



Chairman's Address
Hillgrove Resources Limited

Annual General Meeting

Tuesday, 22 June 2010

Crowne Plaza Hotel, Hindmarsh 4 Level 15
16 Hindmarsh Square, Adelaide

Ladies and Gentlemen,

Welcome to the 2010 Annual General Meeting of Hillgrove Resources Limited.

| Financial Results for the Year Ended | 31 January 2007 \$M | 31 January 2008 \$M | 31 January 2009 \$M | 31 January 2010 \$M |
|-------------------------------------------------|------------------------------------|----------------------------------------|------------------------------------|------------------------------------|
| Revenue and other income | 0.3 | 0.6 | 46.8 | 98.2 |
| Profit/(loss) after tax | 10.8 | (4.9) | 11.1 | 55.6 |
| Earnings per share – diluted (cents) | 4.9 | (2.0) | 3.0 | 12.7 |

The first item to report is that Hillgrove recorded a net profit after tax (NPAT) for the twelve months ended 31 January 2010 of \$55.6 million – an extraordinary figure for a junior miner and the second consecutive financial year in which the company has posted a profit.

That profit was mostly driven by the sale of our 19.99% shareholding in Eastern Star Gas to Santos Limited. Also part of the arrangement there is the potential for an additional payment in the event Santos or a third party acquires more than 50% of Eastern Star at more than \$1.00 per share by 15 January 2011. From a book cost of approximately \$19 million in cash the investment in Eastern Star Gas appreciated significantly in value and realised a total consideration of \$172 million cash from the sale in July 2009.

The sale proceeds have certainly changed Hillgrove's ability to make choices about its future. In the context of financing the Kanmantoo Copper Mines Project, we have applied part of the proceeds to providing early price cover with the acquisition of 'swaptions' over 15,000 tonnes of copper sales from the project for the years 2012 to 2014 at a very favourable copper price. It has also allowed us to explore Indonesia with certainty and confidence. Last but not least is our ability to review other opportunities that have presented themselves.

Hillgrove Resources Limited

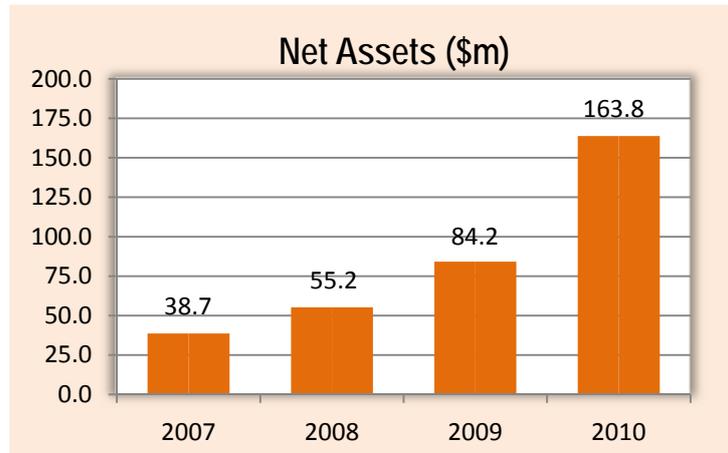
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I will provide more details about these initiatives later in my address, but let me first review the past year then move onto the year ahead.



As you can see from the graph, Hillgrove's Net Asset position has grown from \$38.7 million at the end of January 2007 to \$163.8 million at the end of January 2010. The major asset on the balance sheet as at 31 January 2010 being cash – \$130.3 million to be exact – with Net Assets of \$163.8 million or 32 cents per share.

To mark the excellent result, in September last year, Hillgrove declared the payment of a maiden dividend totalling two cents per share payable as one cent on the 6 October and one cent on 30 November 2009.

The global financial crisis clearly affected every business, Hillgrove's included. Our response was to pause the Kanmantoo project in 2008. In early 2009 we concluded that the only reasonable funding avenue for Kanmantoo was to seek a joint venture partner to fund the development of the project. Bids from potential partners were received in the latter half of 2009. However, during the bid period a number of new elements became apparent. Very significantly, there was a major recovery in copper prices and global business confidence which, when combined with newer analysis of the project, suggested that Kanmantoo could produce a significant earnings stream. In the light of this, the Board concluded that the interests of the shareholders were best served by 'going it alone' with the development of Kanmantoo.

As a result, in January this year, Hillgrove raised \$25 million at 40 cents per share largely to meet early capital expenditures to continue the development of the Kanmantoo Copper Mines. The early funding was primarily directed to fund the dismantling and transport of the Pillara processing plant from Western Australia to the Kanmantoo site. This exercise is more than 90% complete with completion expected by the end of July 2010.

Securing project finance for the Kanmantoo Copper Mines' development is progressing with a shortlist of banks. These banks are well credentialed in project finance and the Board is confident that a funding package will be secured shortly. We are also looking to finalise the major project contracts for mining and plant construction. Once this is all complete, the board will be in a position to make a final investment decision.

Copper remains one of the strongest performing base metals, with limited short term supply growth. Indeed, only a handful of new copper mines are likely to go into production in Australia this decade. Kanmantoo Copper Mines is ideally placed to come on stream when metals are forecast to experience increasing global demand. But, one thing we are certain of is that volatility will be a feature of commodity markets in the future especially as a result of investment flows.

The Hillgrove Board believes that the proposed mining tax will make it more difficult for small to medium sized companies to raise new equity capital for new Australian mining projects. In particular this will hit South Australia, especially now as bank finance tightens. In its present form, it will shift exploration expenditures to other countries and the tax will reduce economic development in Australia at a time of great global uncertainty.

The Board will be undertaking a prudent price risk management strategy which will underpin the project during times of downturn. Whilst we view the project as our major strategic initiative, we must also recognise that surplus cash generated by Kanmantoo will provide the launch pad into other projects, whether through exploration, development or acquisition. This is why it is important to get Kanmantoo right and why we have taken a deliberate and measured approach to our investment.

Hillgrove has ambitious plans and a clear vision of where it is heading and a major part of our hoped for growth is expected to come from our activities in Indonesia. In 2008 we undertook a major initiative into the world's second largest democracy. Investor friendly changes to the country's mining legislation regime were imminent, which would provide greater certainty and security to foreign investors regarding their ability to make direct investment in Indonesian mineral exploration, resources development projects and mining. Coupled with its proximity to the major Indian and Chinese markets and Hillgrove's base in Australia, it is a very attractive region for investment.

Hillgrove and its partner secured the Sumba and Bird's Head projects as general survey licenses (KPs') in 2008 and 2009 respectively, which meant we were well positioned to be granted follow-on titles when the newly enacted laws and accompanying promulgating regulations came into effect. During the last six months, both those KP's were converted to the new Exploration Mining Business Licenses (IUP Eksplorasi).

Having spent some 18 months now reviewing historical databases, undertaking confirmatory exploration, organising access and base camps, Hillgrove is now ready for a concerted exploration push. Some residual landowner issues are being resolved at Bird's Head, but exploration drilling has started at Sumba and will be accelerated with a second rig on its way. Recent unseasonal heavy rains have slowed the pace of drilling. Results from the drilling on Sumba will be announced once the assays are received, collated, assessed and grouped into meaningful and material volumes.

Hillgrove has been demonstrably successful in achieving superior returns with its resources investments, and with leverage to the potential discovery of Tier 1 gold and copper/gold ore bodies in Indonesia and our copper project here in South Australia moving into development we are well positioned to continue to do so. Whilst the business base case is to drive growth through our existing portfolio, the current economic environment is presenting many other opportunities.

Today we are announcing that Hillgrove has secured a major portfolio of bauxite properties in West Kalimantan in Indonesia. This will be transferred to our subsidiary, InterMet Resources Limited, which will change its business focus to bulk commodities such as bauxite as well as coal and iron ore.

Hillgrove is exceptionally well placed at present with a large cash balance and no debt to capitalise on emerging gold and copper/gold opportunities in particular. Over the coming year we see four key objectives to drive growth in shareholder value:

- Commission the Kanmantoo Copper Mines development in mid-2011;
- Drill test and establish a significant gold resource on Sumba;

- Provide ‘proof-of-concept’ of a potential major copper/gold porphyry system at Bird’s Head; and
- Widen the company’s project portfolio with potential new investment opportunities.

I am pleased to be able to advise you that the Board has resolved to appoint Mr Edwin Zemancheff as a non-executive director of the Company effective on 23 June. Edwin brings significant commercial, corporate and legal experience to the board having been an International partner of the global law firm, Baker & McKenzie.

I must thank our Managing Director, David Archer, for the excellent result achieved from the sale of the Eastern Star shareholding, the determination he and his team have applied to the Kanmantoo Project and the exploration initiatives in Indonesia.

We are confident we have the building blocks in place to continue the growth of Hillgrove over the next financial year.

I thank you for your continued support and trust that you enjoy the next exciting phase of growth of Hillgrove Resources Limited.

The Hon. Dean Brown, AO
Chairman