones, which still remain open along strike to both the north and south and down dip. The drilling returned numerous high-grade, wide intercepts from shallow depths, including:

- **KTRC789** – 22m @ 1.21% Cu from 128m (27m%)
- **KTRC791** – 17m @ 1.10% Cu from 118m (17m%)

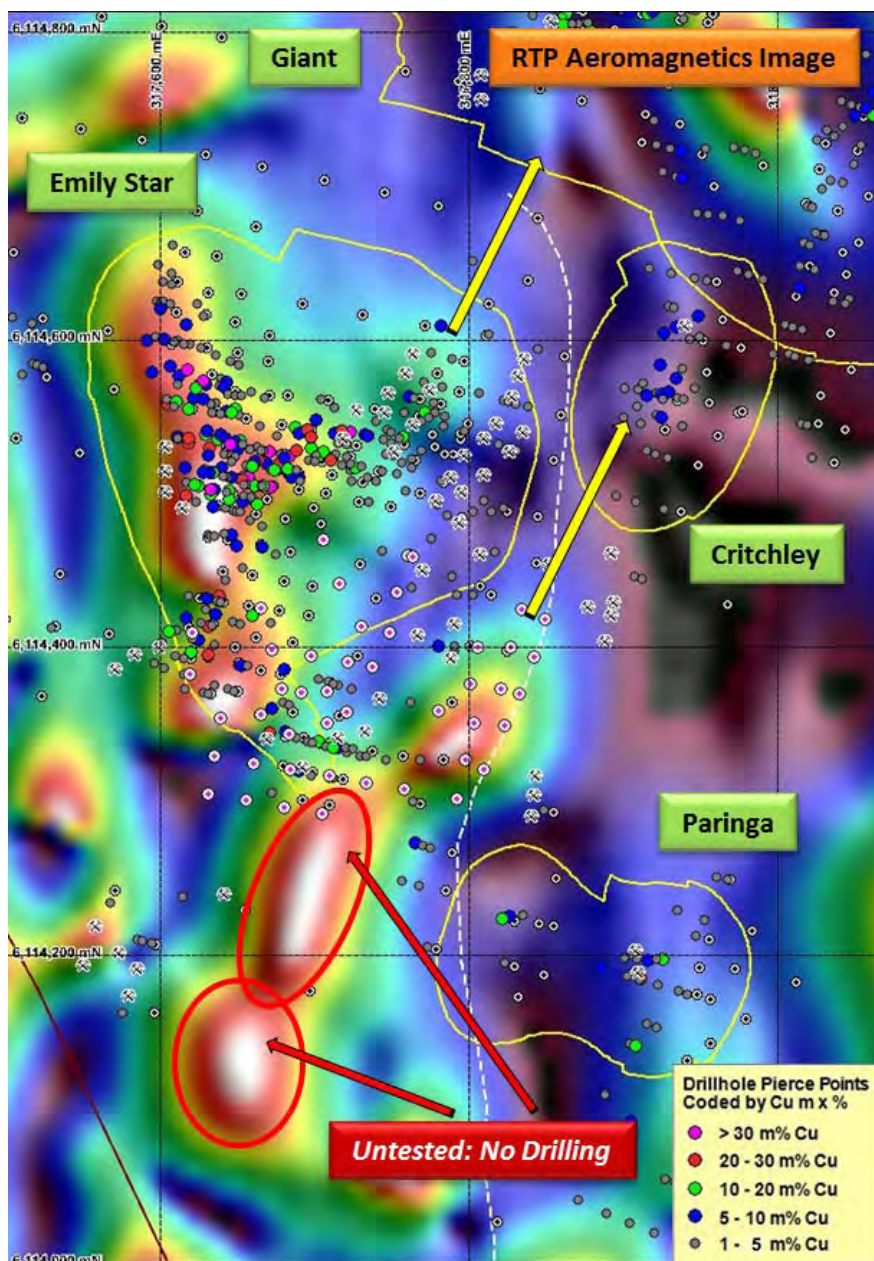
- **KTRC793** – 14m @ 1.02% Cu from 28m (14m%)
- **KTRC794** – 14m @ 1.56% Cu from 91m (22m%)
- **KTRC819** – 9m @ 1.43% Cu from 62m (13m%) and
– 38m @ 1.04% Cu from 135m (40m%).

It is expected that these eastern zones will add significantly to the Emily Star resource. Importantly, they remain open to the north and possibly provide a 'link zone' to join the Giant, Emily Star and Critchley open pits as currently designed. Drilling is planned to continue along strike to the north and into Critchley to achieve this link prior to the close off of the Resource/Reserve drilling at the end of November.

All significant intersections to 31 October are tabulated at the end of this report.

An aeromagnetics image of the Emily Star zone is shown below. Drill intersections are represented by coloured dots and show a strong correlation with magnetic highs. The magnetic highs to the south remain entirely untested and the yellow arrows highlight possible mineralisation links between the Giant, Emily Star and Critchley pits. Historical workings are shown as 'crossed pickaxe' symbols and 2011 RC drill collars as white and pink circles.

Plate 2. Emily Star Progress as at 30 September



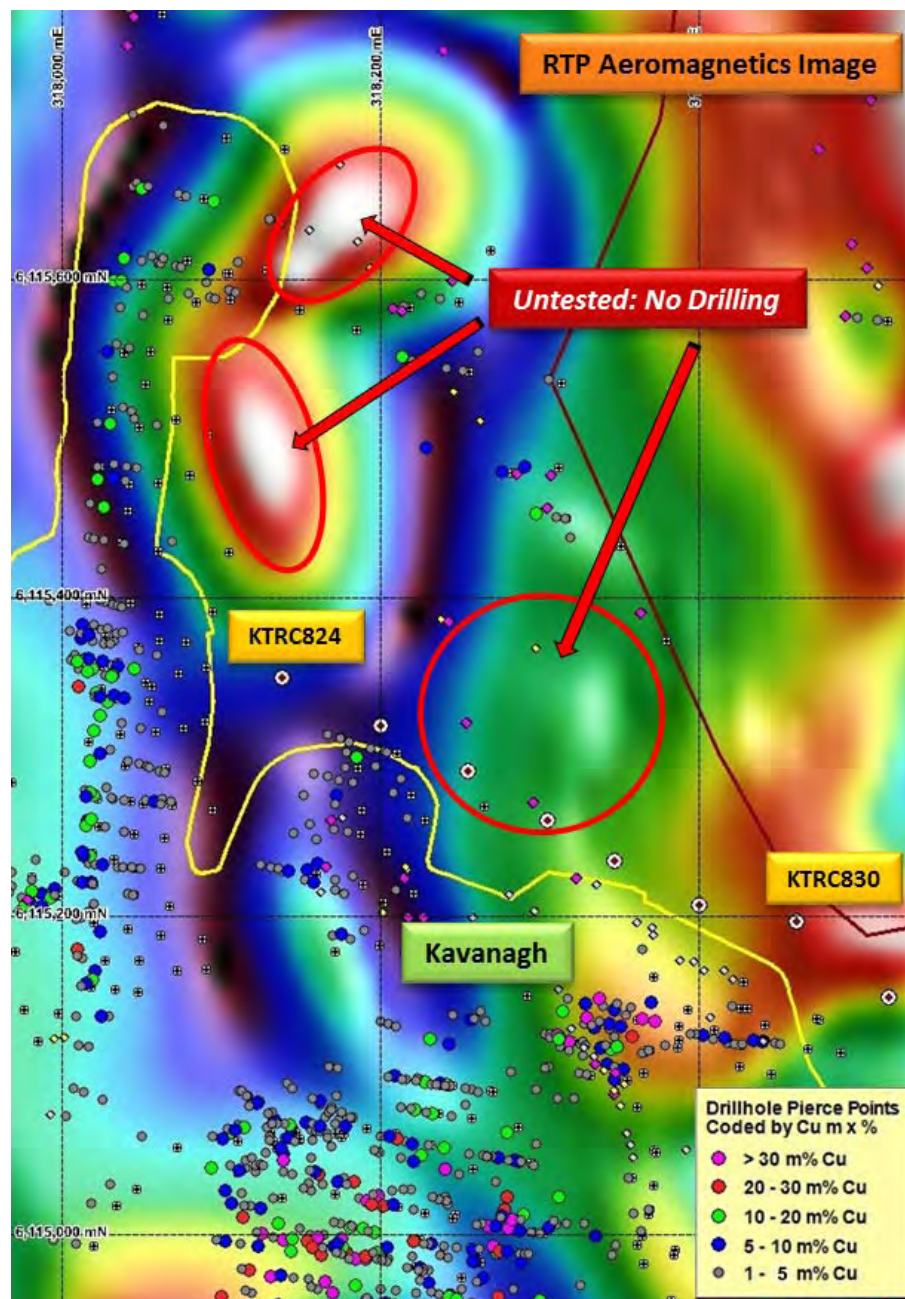
An initial test line of seven RC drillholes for 1,045m was also completed during the quarter, immediately north of the currently designed Kavanagh pit shell (Plate 3). Drilling in this area is limited and this drill fence was designed to determine the potential for northern extensions to the current Kavanagh pit cutback.

The drilling was successful, with most of the seven drillholes returning visible chalcopyrite zones. KTRC825 and KTRC830 tested the northern strike extensions to the historical Slot Extension and North East zones respectively, returning significant intersections including:

- KTRC825 – 9m @ 1.13% Cu from 76m (10m%)
- KTRC830 – 7m @ 1.03% Cu from 138m (7m%).

These initial results are highly encouraging, providing confidence in the targeting process and opening up the North Kavanagh area significantly. Numerous targets north of the initial drill fence remain poorly tested as highlighted below.

Plate 3. North Kavanagh to Cooper's Find Status



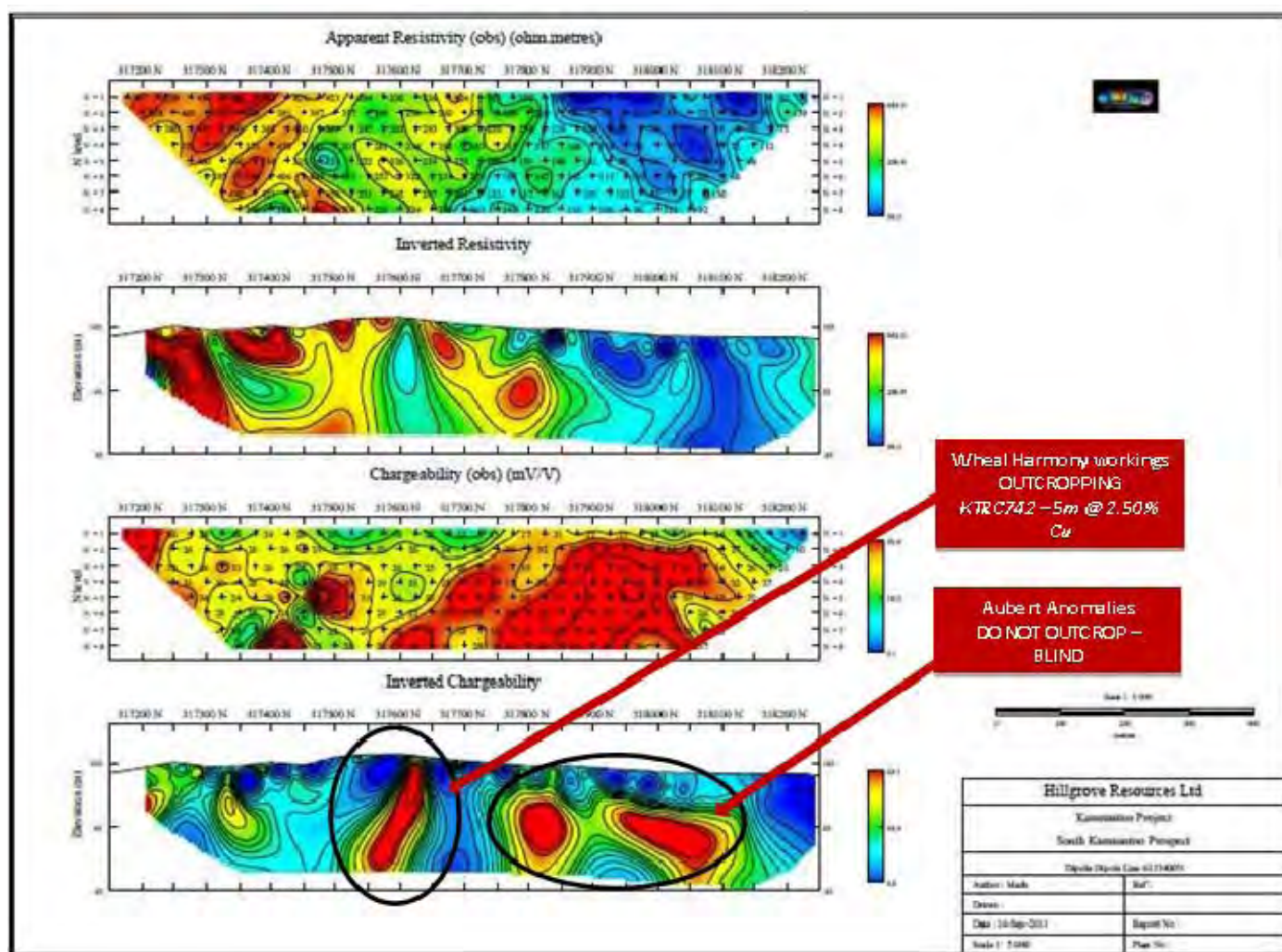
At the start of November the drill rig was relocated to Critchley to continue the Resource-to-Reserve drilling in the important link zone. It is expected the drill rig will remain at Critchley until 30 November.

In September, geophysical contractor Planetary Geophysics completed a dipole-dipole induced polarisation (IP) survey over both the northern and southern strike extensions of the Kanmantoo “mine sequence”. The survey was designed to extend and augment gradient array IP data collected in the immediate mine area in 2005 and provide extra detail and ‘depth to top’ information. Thirteen lines were surveyed for a total of 14 line kilometres and 293 stations at 50m intervals along the lines. The configuration provided depth penetration of about 150m.

The survey produced several strong chargeability anomalies interpreted to represent significant accumulations of disseminated sulphides. Copper mineralisation at Kanmantoo predominantly consists of disseminated chalcopyrite and strongly correlates with chargeability highs. Resistivity data was also collected as part of the survey and is interpreted to highlight zones of alteration and/or quartz veining, which is also often associated with copper mineralisation at Kanmantoo.

An example pseudo-section is presented below, showing the raw and processed data for both resistivity and chargeability. The section is from south of Kanmantoo and shows the location of the Wheal Harmony historical copper workings, where limited previous Hillgrove drilling returned intersections including KTRC742 – 5m @ 2.50% Cu from 13m. Wheal Harmony is associated with a strong, discrete chargeability anomaly, but of even greater interest are the stronger, larger anomalies further east. These anomalies lie under cover and do not outcrop, providing a high quality, blind exploration target, which could represent a significant accumulation of copper sulphide mineralisation.

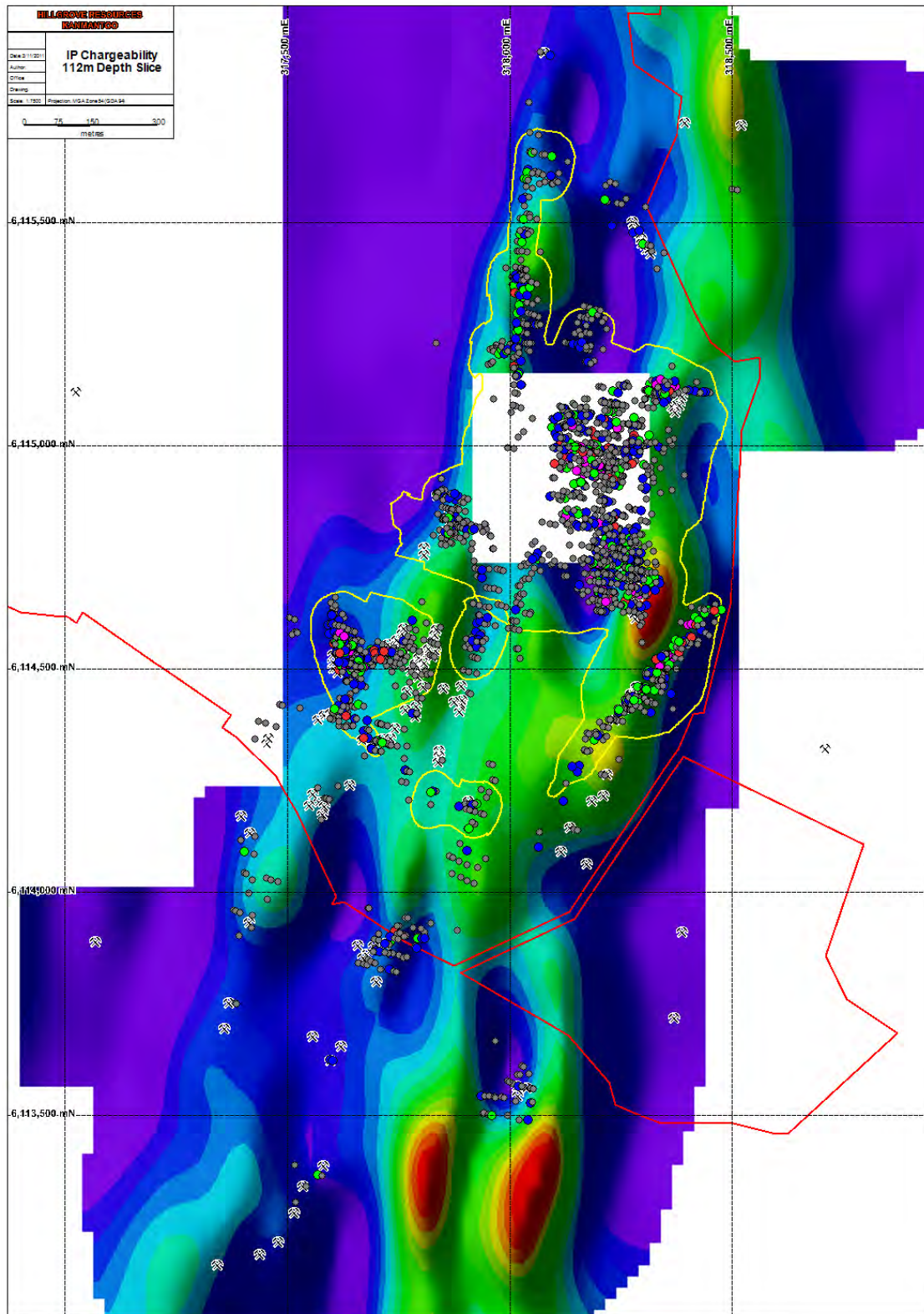
Plate 4. Example Dipole – Dipole IP Pseudosection – 6113400N (South of the Railway Line)



Additionally, the 2005 gradient array was reprocessed and combined with the 2011 dipole-dipole data to provide full coverage of the Kanmantoo mine sequence from the northern mine lease boundary to just north of the Southeastern Freeway. A 3D model was constructed and depth slices of the combined resistivity and

chargeability data were provided at the 14m, 50m, 112m and 159m below surface levels. The 112m chargeability depth slice is shown below and highlights the strength and size of the blind southern chargeability anomalies (grid squares are 1km x 1km).

Plate 5. IP Chargeability 112m Depth Slice Showing Current Mine Lease Boundary



Note: Red lines show mine lease boundary and yellow lines current design pit outline

The southern anomalies are also associated with deep resistivity lows and magnetic highs and are high priority targets to be drilled immediately following the close out of the Resource-to-Reserve conversion drilling on 30 November.

Kanmantoo Exploration – Summary & Next Steps

The success to date of the Resource-to-Reserve conversion drilling program at Kanmantoo is highly encouraging, with the drilling at both Nugent/O'Neil and Emily Star returning numerous wide, high grade copper intervals from shallow depths, outside the current open pit designs. Both zones remain open along strike and down dip/down plunge and provide confidence for the potential extension of mine life through a significant upgrade in Resources/Reserves in the near term. Upcoming drilling at Critchley will test the important link zone between Critchley, Emily Star and Spitfire, with a view to potentially incorporating these satellite deposits into a single open pit design. Additionally, the single drill line at North Kavanagh indicates the copper mineralisation is still open to the north and further extensions into the poorly tested Cooper's Find area are also possible.

The recently completed IP geophysical survey identified and defined several untested, high priority drill targets, both within the Kanmantoo mine lease and the immediate environs, highlighting the excellent potential for the discovery and definition of further copper resources and confirming Hillgrove's confidence in the Kanmantoo district. Drill testing several of these targets is planned to commence in early December 2011, immediately following the data cut-off on 30 November 2011 for incorporation of Resource-to-Reserve drilling data into the resource database.

We expect updated Resource and Reserve statements to be available in Q1/Q2 2012.

INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

Plate 5. Indonesian Archipelago

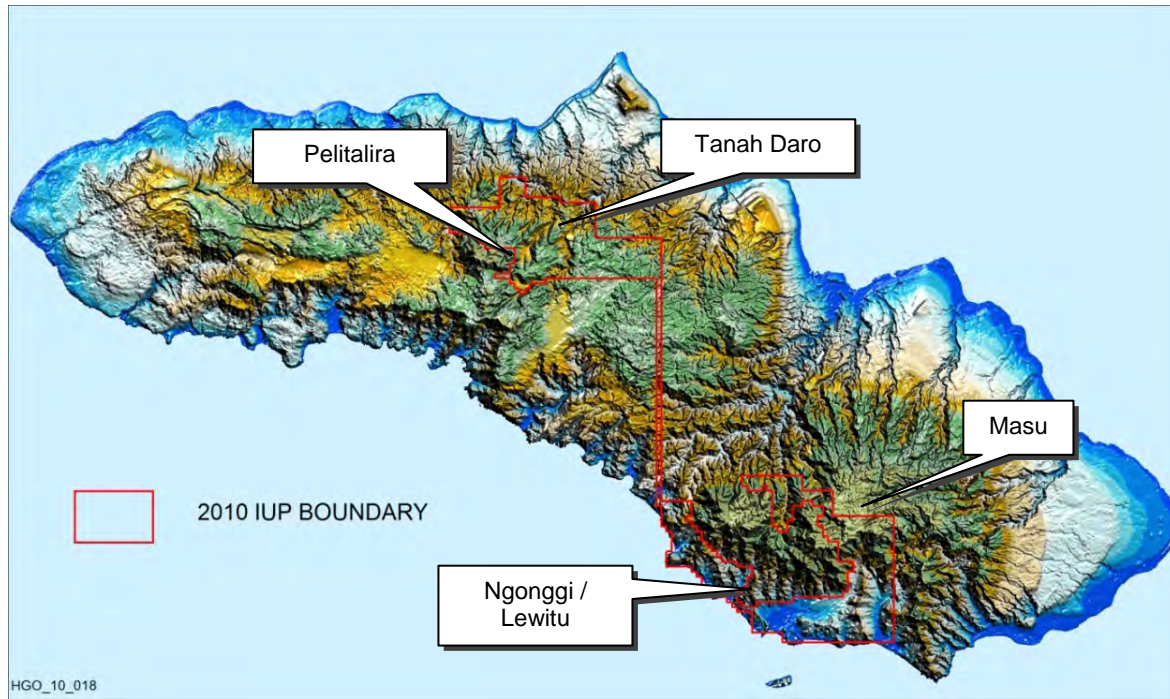


SUMBA GOLD PROJECT, INDONESIA IUP 322/KEP/HK/2009

Hillgrove is an 80% shareholder in PT Fathi Resources Pte Ltd, 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 until December 2016.

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 Fathi is focusing its exploration efforts.

Plate 6. Sumba Elevation Model and IUP Boundary



Masu Project

The Masu Project is located in the South-Eastern portion of the IUP, where ongoing soil sampling, rock chip sampling, trenching and drilling activities undertaken by PT Fathi have confirmed the presence of epithermal vein-hosted gold mineralisation at several prospects.

Exploration within the Masu Project this Quarter focused on the interpretation of recently flown airborne magnetic data, the completion of an IP ground geophysical survey over the Karipi prospect, trenching, soil sampling, geological mapping and initial scout drilling of the Karipi target

Surface Geochemistry Sampling

A total of 11 trenches were completed this Quarter over the Karipi gold target and surrounding area. Trenching encountered significant gold mineralisation similar to intersections reported last quarter. Highlights included:

- MATR088: 18m @ 1.00 g/t Au
- MATR089: 23m @ 1.66 g/t Au
- MATR093: 18m @ 32.94 g/t Au
- MATR094: 12m @ 1.88 g/t Au
- MATR095: 4m @ 10.63 g/t Au
- MATR109: 8m @ 16.07 g/t Au.

Trenching and surface sampling have identified anomalous gold mineralisation in association with north-west trending quartz-sulphide veins and associated stockworking over a 2km long zone, open along strike.

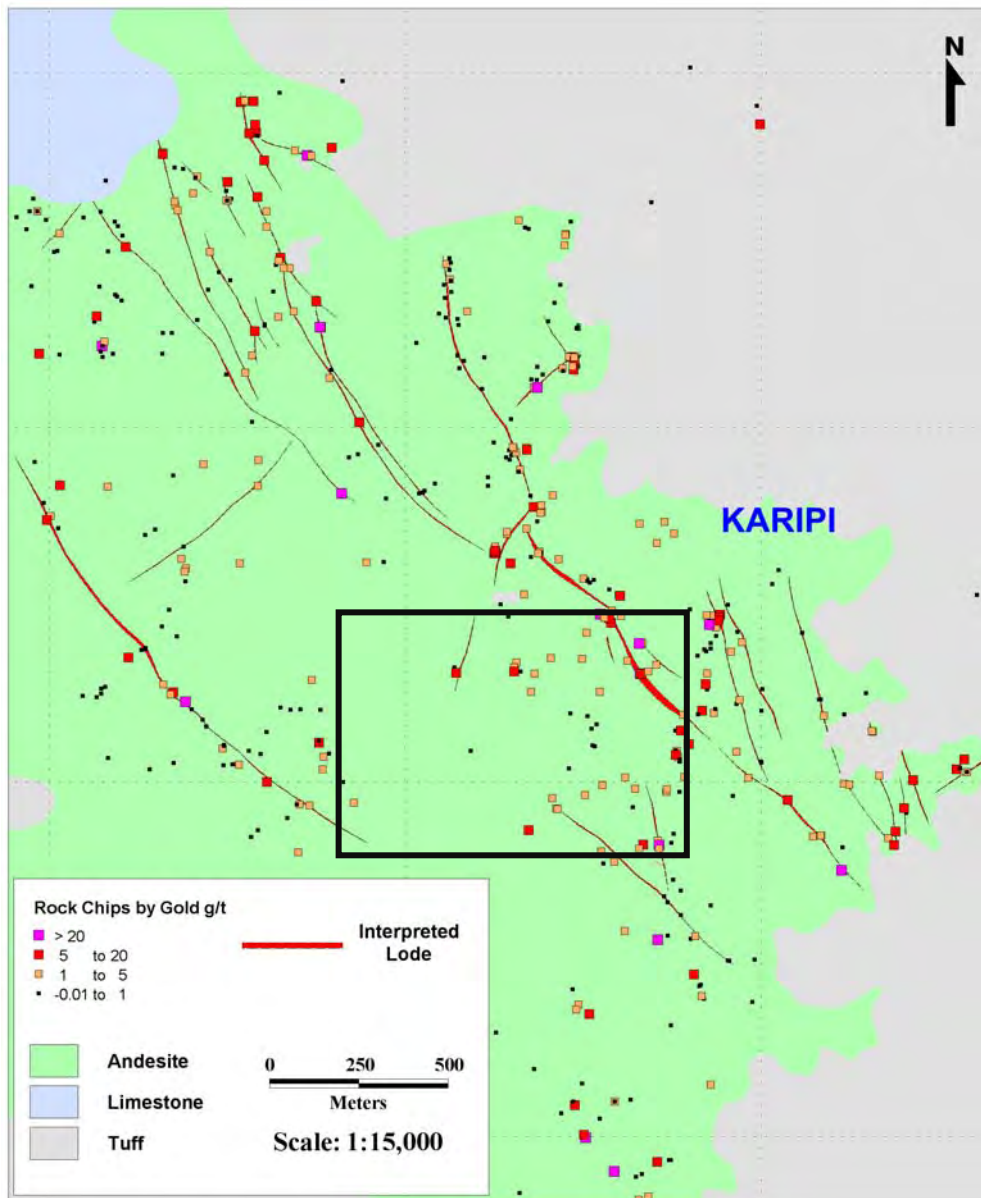
Significant trenching intersections are presented below in Table 1 and on Plate 7.

Table 1. Karipi Trenching Significant Gold Intersections

| TRENCH | EAST | NORTH | RL | LENGTH | INTERCEPT | Ag g/t |
|-----------|--------|---------|------|--------|-------------------------------|--------|
| MATRFT088 | 203101 | 8888428 | 1007 | 70 | 18.00 m @ 1.00 g/t Au | 0.33 |
| MATRFT089 | 203424 | 8888174 | 969 | 77 | 10.00 m @ 1.22 g/t Au | 0.6 |
| MATRFT089 | 203424 | 8888174 | 969 | 77 | 23.00 m @ 1.66 g/t Au | 4.67 |
| MATRFT093 | 203347 | 8888122 | 985 | 40 | 18.00 m @ 32.94 g/t Au | 7.92 |
| MATRFT094 | 203590 | 8887540 | 924 | 24 | 12.00 m @ 1.88 g/t Au | 3.74 |
| MATRFT095 | 202733 | 8888529 | 989 | 163 | 4.00 m @ 10.63 g/t Au | 5.5 |
| MATRFT096 | 202671 | 8888429 | 978 | 26 | 8.00 m @ 1.58 g/t Au | 0.76 |
| MATRFT097 | 202715 | 8888350 | 986 | 48 | 6.00 m @ 1.76 g/t Au | 2.93 |
| MATRFT108 | 204574 | 8887025 | 964 | 12 | 2.00 m @ 1.16 g/t Au | 11.6 |
| MATRFT109 | 204424 | 8887002 | 970 | 13.1 | 8.00 m @ 16.07 g/t Au | 25.95 |

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

Plate 7. Karipi Prospect Showing Quartz Vein and Rock Chip Gold Distribution



In addition to trenching, surface rock chip sampling continues to encounter very high gold grades up to 95 g/t Au. Gold is associated with quartz veins and stockwork zones developed within a North West trending structural corridor (see Appendix). Interpretation of recent airborne magnetic survey data has identified several significant structural features in the Karipi area with associated development of low sulphidation epithermal quartz veins. These structures trend beneath thin covering sediments and constitute high priority exploration targets.

Drilling

A short scout drilling programme of 8 holes for a total of 523.15m was completed this quarter, targeting better gold intersections in trenching over the central Karipi hill area. Drilling encountered broad zones of clay alteration, quartz stockworking and veining within mixed volcanogenic lithology consistent with a high level, low temperature low sulphidation epithermal setting.

Gold mineralisation was encountered in all drill holes, typically in association with broad clay – quartz stockwork zones and a low sulphidation quartz – sulphide epithermal vein developed on the contact between relatively soft volcanic tuff and a lower, hard andesite lava.

Highlight intersections include:

- MADDKP002: 8.5m @ 2.42 g/t Au from 0m
- MADDKP004: 17m @ 3.72 g/t Au from 8m
- MADDKP008: 20.2m @ 1.41 g/t Au from 6.1m.

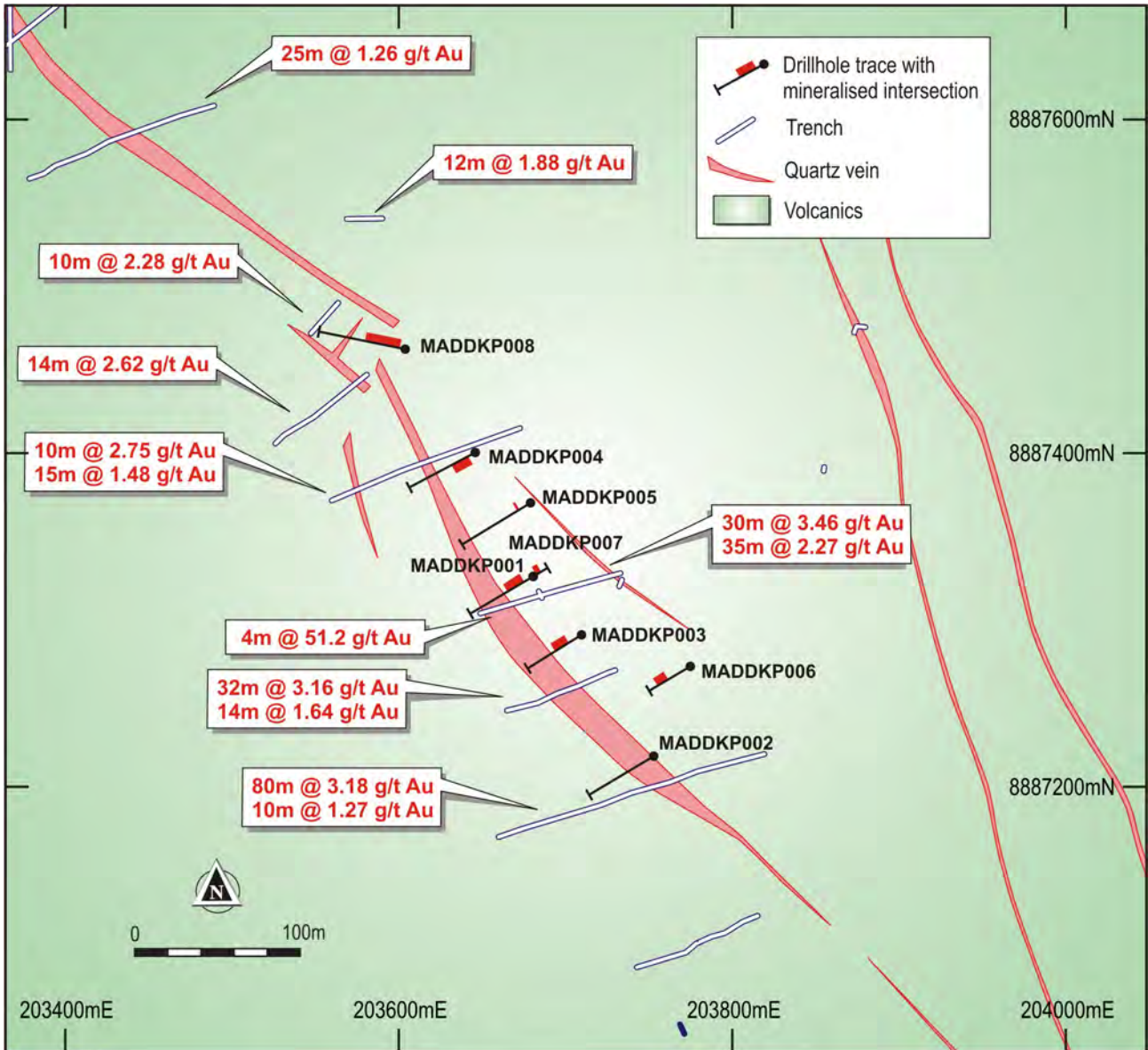
Although preliminary in nature, these initial drill intercepts are considered extremely encouraging and warrant follow up drilling along strike and down dip. Drill collar and intercept details are presented below in Table 2.

Table 2. Karipi Drill Collar and Intercept Table

| HOLE ID | UTM E | UTM N | RL | AZIM | DIP | DEPTH | FROM | TO | M | Au g/t | |
|-----------|--------|---------|-----|------|-----|-------|-----------|-------|-------|--------|------|
| MADDKP001 | 203681 | 8887326 | 935 | 240 | -50 | 70.75 | 6 | 28.1 | 22.1 | 0.9 | |
| | | | | | | | including | 17 | 20.4 | 3.4 | 1.17 |
| | | | | | | | and | 24.9 | 28.1 | 3.2 | 2.5 |
| MADDKP002 | 203753 | 8887218 | 900 | 240 | -50 | 70 | 0 | 8.5 | 8.5 | 2.42 | |
| MADDKP003 | 203709 | 8887289 | 937 | 240 | -50 | 60.3 | 14 | 29 | 15 | 0.98 | |
| MADDKP004 | 203646 | 8887403 | 921 | 270 | -50 | 70.8 | 8 | 25 | 17 | 3.72 | |
| | | | | | | | including | 8 | 16.8 | 8.8 | 6.30 |
| MADDKP005 | 203678 | 8887369 | 931 | 240 | -50 | 75 | 0 | 1.2 | 1.2 | 2.56 | |
| | | | | | | | including | 10 | 12.2 | 2.1 | 3.50 |
| MADDKP006 | 203775 | 8887272 | 900 | 240 | -50 | 45.7 | 24 | 25.85 | 1.85 | 1.51 | |
| | | | | | | | Including | 29.95 | 31.55 | 1.6 | 2.26 |
| | | | | | | | and | 33.5 | 36.85 | 3.35 | 0.8 |
| MADDKP007 | 203681 | 8887326 | 935 | 60 | -80 | 54.4 | 11 | 20 | 9 | 0.85 | |
| | | | | | | | Including | 25.9 | 31.4 | 5.5 | 0.82 |
| | | | | | | | and | 44.8 | 45.14 | 0.35 | 7.41 |
| MADDKP008 | 203604 | 8887462 | 910 | 240 | -50 | 76.2 | 6.1 | 26.3 | 20.2 | 1.41 | |
| | | | | | | | including | 9.1 | 16.3 | 7.2 | 2.92 |

Note: Gold values are derived from an average of up to 5 repeats using fire assay method
Intercepts calculated as a weighted average using a 0.5 ppm Au cut off and a maximum of 2 m consecutive internal waste
Datum used for East Sumba is WGS84 Zone 51
* Preliminary Assays only

Plate 8. Karipi Drill Hole Location Plan with Significant Trench Intercepts



Geophysics

An Induced Polarisation (IP) geophysical survey was completed over the Karipi prospect area this Quarter. The IP survey was designed to assess the chargeability and resistivity characteristics of known quartz sulphide vein complexes at Karipi and to track these veins along strike and down dip and assess for lookalike signatures beneath adjacent thin sedimentary cover. Processing of this data is underway as a prelude to ranking of drill targets.

Mapping

Mapping activities have continued along the Masu Corridor, principally targeting detailed coverage of the Karipi – Liandinger areas. Mapping is focussing on clearly identifying the structural setting of Karipi together with closer attention to defining the boundaries of various alteration regimes.

Reconnaissance mapping of the Ngonggi – Lewitu target areas in the south of the licence has identified widespread clay-pyrite alteration, interpreted to be a remnant lithocap. No significant mineralisation was identified in the first pass reconnaissance sampling of the area, typical of a barren lithocap geological setting. Our current interpretation is that alteration is associated with a shallow porphyry complex prospective for Cu-Au mineralisation.

Tanah Daro Project – Pelitalira Prospect

The Pelitalira prospect is located in Central Sumba within the Tanah Daro Project area. Pelitalira is easily accessed from the main sealed highway connecting the regional centres of Waingapu and Waikabubak.

Exploration this Quarter focused on extending trenching in the Pelitalira North area, where sheeted quartz veining within a porphyritic diorite was discovered. Reconnaissance of targets identified in the recent airborne magnetic survey was also undertaken.

Trenching in Pelitalira North encountered broad, low grade gold mineralisation with elevated molybdenum. Gold is associated with sheeted quartz veining and attendant alteration consistent with an upper or near porphyry environment.

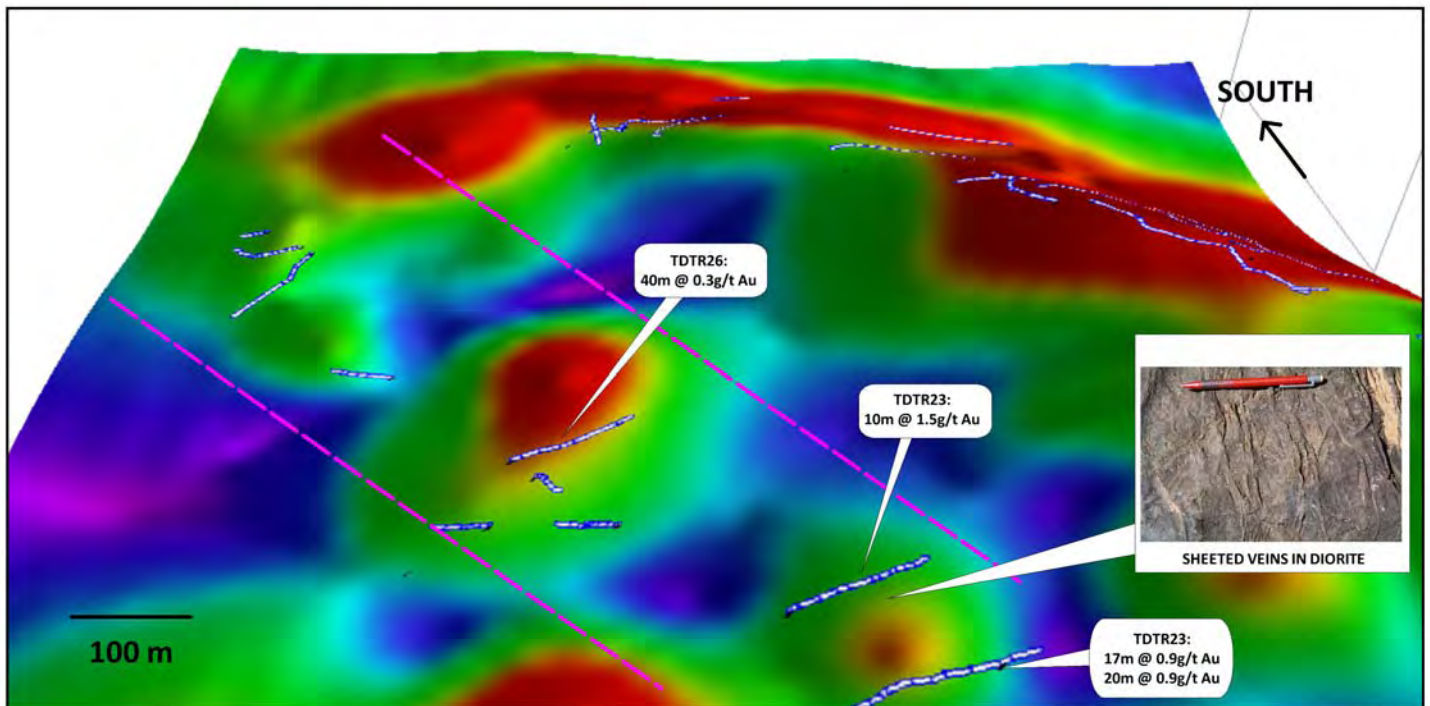
Trench TDTR023 intersected a ~75m wide zone of gold anomalism that included:

- 17m @ 0.90 g/t Au
- 4m @ 0.76 g/t Au
- 20m @ 0.93 g/t Au.

Trench TDTR024, located ~100m north west of trench TDTR023 encountered 10m @ 1.50 g/t Au within a ~35m wide zone of gold anomalism, again in association with sheeted quartz veining within an altered porphyritic diorite. Opportunity exists to define a large tonnage, low grade occurrence of gold mineralisation at this location.

Petrological analysis of selected drill core from Pelitalira has identified a complex alteration history of the prospect area. Initial hot, acidic advanced argillic alteration associated with the interpreted emplacement of multiple porphyritic dykes is overprinted by later stage, cooler low sulphidation epithermal veins and associated illite alteration. Based on findings of this study, exploration upside remains at depth, where earlier drilling encountered strongly altered breccia complexes with low grade gold and copper mineralisation thought to have formed proximal to a buried porphyry.

Plate 9. Pelitalira North Trench Location Plan



HGO_11_042

Sumba – Summary & Next Steps

Disruption to drilling activities at Karipi due to protests from villages located outside the IUP licence area has now ceased, with socialisation activities in these villages concentrating on allaying concerns and providing clear and accurate information to the community about the exploration process as a balance to misinformation about modern mining and exploration that has been disseminated by so-called NGOs operating on Sumba. This socialisation work is ongoing but to date has resulted in the peaceful resumption of field activities and good levels of cooperation between all parties.

Karipi is the highest priority target area on Sumba and current planning involves resumption of drill testing of the multiple vein systems identified to date. Surface sampling and mapping will extend coverage to the North, South, East and West of Karipi assessing for possible extensions to gold mineralisation.

Reconnaissance exploration along the South coast of the IUP (Ngonggi – Lewitu areas) will continue next Quarter, as manpower permits.

Trenching at North Pelitalira, assessing the sheeted vein complexes within the intrusive diorite complex will continue in the coming Quarter.

A resumption in drilling activities may lead to the completion of two deeper drill holes at Pelitalira to assess the potential of a near surface porphyry target beneath earlier shallow drilling. Initial scout drilling of the sheeted vein complexes at North Pelitalira will likely be undertaken at the same time.

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

IUP40/2010

(Hillgrove 80%)

Hillgrove is an 80% beneficial shareholder in PT Akram Resources Pte Ltd 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.

Security of Tenure

Hillgrove has an 80% beneficial interest in PT Akram Resources through an executed JV Agreement (JVA). Before Hillgrove can own shares in PT Akram, PT Akram must be converted to 'PMA' status, in order to allow direct foreign ownership of PT Akram. The application for conversion requires Governor of West Papua signature support, but this has been delayed for most of 2011, pending the outcome of disputed West Papuan elections.

Hillgrove is extremely comfortable with the JV relationship it has with its local partners, but we are also cognisant of recent concerns/doubts regarding security of tenure for some properties in Indonesia. Accordingly, while waiting for gubernatorial support for PMA status, Hillgrove has sought to remove security of tenure fears and/or perceptions for our shareholders. We have:

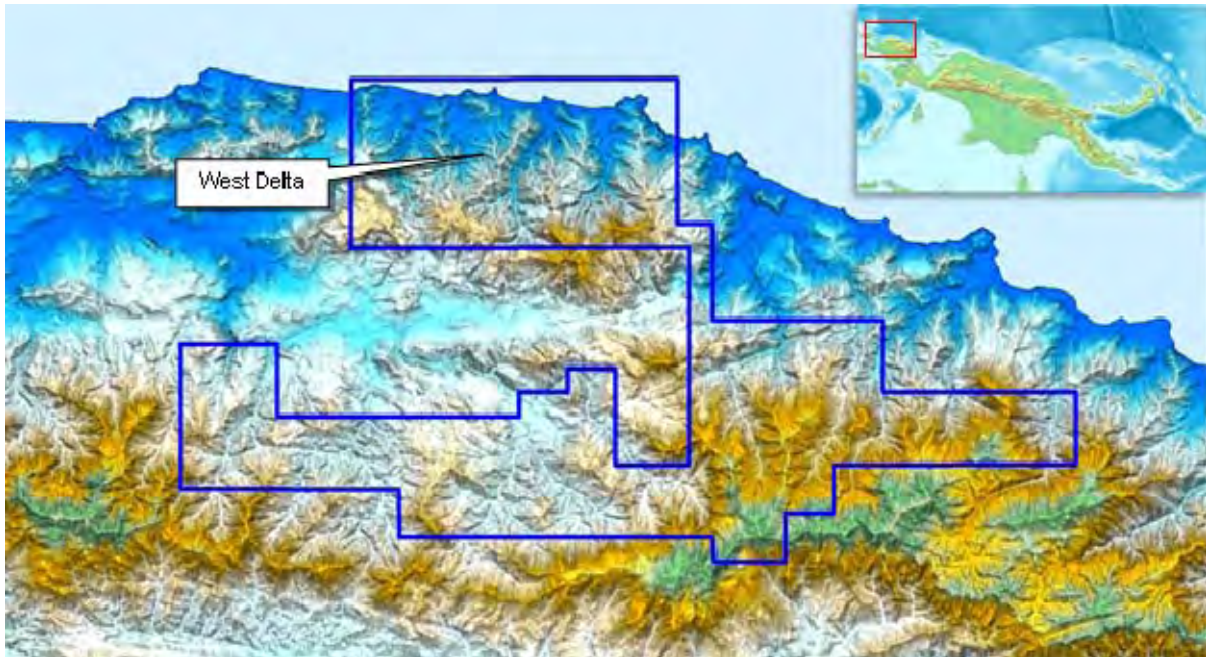
- Executed a conditional Sale & Purchase Agreement of our partner's shares in PT Akram to Hillgrove (condition relates to fulfilment of the PMA status);
- Our partners' shares in PT Akram have been pledged to Hillgrove under an executed Share Pledge Agreement;
- Hillgrove holds a Power of Attorney over the pledged PT Akram shares.

We have done as much as we can to ensure that Hillgrove's succession to outright ownership of the shares in the licence holding vehicle, PT Akram, is now mechanical, and only awaiting outcome of West Papuan elections, followed by the Governor's signature on the application of PT Akram for conversion to PMA status.

Activities

In the absence of a drilling permit (under consideration by Forestry in Jakarta since late 2010), exploration activities this quarter have focused on continuing geological mapping, trenching and preparation for planned drilling.

Plate 10. Bird's Head Project IUP Boundary



Exploration Results

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

Mapping and surface sampling has identified numerous areas of strongly anomalous copper mineralisation associated with faulting and fractures, predominantly within monzonite host lithology.

Sampling indicates that although copper mineralisation is widespread at Southern Porphyries, the likely source of copper is from deep seated intrusions. Plotting in rock chip sampling copper values on radiometric imaging shows a very strong correlation between potassium anomalism and elevated copper at the Green Cliffs and Rak Rak target areas, with the Southern Porphyry copper mineralisation showing a much weaker correlation, possibly reflecting a greater depth to buried porphyry systems in that location.

Drilling

The commencement of drilling at West Delta remains in limbo, awaiting grant of the Izin Pinjam Pakai forestry permit to drill within Limited Production Forest.

As background to this issue, state forests in Indonesia fall into three broad categories; Conservation Forest, Protected Forest and Production Forest. Depending on the forestry status, companies can apply for a permit (Izin Pinjam Pakai Explorasi - Permit to Borrow and Use – Exploration) to undertake low impact exploration activities such as drilling. This permit sets out the terms and conditions under which exploration activities must operate, largely focussed on ensuring minimal impact to forests.

Conservation Forest is off-limits to mining and exploration. Protected Forests allow for low impact exploration and underground mining, but open cut mining is expressly forbidden. Production Forest allows for exploration and both underground and open cut mining.

Should a company discover a resource within Protected or Production forestry areas and wish to advance to production, a separate Izin Pinjam Pakai Eksploitasi (Permit to Borrow and Use – Exploitation) is required, under which specific terms and conditions are set out on the forestry management and rehabilitation requirements of the development, amongst other things.

At West Delta, our key drill targets fall within Production Forest (secondary forest) and therefore are eligible for open pit mining exploitation should a viable resource be delineated.

The permit application process, which includes obtaining a technical recommendation from the Department of Mines and Energy, has now taken about 12 months and represents the single largest impediment to further exploration progress at Birds Head. The process has been delayed by the introduction of a Presidential Decree effecting a two year moratorium on grant of forestry permits over designated primary forest areas. Because of our designation as “Secondary Forest”, this does not affect our application directly but has added enormously to the workload of the Ministry of Forestry, which has slowed the whole process.

It is important to note that we are not alone in this situation; there are literally hundreds of companies seeking Izin Pinjam Pakai for a wide range of projects across the Indonesian archipelago, with the ensuing bottleneck at the Ministry of Forestry resulting in significant delays for all companies. In response, the Minister of Forestry has announced a new policy whereby several internal steps in the application process have been shortened.

We remain uncertain on the timetable to receiving Izin Pinjam Pakai but can state that we have completed all of the required application steps and now await confirmation and sign-off from the Minister of Forestry. Drilling will commence once the Izin Pinjam Pakai is granted.

Bird’s head – Summary & Next Steps

Mapping coverage continues to expand over identified target areas in West Delta. We await Pinjam Pakai to commence drilling.

Plate 11. West Delta Target Area Copper Rock Chip Values on Radiometric Ternary Image

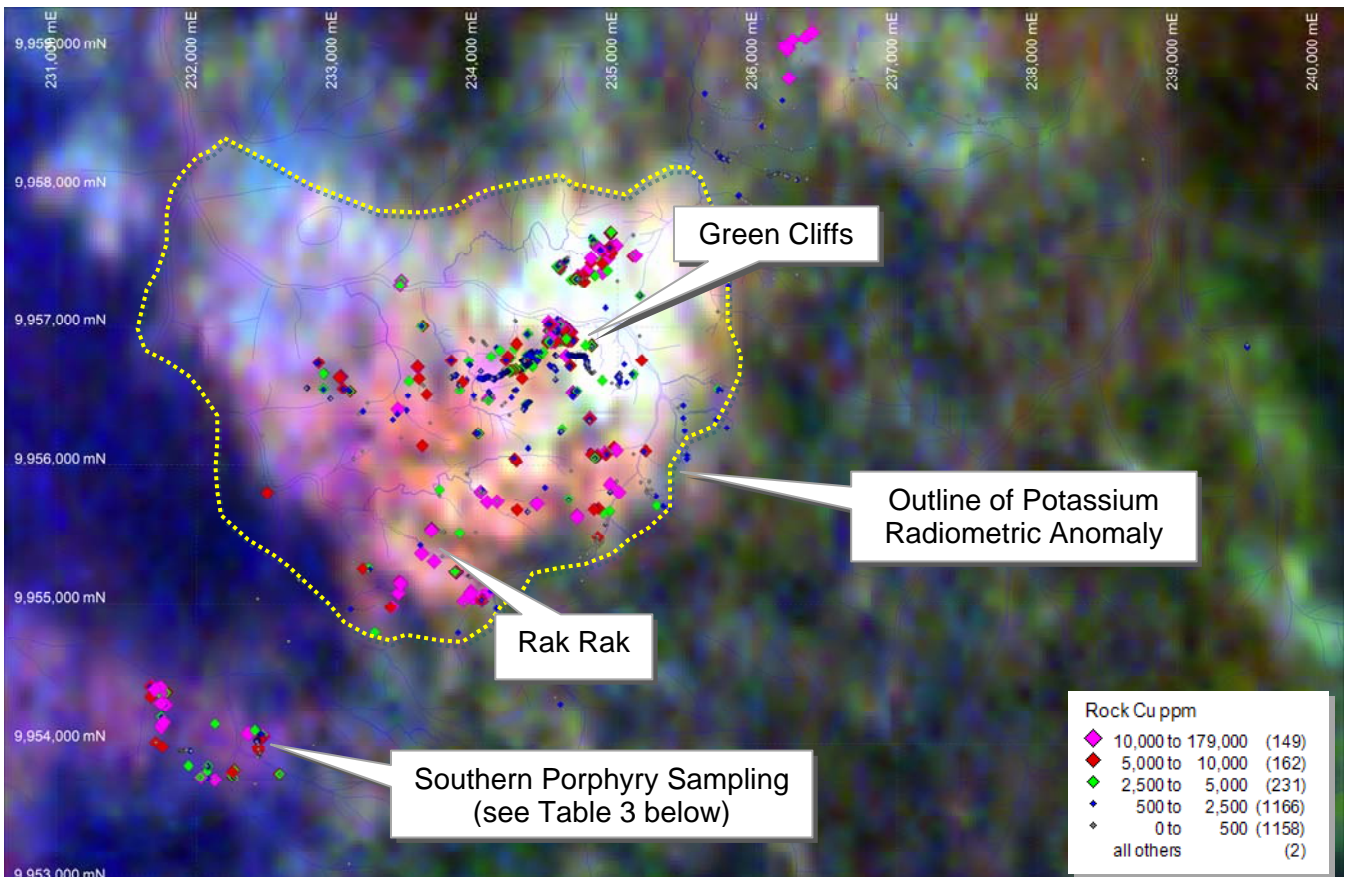


Table 3. Southern Porphyry Significant Rock Chip Results

| Sample No. | Cu % | Ag g/t | Mo ppm |
|------------|-------|--------|--------|
| 2703 | 4.70% | 10.9 | 186 |
| 2816 | 4.16% | 9.4 | 78 |
| 2800 | 3.70% | 11.2 | 70 |
| 2860 | 3.56% | 13.6 | 344 |
| 2870 | 2.98% | 9.1 | 320 |
| 2660 | 2.63% | 6.1 | 77 |
| 2729 | 2.51% | 3.9 | 286 |
| 2767 | 2.47% | 16.3 | 4 |
| 2732 | 2.32% | 18.4 | 34 |
| 2835 | 2.16% | 218 | 115 |
| 2840 | 2.12% | 35 | 159 |
| 2654 | 2.11% | 4.2 | 31 |
| 2667 | 1.94% | 1.9 | 20 |
| 2780 | 1.88% | 37.6 | <1 |
| 2871 | 1.52% | 1 | 42 |
| 2691 | 1.47% | 2.9 | 75 |
| 2788 | 1.42% | 35.4 | <1 |
| 2650 | 1.27% | 14.7 | 601 |
| 2702 | 1.25% | 10.6 | 93 |
| 2700 | 1.16% | 1.2 | 32 |
| 2646 | 1.09% | 2.9 | 15 |
| 2653 | 1.08% | 8.8 | 96 |

Note: Copper values are derived from a multi element sweep using ICP method.
Analysis completed by Intertek Laboratories, Jakarta.

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

Cash and Investments

Cash on hand as at 31 October 2011 was AUD 34.46 million.

Debt as at 31 October 2011 was AUD 30.0 million.

The market value of Hillgrove's listed investment portfolio as at 31 October 2011 was approximately AUD 1.25 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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Managing Director
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Russell Middleton
Company Secretary
Tel: +61 (0)2 8247 9300



APPENDIX

Karipi Significant Rock Chip Results for this Quarter

| SAMPLE TYPE | EAST | NORTH | Au g/t | Ag g/t |
|-------------|--------|---------|--------|--------|
| Subcrop | 202761 | 8888284 | 95 | 23.5 |
| Float | 203710 | 8886555 | 30.8 | 7.6 |
| Subcrop | 204377 | 8886861 | 19 | 3.9 |
| Subcrop | 203604 | 8887526 | 9.68 | 6.8 |
| Subcrop | 202794 | 8888790 | 7.83 | 9.7 |
| Float | 204549 | 8887036 | 6.55 | 105 |
| Outcrop | 203144 | 8887308 | 5.99 | 4.4 |
| Outcrop | 202750 | 8888357 | 5.2 | 4.9 |
| Float | 204571 | 8887064 | 5.01 | 62 |
| Outcrop | 204331 | 8887019 | 4.9 | 1.1 |
| Outcrop | 204424 | 8887004 | 4.87 | 9.6 |
| Float | 204248 | 8886993 | 3.95 | 8 |
| Outcrop | 202273 | 8886536 | 3.72 | 8.4 |
| Subcrop | 201814 | 8887653 | 2.81 | 5 |
| Outcrop | 203606 | 8887469 | 2.43 | 1.7 |
| Outcrop | 202748 | 8888362 | 2.39 | 27.7 |
| Outcrop | 203319 | 8888585 | 2.32 | 0.7 |
| Subcrop | 203931 | 8887086 | 2.06 | 9.4 |
| Outcrop | 204232 | 8886996 | 2 | 1.2 |
| Float | 202380 | 8887594 | 1.83 | 10.7 |
| Outcrop | 203413 | 8886955 | 1.83 | 2.2 |
| Subcrop | 204176 | 8887187 | 1.72 | 0.9 |
| Subcrop | 203600 | 8887528 | 1.7 | 3.7 |
| Subcrop | 202644 | 8888313 | 1.67 | 0.4 |
| Outcrop | 202273 | 8886536 | 1.61 | 3.6 |
| Subcrop | 203915 | 8887368 | 1.6 | 37.3 |
| Outcrop | 202768 | 8887036 | 1.52 | 2 |
| Outcrop | 204314 | 8887142 | 1.48 | 7.9 |
| Outcrop | 202533 | 8887049 | 1.45 | 1.2 |
| Float | 203354 | 8887255 | 1.42 | 1.6 |
| Outcrop | 203409 | 8887350 | 1.41 | 8.7 |
| Float | 202384 | 8887604 | 1.22 | 1 |
| Subcrop | 203115 | 8888462 | 1.06 | 0.2 |
| Outcrop | 204357 | 8886842 | 1.04 | -0.1 |
| Float | 203617 | 8886579 | 1.02 | 4.9 |
| Outcrop | 203659 | 8887730 | 1 | 0.2 |

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
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 October 2011

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|---|--|
| 1.1 Receipts from product sales and related debtors | 209 | 1,720 |
| 1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration | (2,111) (43,531) (217) (1,420) | (5,906) (115,921) (882) (4,513) |
| 1.3 Dividends received | 4,500 | 4,500 |
| 1.4 Interest and other items of a similar nature received | 307 | 3,390 |
| 1.5 Interest and other costs of finance paid | 0 | 0 |
| 1.6 Income taxes paid | 0 | 0 |
| 1.7 Other (Refunds for GST and fuel tax rebate) | 4,581 | 5,781 |
| Net Operating Cash Flows | (37,682) | (111,831) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets | (0) (1052) | (225) (1,247) |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets | 0 0 7 | 0 381 10 |
| 1.10 Loans to other entities | (26) | (166) |
| 1.11 Loans repaid by other entities | | |
| 1.12 Other (provide details if material) | | |
| Net investing cash flows | (1,071) | (1,247) |
| 1.13 Total operating and investing cash flows (carried forward) | (38,753) | (113,078) |

+ See chapter 19 for defined terms.

| | | | |
|------|--|----------|-----------|
| 1.13 | Total operating and investing cash flows (brought forward) | (38,753) | (113,078) |
| | 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 | 18,000 | 30,000 |
| 1.17 | Repayment of borrowings | 0 | 0 |
| 1.18 | Dividends paid | | |
| 1.19 | Other (Fees paid) | (130) | (130) |
| | Net financing cash flows | 17,870 | 29,870 |
| | Net increase (decrease) in cash held | (20,883) | (83,208) |
| 1.20 | Cash at beginning of quarter/year to date | 55,343 | 117,668 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 34,460 | 34,460 |

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 | 1,961 |

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 | 30,000 |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|---------------|
| 4.1 Exploration and evaluation | 2,400 |
| 4.2 Development | 9,000 |
| 4.3 Production | 19,000 |
| 4.4 Administration | 1,700 |
| Total | 32,100 |

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 | 32,713 | 53,121 |
| 5.2 Deposits at call | 1,747 | 2,222 |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 34,460 | 55,343 |

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 EOPR EOPR | 200,000 500,000 470,000 1,500,000 200,000 147,685 4,720,000 4,595,000 | <i>Exercise price</i> \$0.40 \$0.575 \$0.38 \$0.26 \$0.34 \$0.00 \$0.00 \$0.00 | <i>Expiry date</i> 22/5/2012 28/6/2012 16/8/2012 22/1/2013 28/4/2013 1/7/2014 24/9/2013 30/6/2014 |
| 7.8 Issued during quarter | EOPR | 12,332,685 | \$0.00 | 30/06/2014 |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |

+ 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: 
 (Company Secretary)
 Print name: Russell Middleton

Date 30 November 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.