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KANMANTOO COPPER MINE SIGNS CONTRACT FOR USE OF RECYCLED TREATED WASTE WATER

Collaboration between Local Government and Industry Results in an Outstanding Environmental Outcome

Hillgrove Resources Limited (ASX:HGO), an Australian exploration and mining company, advises that it has signed a long term contract with the District Council of Mount Barker (DCMB) for the supply of recycled treated waste water for use as process water at its Kanmantoo Copper Mine, 55km east of Adelaide in South Australia.

The Chairman of Hillgrove, Dean Brown, said today "This is great news both for the Mt. Barker community and the Kanmantoo Project. The arrangement is an innovative example of how mining companies and communities can cooperate to achieve an outstanding environmental outcome both at the local and national levels".

The innovative water contract will generate a revenue stream and cost savings for the District Council and, importantly, it also eliminates a new draw on the water resources of the Murray River system.

"From the community's point of view it results in significant benefits to local flora, fauna and the water quality of Mt. Barker Creek. At the same time, the contract allows the District Council to plan for population growth in the Adelaide Hills without the constraint of waste water issues," Mr Brown said.



Brown Dam Under Construction

The contract commits Hillgrove to design and build a 16km buried pipeline from the DCMB's Brown Dam to the Kanmantoo mine site. Once completed, the infrastructure will vest with

DCMB. The term of the water supply contract is five years with a three-year option and the right to renew the contract every three years thereafter while the mine operates. DCMB has allocated up to 750ML per year to the Kanmantoo Mine.



DCMB Laratinga Treated Water Wetlands

The Kanmantoo Mine's daily raw water requirement is forecast to be 2.1ML per day, which can be satisfied from the contract with DCMB for most of the year. The Kanmantoo Mine can also source water from the SA Water Scheme, existing ground water bores, water inflows into the open-cut and seasonal water harvesting.

The pipeline is to be constructed within road reserves and existing rights of way (see Figure 1). Tenders for the construction of the pipeline will be issued this month, with a contract award in August, commissioning in November and handover to DCMB for operation and maintenance in December 2010.

Meanwhile, the Kanmantoo Copper Project continues to move along strongly. The dismantling of the Pillara ore processing facility and its relocation to Kanmantoo is well underway. Early engineering design is progressing and will allow for a rapid start up of the site works after a Final Investment Decision is made.

About Hillgrove

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its Indonesian, South Australian and Queensland 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 Mine, 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 the first quarter of 2011, Kanmantoo will be a 2.4MTPA open-cut mine producing approximately 20,000 tonnes of copper in concentrate and 10,000 ounces of gold per annum.

The Mineral Resource estimate is based on information compiled by Mr Paul Payne, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is the Principal of Resource Evaluations Pty Ltd 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.

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Figure 1. Plan of Water Pipeline Route

