

Monday, 10 August 2009

Processing Plant Acquired for Kanmantoo

Hillgrove Resources Limited (ASX:HGO) is pleased to announce that its wholly owned subsidiary, Hillgrove Copper Pty. Limited, has entered into a purchase agreement with Lennard Shelf Pty. Limited (Teck Resources Limited/Xstrata plc) to acquire the Lennard Shelf Pillara Mine's process plant and associated equipment and buildings for the Kanmantoo Copper/Gold Project.

The Pillara Plant purchase comprises all of the plant and equipment at site; being the float plant which includes a ball mill and SAG mill, office buildings, crusher, plant spares and consumables, workshops, warehouse building, sample preparation facility, laboratory, fuel farm and product storage buildings.



David Archer, the Managing Director of Hillgrove Resources said today "The purchase of the integrated processing plant will provide the Kanmantoo Project with a great head start and affords the Project a number of significant advantages". These include:

- A reduction in the Project's capital expenditure by an estimated \$20 million after cost of dismantling and modification (total cost to complete construction now estimated at \$99.5 million);

- Plant configurations using either Hillgrove's existing Outotec SAG mill or the Pillara SAG mill can process the planned Kanmantoo run-of-mine throughput of 2.0MTPA with significant upside capacity to more than 2.5MTPA;
- Reduced lead times for new equipment items will ensure the project will be completed within a 12 month construction period;
- Potential to sell the existing Kanmantoo SAG mill and mill spares (cost \$7.8 million) and surplus Pillara equipment to net off the cost of the purchase of the Pillara plant; and
- Operating and capital spares being acquired with the Pillara Plant have a replacement value of \$5.4 million and provide a direct and significant saving on start-up costs for Kanmantoo.

The Pillara Mine, located 375km east of Broome in Western Australia, was established by Western Metals Limited in 1998 as a lead/zinc mine. The Mine operated until 2003 and then by the Lennard Shelf Pty Limited joint venture from 2006 until it was shut down in September 2008. Design throughput for the mine and plant was 2.7MTPA. The plant is in excellent condition and can be dismantled, relocated, reassembled and commissioned without need for refurbishment.

Mr. Archer also said "We believe this will provide a very attractive backdrop to an incoming joint venture party for the Project as it substantially reduces the risk of any capital expenditure increases. We have continued to work closely with Abesque Engineering to ensure the plant's complete compatibility with the Kanmantoo Project's requirements".

About Hillgrove

Hillgrove is an Australian resources 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 Gold Project, located less than 60km 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 production targeted for the first quarter of 2011, Kanmantoo will be a 2Mt p.a. open-cut mine producing approximately 17,000 tonnes of copper in concentrate and 8,000 ounces of gold per annum.

The information in this announcement that relates to Exploration Results is based on information compiled by Mr. Dale Ferguson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Ferguson is the General Manager- Exploration and Operations of 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. Ferguson consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears. 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 Manager – WA Mining Consulting 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 Payne consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

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