

**The Board of Directors of Hillgrove Resources Limited (Hillgrove)  
(ASX: HGO) reports for the quarter ended 31 October 2009**

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**HIGHLIGHTS**

- **Net Profit after Tax of \$53.97 million for the six months ended 31 July 2009.**
  - **Maiden dividends declared totalling 2 cents per ordinary share fully franked.**
  - **Half year net assets of \$146.7 million or 35 cents per share.**
  - **Lennard Shelf Pillara Mine's process plant and associated equipment and buildings acquired for Kanmantoo Copper/Gold Project reducing capex and construction time.**
  - **Range of pre-development activities underway on Kanmantoo including a review of mining resource inventory.**
  - **High tempo of field exploration activity at Bird's Head (targeting epithermal gold and porphyry copper/gold), Sumba (epithermal gold) and Munderra (>5km strike length of prospective Chillagoe Formation which hosts Red Dome, Mungana and nearby Mt Garnet base metal deposits).**
  - **Base camp under construction and exploration underway at Bird's Head Project in West Papua, Indonesia.**
  - **Field exploration on Sumba Gold Project, Indonesia has confirmed a significant zone of epithermal gold mineralisation in the Masu Project area, outlining a 2 x 10 km corridor.**
  - **Investment portfolio and cash totalled \$118.9 million at the end of the quarter.**
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**KANMANTOO PROJECT, SOUTH AUSTRALIA**

The Kanmantoo Copper/Gold Project (Plate 1) is slated to be commissioned in the first quarter of 2011 as a 2.0MTPA open-cut operation mining a medium grade orebody. The mine will produce a copper gold concentrate that will be exported through the nearby port of Port Adelaide. Kanmantoo is located close to Adelaide with ready access to existing road, rail, power and water infrastructure. These low cost inputs relative to the Mine's more remotely located peers are complemented by a capital cost per tonne of concentrate produced of less than 50% of the global average.

The main Kanmantoo deposit remains open at depth and along strike providing real potential to continue upgrades of the resource and reserves base from further drilling with a target of increasing the mine life to in excess of 10 years.

**KANMANTOO MINE PROJECT****Mining Leases 5776 and 6345; Exploration License 3277****(Hillgrove 100%)**

Hillgrove has Kanmantoo well positioned to move into development, targeting the completion of the Project's construction in the first quarter of 2011, followed by dry and wet commissioning. Near term key milestones for the Kanmantoo Project are:

- Finalisation of permitting, with approval of Hillgrove's Mining and Rehabilitation Plan (MARP) for the mine's development with PIRSA in South Australia;
- Bringing a partner to the project to provide the equity capital component to underwrite the mine's development;
- Finalising the overall debt financing of the project.

Note that quoted Kanmantoo Project milestone timelines assume Hillgrove's MARP is approved by PIRSA on or before Friday 18 December 2009, being their committed target date. It should also be noted there appear to be no major issues in the way of the MARP's approval other than due process.

With these key milestones in place it is anticipated a development go-ahead would be made early next year.

Kanmantoo is almost unique in Australia, as one of the few Australian deposits ready to go into development and production at what is believed to be the front end of the next cyclical lift in copper prices. The current copper price of >USD\$3.00 per lb provides an excellent backdrop for the Project's development.



**Plate 1. Kanmantoo Mine looking to the south west**

**Plate 2. Pillara Plant and associated buildings**

**Processing Plant Acquired for Kanmantoo**

On the 10 August Hillgrove announced that it had entered a purchase agreement with Lennard Shelf Pty. Limited to acquire the Pillara Mine's process plant (Plate 2) and associated equipment and buildings for the Kanmantoo Copper/Gold Project. The purchase comprises all of the plant and equipment at site; being the float plant that 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.

Abesque Engineering has assessed the plant and confirmed it is in excellent condition and can be dismantled, relocated, reassembled and commissioned without need for refurbishment. Dismantling, transport and reassembly to Kanmantoo will start in early 2010 once licensing is completed.

The purchase provides the Kanmantoo Project with a great head start and affords a number of significant advantages, including:

- A reduction in the Project's capital expenditure by an estimated \$20 million after the costs of dismantling and modification (total cost to complete construction now estimated at \$99.5 million);
- The SAG mill will be able to process the planned Kanmantoo run-of-mine throughput of 2.0MTPA with significant potential to increase this to 3.0MTPA;
- Caps any major plant capital cost increases that the project might otherwise have experienced;
- Reduced dependency on new equipment limits lead time issues and assists meeting the 12 month construction period target;
- Operating and capital spares 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; and
- A review of the Pillara plant and associated equipment has identified a significant number of items that will be excess to the requirements of the Kanmantoo Project. A programme to sell these items is well underway, with details available on our website. It is anticipated that the sale of the excess equipment will result in a significant set-off against the cost of the purchase.

### Copper Oxide Heap Leach



Plate 3. Oxide ore heap leach processing operation

During the quarter Hillgrove acquired South Australian Mining and Resources Pty. Limited which owns and operates a copper heap leach project at the Kanmantoo Mine site. The process produces copper cement from copper oxide ore stockpiles (Plate 3) remaining from mining operations at Kanmantoo in the 1970's. The operation produces approximately 37 tonnes of copper in cement per month which is sold to a local customer.

### Joint Venture Partner/ Project Financing

There has been a high level of interest from both Australian and overseas parties in investing in the project. It is clear Australia continues to be seen as a premier mining investment destination with a vibrant and successful mining sector. A structured process to identify a preferred investor is underway and this process is expected to conclude by the end of the year, coinciding with the approval of the MARP.

There has also been keen interest from a number of banks and finance groups to provide finance for the development of the Project.

### Development Planning

In the lead up to an anticipated development decision there has been an increase in the tempo of planning decisions, including:

- The recruitment of a General Manager for Kanmantoo is underway;
- Project capital cost target estimates have been reviewed and are in line with original estimates;
- Water pipeline detail design contract is ready to be let;
- A concentrate transport and handling tender package has been issued;
- Water bore drilling contract is ready to be let;
- Preliminary offer to connect has been made by Electra Net for connection of power to the Project;
- Mining tender responses have been received and prime contractor identified, with work underway to convert the tender document to a contract;
- Review of mining reserve nearing completion.

### WHEAL ELLEN, SOUTH AUSTRALIA

#### Exploration License 3232

(Hillgrove 100%)

The Wheal Ellen Project (EL 3232) is located 40km east south east of Adelaide, 8km north of Strathalbyn and 7km to the north of Terramin's Angus silver-lead-zinc mine. It is named after the historical silver-lead-zinc mine at the centre of the tenement which was worked primarily in the 1850's and produced an estimated 75,000 tonnes at an overall grade of 25% zinc, 20% lead and 12oz/t silver.

The magnitude and persistence of the Kanmantoo Trough mineralising system is such that mineralisation is likely to extend to considerable depths, as demonstrated by Angas drill intersections to 450m and Kanmantoo drill intersections to 600m. Drill testing of the Wheal Ellen resource extends to only 150m depth (one diamond hole) leaving significant potential for the discovery of further significant mineralisation down dip for the entire strike extent of the exploration license.

The review of exploration results has been completed as a prelude to further exploration work. Exploration drilling is planned to recommence in early 2010.

The information in this report 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 report of the matters based on his information in the form and context in which it appears.

## INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

Hillgrove is moving ahead aggressively with its fully funded exploration of the Sumba and Bird's Head projects in Indonesia (Plate 4). Some \$10 million is expected to be spent on these projects over the next 12 months. Hillgrove is targeting the discovery of world class gold and copper/gold ore bodies.



Plate 4. Exploration project locations in Indonesia

Exploration continues on the Sumba epithermal gold project where recent rock chipping in a gold mineralised zone 2km wide and 10km long has recorded results of up to 164g/t gold and 71.1g/t silver. The aim is to define targets for drilling early next year. Good grades in rock chips, the significant distribution of mineralisation, evidence of high grade shoots and good access with nearby roads makes this a high priority project for Hillgrove.

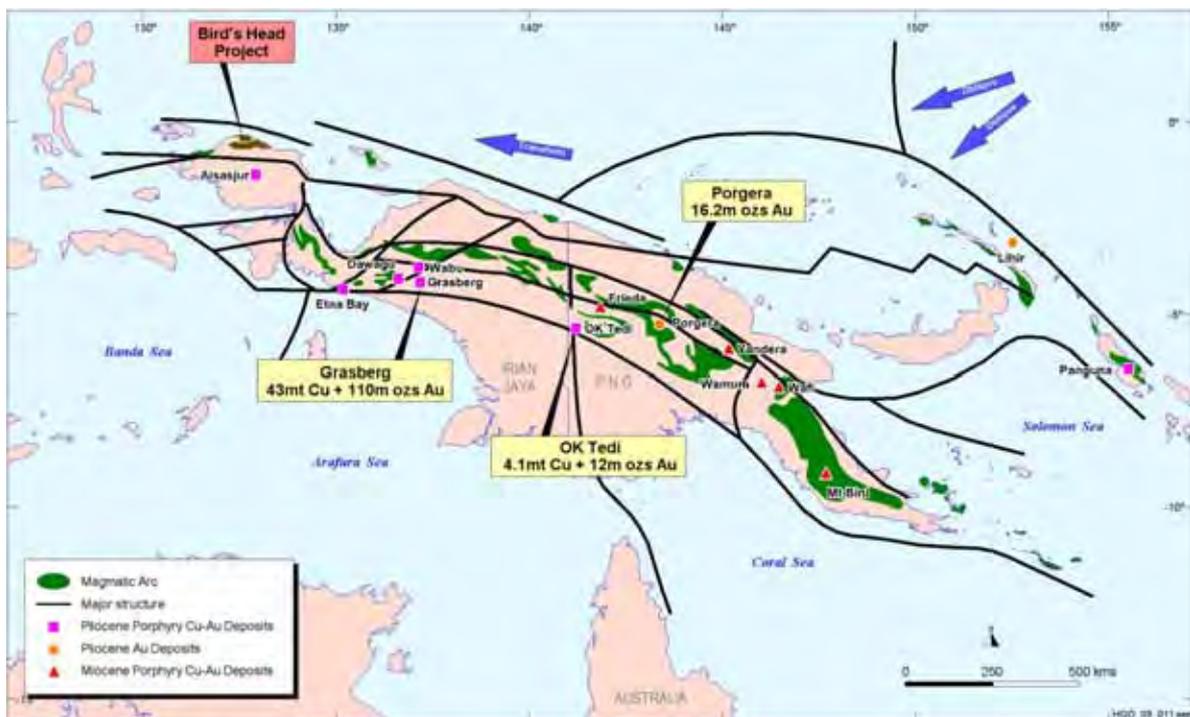
The target at the Bird's Head project is the discovery of tier 1 style epithermal gold or porphyry copper/gold ore bodies. The project exhibits exceptionally attractive geochemistry matched by a geological setting that hosts world class ore bodies. The existing extensive database of exploration results from the 1990's in combination with Hillgrove's own work will provide an excellent platform for drilling targets in the first half of 2010. Initial drilling will target gold mineralisation at the Kali Sute epithermal gold prospect (rock chips up to 184g/t gold and trenching up to 50m @ 4.51g/t gold and 1.09% copper) and the West Delta porphyry copper/gold prospect (rock chips up to 17.9% copper).

Both the Indonesian projects offer exceptional potential for growth in shareholder value.

**BIRD'S HEAD COPPER/GOLD PROJECT, WEST PAPUA, INDONESIA****KP254****(Hillgrove 80%, PT Akram Resources 20%)**

P.T. Akram Resources was awarded an exploration license or Kuasa Penambangan (KP) over 1,815km<sup>2</sup> of the Bird's Head Peninsula (Kepala Burung) in West Papua, Indonesia on the 4 December 2008. Hillgrove will undertake exploration work, feasibility studies if justified, and steps to advance the KP to exploration status in return for an indirect 80% interest.

The Bird's Head Project is located in north-western West Papua in the Indonesian province of Papua Barat (Plate 5). The regional centre of Sorong, located approximately 130km to the southwest, is supported by regular commercial air and sea services. The KP license area is sparsely populated and covers areas ranging from the coast through to moderate elevations of around 2,500m within 40km of the coast.



**Plate 5. Bird's Head Project in West Papua, Indonesia**

The KP covers a number of mineralised areas explored between 1986 and early 1993 and shown to contain extensive porphyry style copper-gold and epithermal gold mineralisation, with five major zones identified. Three stream drainages showing detrital gold were named Alpha, Bravo and Golf and prioritised as epithermal style gold targets and an additional two, Foxtrot and Delta, as porphyry style copper-gold targets.

### **Exploration Programme**

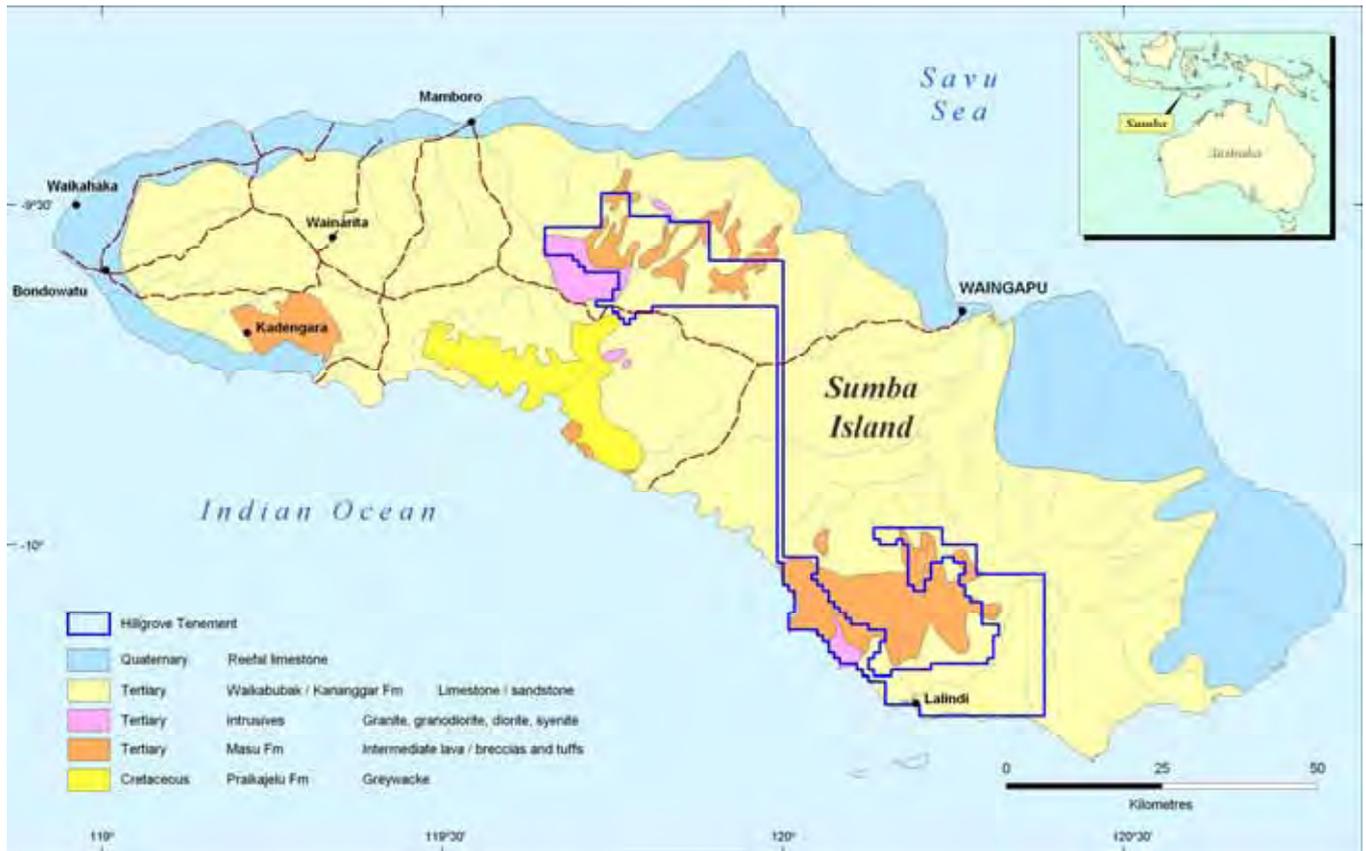
On ground exploration is currently underway. An office has been established in the regional city of Sorong to act as an administrative and logistics hub for exploration. A total of 36 skilled and unskilled workers have been sourced to construct a base camp at the coastal village Warmandi, close to the Delta Prospect, and to undertake field exploration. Exploration was initially focused on the Kali Sute portion of Delta which is located within 1km of the coast and has now been expanded to cover the potential porphyry copper system at West Delta. Work is being led by an experienced team of expatriate geologists supported by local labour.

Initial rock chip and trenching results are expected over the coming weeks and will be released when they come to hand.

**SUMBA GOLD PROJECT, INDONESIA****IUP 322/KEP/HK/2009****(Hillgrove 80%, PT Fathi Resources 20%)**

In consideration of the grant of an 80% indirect interest, Hillgrove will fully fund and undertake exploration work, feasibility studies if justified, until a decision to mine is made in relation to the exploration tenement held by Hillgrove's Indonesian partner PT Fathi Resources.

PT Fathi Resources was granted an Exploration Mining Business License (IUP Eksplorasi) under the newly implemented mining laws to replace the pre-existing KP. The IUP has been granted for a term of six years and covers an area of 999km<sup>2</sup> (Plate 6).



**Plate 6. Map showing basic geology and IUP boundary for Sumba**

In May-June 2009 a field program was completed with the focus of the work to sample BHP's previously identified outcropping high grade veins. Fieldwork confirmed the presence of additional high grade gold and silver mineralisation on the license with sampling confirming a high grade Western Vein system, striking approximately N-S and outcropping over about 250m, which returned assays up to 164g/t gold, and 71.7g/t silver. The discovery of a second high grade vein striking NE and outcropping over about 250m, which intersects the N-S trending Western Vein, returned assays up to 64g/t gold, and 254g/t silver (not the same sample). Further encouraging rock chip results from the area of Hillgrove's previously reported gold in soil anomaly had assays up to 77g/t gold, and 43.3g/t silver and due diligence work completed by Hillgrove has confirmed a significant zone of epithermal gold mineralisation, outlining a corridor 2km wide by 10km long.

**Masu Project**

The Masu Project is located in South East Sumba and has been the principal focus for exploration activities in 2008-2009. Significant results from the recent rock chip sampling programs are shown in Table 1 below.

### Pahandanjal Prospect

Previously reported results from Hillgrove's 2008 field program included the identification of a 200m x 200m gold in soil anomaly peaking at 0.67g/t gold at the Pahandanjal Prospect. Follow-up rock chip sampling of this anomalous zone in May-June 2009 has returned further encouraging results (Figure 1 below). Significant new rock chip results include:

- 77g/t Gold, 43.3g/t Silver;
- 13.25g/t Gold, 6.8g/t Silver;
- 11.7g/t Gold, 6g/t Silver.

This Eastern Vein system strikes approximately NNW and outcrops over at least 600m but exhibits variable strikes and dimensions which require more detailed mapping and trenching in the latter part of 2009, prior to potential drill testing in early 2010.

### Pahandanjal Western Vein

A high-grade outcropping vein zone previously identified by BHP, located approximately 400m to the west of the eastern vein system, has been sampled (Figure 1). This zone has previously returned significant gold and silver results in trenches dug by BHP in the 1990s, which include the following highly anomalous results which actually stopped in high grade zones and have never been followed up:

- Trench PDL18: 7m at 24.9g/t gold, 46g/t Silver (stopped in grade of 62.3g/t Gold Au, 89g/t Silver);
- Trench PDL35: 3m at 49.4g/t Gold, 26g/t Silver (stopped in grade on both sides in 79g/t Gold, 32g/t Silver and 18.56 g/t Gold, 21 g/t Silver);
- Trench PDL17: 5m at 8.7g/t Gold, 6 g/t Silver (stopped in grade on both sides in 9.2g/t Gold, 6g/t Silver and 12.2g/t Gold, 7g/t Silver);
- Trench PDL36: 8m at 7.3g/t Gold, 7.8g/t Silver (stopped in grade of 4.01g/t Gold, 5g/t Silver).

The Western Vein strikes approximately N-S, with an unknown but variable width and exhibits an outcropping strike length of approximately 250m, which has not been closed off either north or south.

Follow-up due diligence rock chip sampling of this anomalous zone by Hillgrove in May-June 2009 returned further highly encouraging results. Significant new rock chip results included:

- 164 g/t Gold, 71.7 g/t Silver;
- 29.75 g/t Gold, 47.8 g/t Silver;
- 22.2 g/t Gold, 29.6 g/t Silver;
- 15.4 g/t Gold, 46 g/t Silver;
- 10.8 g/t Gold, 26 g/t Silver.

A second NE striking vein has also been identified during recent field work which intersects the N-S trending Western Vein (Figure 1). This cross-cutting vein, which has not been previously recognised, outcrops over at least 250m and returned significant rock chip results including:

- 64g/t Gold, 123g/t Silver;
- 43.7g/t Gold, 254g/t Silver;
- 9g/t Gold, 12.7g/t Silver.

This vein appears to extend under a shallow unconformity towards the NE, where thin greywacke cover masks the NE continuation of the reef. As with the vein system to the east, the Western Veins exhibit variable strikes and outcrop dimensions which require more detailed mapping and trenching prior to drill testing.

Both the Western Vein and the area of anomalous gold in soils and rock chips to the east will be the subject of an upcoming program of further soil sampling, mapping and trenching in the remaining part of 2009 aimed to better define and understand the controls to mineralisation, prior to potential drill testing.

### **Masu Regional Work**

Further work on the compilation and analysis of historical data indicates a significant corridor of epithermal mineralisation (2km x 10km) stretching from Pahandanjal in the south through to the Okajara and Kanjilu prospects in the north and northwest (Figure 2). This corridor of mineralisation is probably genetically related to large zones of previously identified porphyry mineralisation to the west by BHP. This corridor strikes approximately NNW-SSE and there is a suggestion of a large fracture system trending around to a more SSW direction in the south that exhibits several outcropping high grade zones, all of which require more detailed mapping and sampling prior to potential drill testing.

Previous exploration in the Masu area has been of a reconnaissance nature. The known high grade zones have not been adequately tested, followed-up or understood. An additional factor, as mentioned above, is that trenches have actually stopped in outcropping high grade mineralisation (e.g. 62.3g/t Gold and 79g/t Gold in different trenches), which have never been followed up.

Hillgrove intends fast-tracking exploration work during 2009-2010, including undertaking more detailed mapping, soil sampling and trenching in the latter part of 2009, prior to potential drill testing in early 2010. Hillgrove will also selectively follow up specific zones already identified with additional soil sampling.

*The information in this report that relates to Exploration Results is based on information compiled by Mr. Adam Freeman, who is a Member of The Australasian Institute of Geoscientists. Mr. Freeman is an Exploration Manager 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. Freeman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

### **INTERMET RESOURCES LIMITED** **(Hillgrove 84.8% Shareholding)**

Activities during the last quarter again focused on prioritising projects following an extensive review of the company's large portfolio of tenements. Field activities have also commenced in Queensland (Plate 8), primarily focused on the Munderra Project, and by our joint venture partners in South Australia (Plate 9). Highlights include:

- Geological reconnaissance work has highlighted two lines of copper mineralisation over 300m in length at the Jesse Prospect.
- Work continues on identifying potential DSO iron targets on the Vanilla Project (EL 3702) at Coult.
- Exciting new uranium exploration target defined at the Corrunna North Project. Follow up work by the CSIRO has commenced to define potential new uranium drill targets.
- Detailed tenement review is ongoing with a view to continuing to rationalise the portfolio to a manageable size.

### **Queensland Projects**

#### **Munderra Project** **(EPM 15481, ML 3945 and 20428 - InterMet 100%)** *Iron, Copper, Gold and Base Metals*

During the last quarter, InterMet has been active on the Munderra Project with geological reconnaissance and geochemical sampling, including a total of 37 rock chips and 385 soil samples. This work was focused on both the Jesse and Paddy prospects and has highlighted a number of mineralised occurrences which require further work to fully evaluate their prospectivity.



### Lake Gilles Project

(EL 3466, 3467, 3801 – InterMet 100%; Hindmarsh Resources earning to 80% of unconformity-related uranium on EL3467)

*Olympic Dam Copper-Gold-Uranium, Mesoproterozoic Orogenic/Epithermal Gold and Base Metals, Unconformity-Related Uranium*

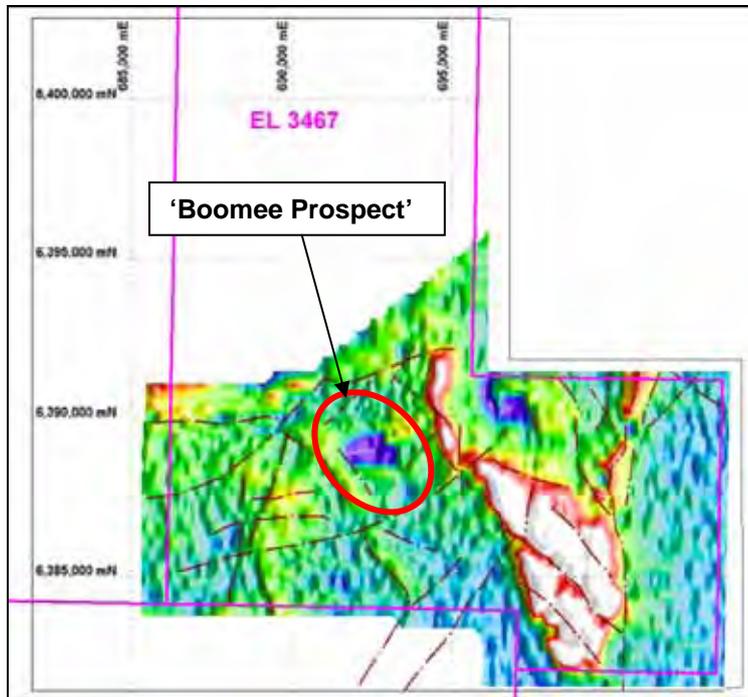


Plate 9. Top of crystalline basement interpretation with regional basement structures

The recent Aerial Electromagnetic Survey (“AEM”) completed by joint venture partner Mega-Hindmarsh over EL 3467 has been very successful in delineating the underlying geology and structure and defining a high order exploration target, the “Boomee” prospect (Plate 9). It is interpreted the AEM models delineate a fault bounded easterly dipping mudstone unit that plunges to the south, considered a good reducing unit. The eastern bounding structure presents an excellent fluid path with hot granites (source rocks) in close vicinity. The geological setting presents itself as an excellent potential uranium trap and host site.

A detailed study is currently being conducted by the CSIRO looking at both the structural setting and geochemical results to define potential new drill targets. The results from this work are expected next quarter and it is hoped they will further define the uranium potential of the Boomee prospect.

### Coulta Project

(EL 3314, 3671, 3702, 3948 – InterMet 100%; Lincoln Minerals earning an 80% interest in all minerals except uranium on EL 3702)

*Komatiite Hosted Nickel, Volcanic Hosted Massive Sulphide, Archaean Orogenic Gold and Palaeochannel Hosted Rollfront Uranium*

Joint venture partner Lincoln Minerals has completed a detailed gravity survey over selected targets on the Wanilla Project at EL 3702, aimed at identifying potential direct shipping (DSO) style hematite iron mineralisation targets. The results of the survey have been interpreted with a number of the targets drill tested during the quarter as part of a RC/aircore drilling program. A total of 34 vertical RC/air core holes, for 1446.5m, were completed.

Drilling failed to intersect any magnetite or haematite bearing rock with most holes intersecting intermediate to mafic rocks surrounded by granitic rocks. The mafic rocks are most likely the source of the gravity anomalies identified and XRF testing returned weak base metal anomalism with zinc results between 500-1,000ppm and lead results over 300ppm. A mapping program and further geochemical work is now being planned to determine the significance of this base metal anomalism.

### Adelaide Fold Belt Project

EL 4003 – 100% InterMet; Flinders Mines Limited earning 100% interest on diamond rights

*Sediment Hosted Copper-Gold and Base Metals*

Joint venture partner Flinders Mines Limited completed a helimag survey over a small portion of EL 4003 near Hawker in the Flinders Ranges of South Australia. On the basis of these results Flinders have completed a limited number of loam samples and some ground magnetic traverses with results expected during the next quarter.

## Other Tenements

There were no tenement changes during the quarter, but work will continue on the review process of the InterMet portfolio with a view to reducing it further to a manageable size and defining a number of key projects on which to focus exploration efforts.

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## CORPORATE

### Half Year Financial Results

On the 9 September Hillgrove announced a net profit after tax (NPAT) for the six months ended 31 July 2009 of \$53,973,885 (2008 6 months: \$2,208,242 loss) after tax of \$27,170,778. The results reflected the impact of the sale of the company's share and option holdings in Eastern Star Gas Limited on 15 July 2009 for a total of \$171,986,050 cash.

Net assets increased by more than 300% over the last two years to \$146,728,581 (2008 6 months: \$70,342,219) or 35 cents per share with cash of \$127,551,154 (31 cents per share) representing 87% of net assets. All borrowings together with accumulated interest (together \$49,795,888) were paid out during the first half.

### Maiden Dividend Payments

On the basis of the half year results, the Board of Directors declared the payment of fully franked dividends totalling 2 cents per share. The dividend arrangements were:

#### *October Dividend of 1 cent per share:*

15 September 2009	Last day HGO shares traded with entitlement to dividend
16 September 2009	Shares trade ex-dividend
22 September 2009	Record date to identify shareholders entitled to dividend
6 October 2009	Dividend payment date – 1 cent per share fully franked

#### *November Dividend of 1 cent per share:*

9 November 2009	Last day HGO shares traded with entitlement to dividend
10 November 2009	Shares trade ex-dividend
16 November 2009	Record date to identify shareholders entitled to dividend
30 November 2009	Dividend payment date – 1 cent per share fully franked

### Cash and Investments

Cash on hand as at 31 October 2009 was \$114.8 million.

The market value of Hillgrove's investment portfolio as at 31 October 2009 was approximately \$4.1 million. A total of 4,200,000 shares in Silver Swan Group Limited were acquired in the quarter for \$1,320,000 cash (33 cents per share).

## 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 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 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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Table 1. Significant New Rock Chip Results from the Masu Project (2009)

Project	Prospect	Sample No	UTM E	UTM N	Au g/t	Ag g/t	Pb g/t	Mn %
Masu	Pahandanjal	000163	203625	8880965	164	71.7	291	0.0116
Masu	Pahandanjal	000139	204022	8880945	77	43.3	252	0.0101
Masu	Pahandanjal	000162	203530	8880979	64	123	1180	0.0109
Masu	Pahandanjal	000167	203630	8881100	43.7	254	1710	0.0226
Masu	Pahandanjal	000166	203626	8880939	29.75	47.8	409	0.0109
Masu	Pahandanjal	000165	203625	8880946	22.2	29.6	349	0.0120
Masu	Pahandanjal	000156	203608	8881031	15.4	46	379	0.0105
Masu	Pahandanjal	000173	203839	8881393	13.25	6.8	702	0.0156
Masu	Pahandanjal	000121	203855	8881364	11.7	6	1430	0.0375
Masu	Pahandanjal	000154	203594	8881087	10.8	26	1410	0.0201
Masu	Pahandanjal	000168	203693	8881165	9	12.7	98	0.0662
Masu	Pahandanjal	000146	204018	8881068	8.52	86.4	8140	0.0160
Masu	Pahandanjal	000181	204110	8881157	7.88	13.8	1800	0.0103
Masu	Pahandanjal	000160	203572	8881019	7.46	12.1	252	0.0186
Masu	Pahandanjal	000164	203615	8880988	7.07	10.5	2540	0.0173
Masu	Pahandanjal	000122	203855	8881360	5.35	4.4	147	0.098
Masu	Pahandanjal	000169	204052	8881124	4.89	41.5	13300	0.0348
Masu	Pahandanjal	000157	203624	8881007	4.7	6.7	225	0.088
Masu	Pahandanjal	000158	203587	8881041	4.36	8.9	308	0.0145
Masu	Pahandanjal	000170	204086	8881186	4.33	16.3	855	0.0220
Masu	Pahandanjal	000140	204023	8880925	4.27	14.1	997	0.0166
Masu	Pahandanjal	000153	203575	8881097	3.98	12.8	1620	0.0190
Masu	Pahandanjal	000127	204011	8881220	3.6	56	238	0.0607
Masu	Pahandanjal	000130	203941	8881308	3.32	26.9	48	0.0196
Masu	Pahandanjal	000150	204056	8881099	3.29	8.1	872	0.0367
Masu	Pahandanjal	000118	203836	8881354	3	24	270	0.091

Note: Gold values are derived from an average of up to 5 repeats using fire assay method.  
Silver, lead and manganese values are derived from a multi element sweep using ICP method.  
Datum used for East Sumba is WGS 84 Zone 51.

Figure 1. 2009 Rock chip geochemistry by gold at the Pahandanjal Prospect

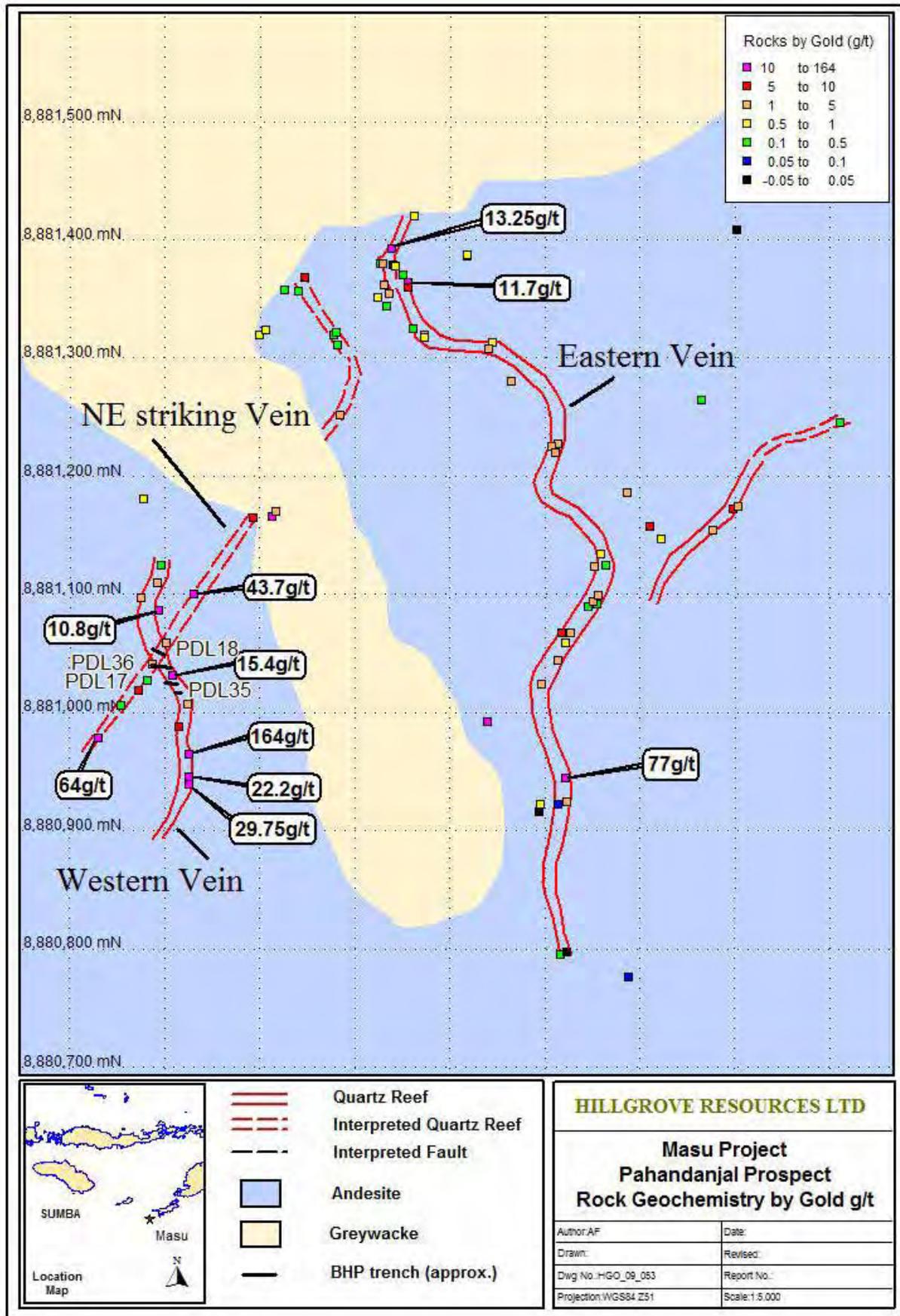
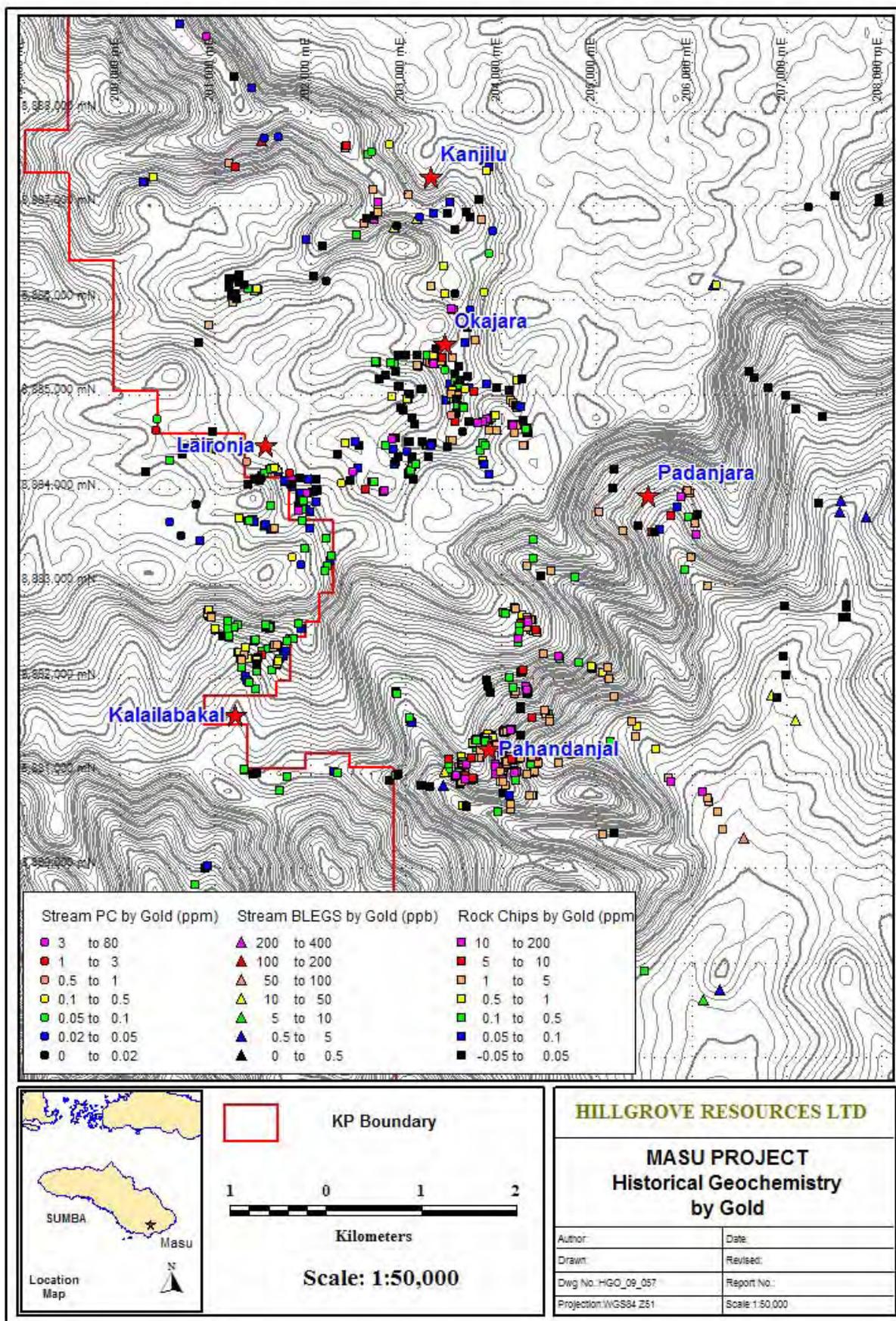


Figure 2: Masu Prospect map showing historical rock geochemistry (by gold g/t)



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

HILLGROVE RESOURCES LIMITED

ABN

73 004 297 116

Quarter ended ("current quarter")

31 October 2009

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date:9.months \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	433	445
1.2 Payments for(a)exploration and evaluation	(357)	(850)
(b) development	(1,093)	(2,025)
(c) production	(277)	(277)
(d) administration	(1,843)	(3,381)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1,324	1,324
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(900)	(900)
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(2,713)</b>	<b>(5,664)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b) equity investments	(6,462)	(6,820)
(c) other fixed assets	(1,620)	(3,585)
1.9 Proceeds from sale of(a)prospects		
(b) equity investments	(861)	171,125
(c) other fixed assets		
1.10 Loans to other entities	(225)	(655)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(9,168)</b>	<b>160,065</b>
1.13 Total operating and investing cash flows (carried forward)	(11,881)	154,401

1.13	Total operating and investing cash flows (brought forward)	(11,881)	154,401
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	496	3,952
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,350	2,350
1.17	Repayment of borrowings		(49,862)
1.18	Dividends paid	(3,770)	(3,770)
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>		(924)	(47,330)
<b>Net increase (decrease) in cash held</b>		(12,805)	107,071
1.20	Cash at beginning of quarter/year to date	127,644	7,768
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	114,839	114,839

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	1000
4.2	Development	750
<b>Total</b>		<b>1,750</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	114,601	127,246
5.2	Deposits at call	238	398
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)		<b>114,839</b>	<b>127,644</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			

7.3	<b>+Ordinary securities</b>	415,507,311	415,507,311		
7.4	Changes during quarter				
	(a) Increases through issues	2,480,000	2,480,000		
	(b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> <i>(description)</i>				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	Unlisted – ESOP ExSOP	1,000,000		\$0.16	8/02/2011
	Unlisted – ESOP ExSOP	200,000		\$0.40	22/5/2012
	Unlisted – ESOP ExSOP	300,000		\$0.55	13/6/2012
	Unlisted – ESOP ExSOP	500,000		\$0.575	27/6/2012
	Unlisted – ESOP ExSOP	890,000		\$0.38	15/8/2012
	Unlisted – ESOP ExSOP	1,500,000		\$0.26	22/1/2013
	Unlisted – ESOP ExSOP	200,000		\$0.34	28/04/2013
	Unlisted – ESOP ExSOP	130,000		\$0.145	10/2/2014
	Unlisted – ZEPO's	833,334		\$0.00	21/2/2011
	Unlisted – ZEPO's	295,370		\$0.00	1/7/2014
	Unlisted	5,000,000		\$0.30	30/06/2010
	Unlisted	10,000,000		\$0.30	24/10/2011
	Unlisted	8,000,000		\$0.40	30/9/2010
	Unlisted	15,384,615		\$0.65	31/12/2009
	Unlisted	2,500,000		\$0.70	30/06/2010
7.8	Issued during quarter	Unlisted – ZEPO's	295,370	\$0.00	1/7/2014
7.9	Exercised during quarter	Unlisted – ESOP ExSOP	2,480,000	\$0.20	28/10/2009
7.10	Expired during quarter	Unlisted – ESOP ExSOP	204,000	\$0.20	28/10/2009
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
Company secretary

Date: 30 November 2009

Print name: RUSSELL MIDDLETON

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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