

Thursday, 5 January, 2012

KANMANTOO UPDATE – 31 DECEMBER, 2011

Hillgrove Resources Limited (ASX: HGO) is pleased to provide shareholders with the following update for operations at the Kanmantoo Copper Mine during the month of December 2011.

This information is intended to highlight progress at the recently commissioned mine during the first months of operations, and is intended to supplement the Company's Quarterly Report disclosure program during ramp-up of the mine to full production:

- 154,000 dry tonnes crushed and milled, representing 77% of annual throughput rate of 200,000 tonnes per month, and above plan for this stage of ramp-up.
- Average crushing rate achieved was 387 dry tonnes per hour (tph), representing 94% of design of 411 tph.
- Average milling rate achieved was 259 dry tph, representing 83% of design throughput of 311 dry tph.
- 2,159 dry tonnes of copper concentrate produced, grading 30% copper and 5.3 g/t gold, both above plan of 26% and 2.6 g/t respectively. A total of 2,425 dry tonnes of concentrate has now been produced since start-up.
- Approximately 1,615 dry tonnes of concentrate transported to storage at Port Adelaide, with approximately 810 tonnes in the concentrate shed at Kanmantoo.
- Average copper recovery of 70%, reflecting some oxide and transitional material in the early stage, low grade, commissioning ore feed to the mill. Recovery has steadily increased over the month, and is now running at approximately 85%.
- Close-off of additions of exploration drilling data to the Kanmantoo resource database occurred, with work commencing on a new resource estimate, with results expected in Q2, 2012.
- Settlement of the construction contractor claim, with deferral of overrun monies to be paid on a monthly basis from April 2012.
- Execution and drawdown of the previously announced AUD 10 million Mezzanine Finance Facility occurred in late December.
- Reduction in the minimum permitted balance in the Kanmantoo Proceeds account from AUD 10 million to AUD 5 million, as agreed with the project lenders.



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ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its Indonesian and Australian base and precious metals projects. The Company is targeting the discovery of world class epithermal gold and porphyry copper/gold deposits in Eastern Indonesia.

Hillgrove's flagship development is the Kanmantoo Copper Mines, located less than 55km from Adelaide in South Australia. With construction now completed, Kanmantoo is an open-cut mine, and will ramp up over the first half of 2012 to 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.