

New High Grade Zones at Kanmantoo
Date

25 January 2006

ASX Code

HGO

Share Price

17.5cps

Market Cap (fully diluted)

\$29.1m (\$29.1m)

Issued Capital (fully diluted)

166.0m shares (166m)

Cash (as at 31 October 2005)

\$5m

Management

David Archer (Chairman/MD)

Top Shareholders

David Stuart Archer (11.2%)

AMP Limited (9.4%)

Merrill Lynch Resources Fund (6.7%)

Resources Analyst

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Hillgrove Resources Limited ("HGO", "Company") is continuing drilling at the Copper-Gold-Garnet Kanmantoo project in South Australia. A large infill and extensional drilling program aimed at adding to existing resources has intersected some very good widths and grades in the Eastern Zone, and is likely to significantly expand the resource for the Main and North West Zones.

Eastern Zone

- Previously poorly defined, the drilling has extended the zone along strike and down dip.
- Best results include:
 - **37m @ 2.89% Cu & 0.34g/t Au** (including 21m @ 4.02% Cu & 0.42g/t Au)
 - **17m @ 2.45% Cu & 0.42g/t Au** (including 13m @ 3.07% Cu & 0.52g/t Au)
- The zone has been defined as at least 100m long with consistent intercepts of over 2% Cu.
- This new discovery has the potential to reduce capital requirements for a cut back on the main pit.

Main Zone

- Additional drilling of Main Zone intersected:
 - **14m @ 1.65% Cu & 0.28g/t Au**
- This intersection has extended the main ore body another 20m northwards and has the potential to significantly add to the current resource.

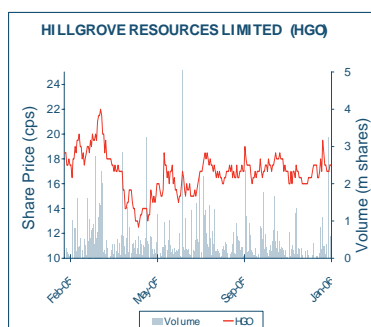
North West Zone

- Follow up drilling targeting the northern extension of this zone has intersected mineralisation over 50m wide.
- Best results include:
 - 10m @ 1.28% Cu
 - 17m @ 0.83% Cu
 - 22m @ 0.76% Cu
- Mineralisation has been identified over 100m of strike and is open at to the north, south and depth.

Summary

Another 50 to 60 holes are planned to infill and extend the current zones. The program should be completed within the next three months. We expect a positive impact on the resource, which currently sits at 18.37Mt @ 1.1% Cu and 0.2g/t Au. We are looking for an increase to around 25Mt at improved copper and gold grades. We believe this resource update is to be released mid CY2006, if not slightly earlier. We also believe that HGO is due to start a pre-feasibility study on Kanmantoo as early as Q2 CY2006.

Due to a lack of news flow, the stock has traded in a narrow band for the past six months. We expect the news flow on Kanmantoo to increase in the first half of 2006 as more good results are released and the resource is upgraded. We rate **Hillgrove Resources Limited** as a **Speculative Buy**.

Share Price Performance


Source: IRESS

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Hartleys Recommendation Categories

Strong Buy	Significant share price appreciation anticipated
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but is considered high risk
Accumulate	Buy in periods of weakness
Hold	Take no action
Reduce	Sell in periods of strength
Sell	Significant price depreciation anticipated

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