The Board of Directors of Hillgrove Resources Limited (Hillgrove) (ASX: HGO) reports for the quarter ended 31 January 2006 as follows.

The January quarter has been an exciting one for the company with advances in the understanding of the structural controls of the copper-gold mineralization at the company's headline copper/gold project at Kanmantoo leading to the discovery of a number of high grade copper zones and the virgin gold discovery at Venetia Star.

HIGHLIGHTS

- Drilling targeting the lightly explored Eastern and O'Neil Zones, has intersected new high grade zones. Results to date include:
  - **37m at 2.89% copper and 0.34g/t gold, including 21m at 4.02% copper and 0.42g/t gold in KTDD 021 (Eastern Zone).**
  - **17m at 2.45% copper and 0.42g/t gold, including 13m at 3.07% copper and 0.52g/t gold in KTRC 084 (Eastern Zone).**
  - **24m at 1.84% copper and 0.50g/t gold, including 19m at 2.22% copper and 0.55g/t gold in KTRC 161 (O'Neil Zone).**
- Significant potential remains to outline further resources, with the newly identified Eastern Zone high grade mineralisation open both along strike and down dip.
- Drilling targeting a coincident magnetic and IP response south of the main pit has intersected a significant new zone of gold mineralisation at Venetia Star. Results to date include:
  - **20m at 1.9g/t gold including 10m at 3.4g/t gold in KTRC 086.**
- This new gold discovery could largely fall into any potential open pit operation designed to exploit the South East and O'Neil copper zones.
- Drilling results highlight the potential for an increase in the global resource at Kanmantoo from new mineralisation outlined to the north and south of the old pit with a new resource number planned for release in April.
- A new RC and Diamond 51 hole, 6,220m drilling program is underway targeting potential strike and down dip extensions of the known mineralisation.
- An accelerated programme of project activities is underway including the commissioning of Parsons Brinckerhoff to commence Baseline environmental studies.
- Metallurgical testwork on O'Neil Lode mineralisation increases concentrate grade to 24.9% with 85% recovery.
- Workover programme at Bohena underway with nine well CBM programme starting in March.

EXPLORATION

Hillgrove is maintaining a high level of activity with two major programmes comprising exploration and resource drilling at the Kanmantoo copper-gold project in South Australia and development drilling at the Gunnedah coal bed methane project in New South Wales.

KANMANTOO PROJECT, SOUTH AUSTRLIA

The exploration drilling program targeting a number of untested zones and newly identified IP anomalies along a 2,000m strike length of the main mine sequence has been completed. A total of 47 RC holes (5389m of drilling) and 2 diamond hole (381.51m of drilling) have been completed to date (Figure 1-2) and Table 1). Results form 27 RC and 2 diamond holes have been received and reported during the quarter. Assays from the remaining holes are due in the coming weeks and they will be released when they come to hand.

KANMANTOO MINE PROJECT,
MINING LEASE 5776, MINERAL CLAIM 3510 AND EXPLORATION LICENSE 3298
(Hillgrove 100%)

Potential Resources Expansion

Resource drilling targeting a number of poorly explored zones and structural intersections in the vicinity of the old Kanmantoo pit has led to the discovery of a number of high grade copper zones. These include:

Eastern Zone: Drilling targeting the poorly explored Eastern Zone has continued to expand the known mineralisation both along strike and down dip. Drilling along the eastern margins of the old open pit that targeted previously untested structural intersection zones has identified new high grade zones. Better results include:

- **37m at 2.89% copper and 0.34g/t gold, including 21m at 4.02% copper and 0.42g/t gold in KTDD 021.**
- **17m at 2.45% copper and 0.42g/t gold, including 13m at 3.07% copper and 0.52g/t gold in KTRC 084.**

The discovery is significant as it will add additional high grade mineralisation to the resource and could help to pay for a cut back of the main pit, which would also include the high grade North Eastern Zone. Further drilling to extend this mineralisation down dip and along strike is currently being planned.

O'Neil Zone: RC drilling targeting the up dip extensions of the O'Neil Zone in a previously unexplored area has continued to expand the known mineralisation within this zone. Results to date include:

- **24m at 1.84% copper and 0.50g/t gold, including 19m at 2.22% copper and 0.55g/t gold in KTRC 161.**

The discovery of this mineralisation is significant as it would help to join up any potential pits on the O'Neil and South Eastern Zone and reduce the overall strip ratio of any mining operation. Further drilling to extend this mineralisation down dip and along strike is currently being planned.

Main Zone: Diamond hole KTDD 021 was extended to target the potential northern extension of the main ore body. Results were encouraging with a mineralised section of over 20m intersected and assays returning an intercept of:

- **14m at 1.65% copper and 0.28g/t gold including 11m at 1.98% copper and 0.34g/t gold in KTDD021.**

This hole has extended the main ore body an additional 20m to the north and should add significantly to the current resource base. Further work is now being planned to continue testing the northern strike extent of the Main Zone.

North West Zone: Follow up drilling targeting the potential northern extension of the North West Zone has intersected a zone of mineralization over 50m in width. Results from this zone have been very encouraging with significant results including:

- **10m at 1.38% copper, including 4m at 2.78% copper in KTRC 092.**
- **17m at 0.83% copper, including 9m at 1.24% copper in KTRC 093.**
- **22m at 0.76% copper, including 8m at 1.23% copper in KTRC 093.**

Significant mineralisation has now been identified over 100m in strike and remains open to both the north and south and down dip. Further follow up drilling is planned for this zone.

Coopers Find: A further 5 drill holes have been completed over a complex series of untested zones with coincident IP and magnetic responses. The drill holes completed to date have intersected a very strong alteration system with zones of weak to moderate chalcopyrite pyrite mineralisation up to 30m in width. Best result recorded to date is:

- **19m at 0.74% copper, including 4m at 1.55% copper in KTRC 091.**

The results to date are interpreted to indicate a broad alteration halo around a mineralised system similar to the Main Zone within the open cut. Additional drilling is currently under way to further test these anomalies.

Gold Discovery – Venetia Star

Hole KTRC086 was re-entered and extended from the original total depth of 52 metres to 130 metres following further geophysical modelling of the IP and magnetic data. This work highlighted the presence of an untested coincident magnetic and IP response further down dip of the original target. The hole extension intercepted a strongly sheared zone with moderate to strong magnetite, chlorite and garnet alteration associated with strong pyrite mineralisation and quartz veining between 80 and 102 metres. Results to date include:

- **20 metres at 1.9 g/t gold from 83 metres** (0.1 g/t gold cut) **including 10 metres at 3.4 g/t gold from 89 metres** (1g/t gold cut) **in KTRC086.**

Diamond drilling (KTDD024) about 80m to the south of KTRC086 targeting the southern extension of the mineralised zone intersected a broad envelope of chlorite, garnet and magnetite alteration from 29 to 54 metres containing moderate to strong zones of shearing with pyrite, chalcopyrite and pyrrhotite mineralisation and quartz veining. A zone of weak pyrite and minor quartz veining was encountered from 54 to 78 meters with another enhanced zone of pyrite mineralisation and quartz veining observed from 90 to 101 metres. Results from this hole should be available in 2-4 weeks.

To date only two holes have intersected this newly identified gold zone. IP and magnetics data suggest that the new mineralisation could be at least 200m in strike, suggesting a mineralised zone of some size could be present. Importantly, this new gold discovery could largely fall into any potential open pit operation designed to exploit the South East and O'Neil copper zones which could reduce the strip ratio of any potential mining operation and add significantly to cash flows.

Further geophysical modeling and data review is currently being conducted and additional RC and Diamond drilling is now being planned to extend this gold discovery both to depth and along strike. A number of other geophysical anomalies similar to Venetia Star are present to the north and south of the old Kanmantoo pit and these will now be investigated for their gold potential.

New Resource Definition Drilling Program Underway

The new drilling program in the vicinity of the old Kanmantoo Mine is aimed at augmenting the current resource base, with drilling planned both along strike and down dip of the existing mineralization and characterizing the nature and potential size of the new discoveries made to date. A total of **51 drill holes for 3,380m of RC and 2,840m** of diamond drilling have been proposed (Figure 3-7). Phase one of this work comprises 2,640m RC and 2,300m diamond drilling and Phase 2 of the work will include 540m RC and 740m diamond drilling. This program is expected to take 2-3 months to complete.

The aims of the project are:

- **To continue drill testing the strike extents of the known mineralization** (Emily Star, O'Neil Zone, South East Zone and Main Zones) around the old pit which have enormous potential to add significantly to the current resource base.
- **To further drill test the new discoveries**, which have been defined in the main Kanmantoo Mine Corridor (North Eastern Zone, North Western Zone and Green Zone) and in the vicinity of the old pit in order to scope out the potential size of these new discoveries.
- In order to fully characterize the Kanmantoo opportunity further **deeper drilling primarily between 0 and –150mRL** has been planned, as significant potential remains to expand the resource below the current resource.
- In order to access the **underground and block stoping potential of the Main Zone** a series of holes have be planned to test this zone down to –300mRL.

Results from this newly commissioned drill program will be released on an ongoing basis when results come to hand.

KANMANTOO JOINT VENTURE, EXPLORATION LICENSE 3277

(Hillgrove 90%, Argonaut 10%)

The detailed IP survey results have significantly enhanced the prospectively of the main mine corridor, extending it to over 2.5km. Drilling to the south of the O'Neil Lode has intersected further significant mineralisation, highlighting the potential to further expand the resource base.

Wheal Fortune: A further three drill holes have been completed over a series of untested zones with coincident IP, soil and rock chip geochemical anomalism. The drill holes completed to date have intersected a strong alteration system with zones of weak to moderate chalcopyrite mineralisation up to 25m in width. Best result recorded to date is:

- **10m at 0.88% copper and 0.11g/t gold from 11m and 8m at 0.81% copper and 0.23g/t gold from 30m in KTRC157.**

The results to date are thought to be very encouraging and confirm the presence of copper mineralisation in association with the previously untested IP targets. Additional drilling is currently being planned to further test these anomalies.

KANMANTOO AIRMAGNETIC SURVEY

A total of 8,000 of the proposed 10,000 line kilometres of the low level 50m line spaced air magnetic program which is planned to cover the entire 500sqkm of EL 3277 is now complete. The data is currently being processed and this new air magnetics data is expected to significantly aid the understanding and search for further Kanmantoo style mineralisation. The remainder of the survey will be conducted in the coming weeks.

HARD ROCK GARNET

Metallurgical test work is continuing on the hard rock garnet potential of the Kanmantoo project. The current round of test work has been designed to test the oxidised material around the insitu copper mineralisation at Emily Star and the South East Zone. This work is expected to take another 4-6 weeks to complete. At the completion of this round of test work enough information will have been collected to provide sufficient preliminary data to conduct a scoping study on the nature and viability of producing a garnet product at Kanmantoo

KANMANTOO MINE CORRIDOR EXTENDED

Exploration and resource drilling has now outlined significant copper mineralisation from Coopers Find in the north to Wheal Fortune in the south, which is over 2km in strike length. Results have also confirmed that the system has good depth extent with past drilling confirming that the mineralisation is present at least 600m from surface. Drilling has now confirmed an extensive mineralised system is present at Kanmantoo with the system still open along strike to both the north and south and down dip.

NEW RESOURCE ESTIMATE

Resource Evaluations Pty. Limited has been commissioned to complete a further resource assessment of the Kanmantoo Deposit. The assessment will incorporate the results from drilling conducted from early 2005 through to the current Phase One drilling programme due to be completed during the week ending 3 March 2006. It is estimated that a new resource number will be available for release to the ASX in April.

METALLURGICAL TEST WORK

Further metallurgical test work has been conducted with the primary focus on improving the grade and recoveries of the O'Neil zone. Initial test work on the O'Neil zone using a primary grind size of 212 microns and a coarse regrind of the rougher concentrate to 80% passing 100 microns, returned a concentrate grade of 20.2% and a recovery of 73%. A second round of metallurgical test work including a finer re-grind of the rougher concentrate to 80% passing 53 microns has improved the concentrate grade to 24.9% and the recovery to 85%. Further test work to refine the grind size and use a more selective collector will be conducted during the next round of metallurgical test work and this is expected to further improve the concentrate grade and the recoveries.

BASELINE ENVIRONMENTAL STUDY

Parsons Brinkerhoff, a global leader in the provision of environmental development services to the mining industry (www.pb.com.au), has been contracted to undertake a baseline environmental study of the Kanmantoo site. Early commencement of these long duration studies will help to shorten the development timetable should a development decision be made. This baseline study will include:

- A fauna study
- Stream quality
- Ground water quality
- Soil mapping
- Air quality
- Noise monitoring
- Meteorological study
- Heritage study
- Review of the existing waste dumps and tailings dams.

This data will be used to refine the company's ongoing environmental program and will provide the basis of environmental studies if the project goes forward.

COMMUNITY CONSULTATION

Hillgrove has developed an active and ongoing community consultation program to engage the local community and other stakeholders. Monthly newsletters updating the progress of exploration programs and upcoming work programs are sent out to all landholders affected by Hillgrove's activities and any other interested parties. Hillgrove together with the local community have developed and implemented a broad based focus group which meets bi-monthly on the first Thursday of the month to discuss issues relating to Hillgrove's exploration programs. The focus group representatives include:

- Department of Primary Industry and Resources
- Department of Environment and Heritage
- Kanmantoo – Callington Land Care Group
- Adelaide Hills Regional Development Board
- Mt Barker District Council
- Local Government
- State Government
- Local Residents
- Hillgrove Resources
- SAMR Mining.

All meetings are open to the public, who are encouraged to attend with any questions or queries.

WHEAL ELLEN, SOUTH AUSTRLIA, EL 3232

(Hillgrove 100%)

Hillgrove has been granted an Exploration License of 4km² over the former Wheal Ellen Mine within the Kanmantoo Trough. Wheal Ellen produced ~ 75,000 tonnes of sulphide ore averaging ~ 10% lead, 18% zinc, 150g/t silver and 4g/t gold. Work during the quarter has been restricted to desktop data reviews.

ALFORD, SOUTH AUSTRALIA, EL 3037

(Hillgrove 20% earning 70%, Argonaut 80% decreasing to 30%)

The Alford Project comprises 477km² within the highly prospective Montaro-Wallaroo district in the southern part of the Olympic Domain of the Gawler Craton. Recent discoveries by other explorers over the past few years have confirmed the potential for the Gawler Craton to host multiple iron oxide copper-gold (IOCG) style deposits.

The significant width of the intersections to date (76m at 0.95% copper (ALDDH001), 30m at 0.46% copper and 5.4g/t silver (ALDDH 005) and 28m at 0.47% copper an 12.7g/t silver (ALDDH 006)) suggest a mineralised system of considerable size may be present within the Exploration License area if a suitable structural or chemical trap site can be located. A number of geophysical anomalies on late stage faults have been identified and are considered to be highly prospective for IOCG style deposits.

Aircore Drilling

A short aircore drill program was undertaken in the Alford East area primarily targeted at the Netherliegh Park prospect and a number of regional gravity targets. A drill program of 55 vertical aircore holes was completed for a total of 3,300 metres.

The geology intersected generally consisted of 10-14m of transported clays above residual saprolitic clays with basement of predominantly siltstone or carbonaceous shale, with a small number of holes ending in weathered pink granite. Mineralisation up to 18m in width consisting of predominantly chalcopyrite +/- pyrite was encountered within basement siltstone and shale, in the form of disseminated veins. Hematite alteration was often observed in proximity to mineralization.

Four metre composite samples were taken with 1 metre samples used in mineralized or hematite-altered zones. Results for these assays are still pending.

GUNNEDAH BASIN GAS PROJECT, NEW SOUTH WALES, PEL 238

(Hillgrove – 32.5%, Eastern Star Gas – 32.5%, Gastar Exploration – 35%)

Eastern Star Gas Limited, the Operator of the PEL238 Gunnedah Basin Coal Seam Gas Joint Venture, secured the services of a drilling rig that commenced the 9 well program at Bibblewindi in February. Successful production tests of these wells will provide the Joint Venture with certification of an initial volume of Proved and Probable (2P) gas reserves from an estimated resource of 8.5 TCF.

The certification, subject to well performance, would enable the Joint Venture to proceed to development of the coal seam gas field and commit to gas sales contracts. Gas markets continue to grow with various third parties already showing strong interest in pipeline construction and gas transport from Bibblewindi and surrounds to regional and markets further a field, as well as for local and regional gas fired power generation.

The 2006 program includes:

- Establishing a confirmed production pilot by drilling eight closely spaced new production wells in proximity to the existing Bibblewindi-1 production well. The confirmed pilot is designed to accelerate dewatering of the 6.5 to 12.0 metre thick Bohena coal seam and therefore achieve commercial gas production rates in a shorter period than would be possible for isolated (unconfirmed) wells or for wells drilled on larger spacing. The target date for establishing commercial rates is the fourth quarter of 2006.
- Drill a pressure monitor well at some distance from the production pilot. The aim of the monitor well is to increase the area over which reserves can be attributed by demonstrating that the requisite coal reservoir performance extends well beyond the production pilot area, i.e. to demonstrate pressure communication between wells spaced further apart than that being used for the eight new production wells.
- On satisfactory completion of the work program and production tests, it is intended, subject to the agreement of all Joint Venture partners on pricing and gas gathering expenditures, to connect all production wells with the Bohena Project Area, including the eight new wells, to the Wilga Park Power Station for electricity generation and sale.

Development Update: The Joint Venture currently has a total of five unconfirmed coal seam gas wells capable of production testing and these wells are at various stages in the de-watering process. Aggregate production from these five wells to date has been up to approximately 300,000 cubic feet/day but more work is required to optimise production from the wells. Notwithstanding, water and gas production rates achieved to date support the presence of a significant accumulation of coal seam gas within the Bohena Project area. Several of these wells are scheduled to undergo work-over operations, as is usually required for coal seam gas wells, to maintain and further increase gas production rates.

Bibblewindi Pilot: Bibblewindi-1 was fracture stimulated late in 2004 and placed on continuous production test shortly thereafter. Initial results from the 6.5 metre thick Bohena seam support the notion of, and particularly at this depth, a highly permeable coal seam with high water and increasing gas production rates. Bibblewindi-1 is an unconfirmed well with the closest production well at Bohena South-1, approximately seven kilometres to the north. Technical studies indicated that the well is likely to reach commercial gas production rates, however because of the thickness of the seam (up to 6.5-15.0metres), on an unconfirmed (single well) basis, this could take several years to achieve. In order to accelerate gas production rates, the Bibblewindi area needs to be converted to confined production by the addition of new production wells. The nine well 2006 program discussed above, with input from external independent reservoir engineering firms, has been designed for this purpose.

INTERMET RESOURCES LIMITED

(Hillgrove 77%)

On 7 November 2005 Hillgrove launched the IPO of its subsidiary company InterMet Resources Limited, a focused exploration company seeking world class mineral deposits in the Gawler Craton, South Australia. Funds raised in the IPO will be used to advance exploration on its 6,500km^2 of tenements which include five exploration licences and nine under application.

InterMet is a dedicated uranium copper, gold, nickel and base metals exploration and development company, focused on its Gawler Craton assets, with the ability to independently fund and advance its own projects. In addition to its copper and gold potential, the listing will provide participating shareholders with exposure to prime uranium exploration terrains at a time when analysts are dramatically increasing their short and long term uranium price forecasts.

InterMet's board has a strong track record and sourced an experienced management team comprising former South Australian Department of Resources and Primary Industries senior executives Mr. Gary Ferris as managing director and Dr. Neville Alley as a non-executive director. Hillgrove pre IPO holds a 77% interest in Intermet and will retain a 37% stakeholder interest in InterMet post IPO and will continue to provide ongoing support and expertise to the new company in its capacity as a major shareholder.

A supplementary prospectus was issued on 3 February 2006 extending the closing date to 21 March 2006. Details of the offer can be found at www.intermetresources.com.au

ABOUT HILLGROVE

Hillgrove is an Australian resources company listed on the Australian Stock Exchange which focuses on identifying resources opportunities that can either be brought into production readily or those where there is a clearly defined value adding route within a clearly understood risk environment. Commodities that are of particular interest include copper, gold, garnet, silver, lead, zinc, uranium and natural gas.

Hillgrove is exploring a total of 974km² in the Kanmantoo Trough and the Gawler Craton, two of the most prospective regions of South Australia for copper and gold. Hillgrove is evaluating the Kanmantoo Copper Mine, a potential mid-tier copper producer, where it has established an Indicated and Inferred Resource of 18.37Mt grading 1.1% copper and 0.2g/t gold. Additionally the copper/gold mineralisation is associated with what is thought to be a World Class resource of garnet which has application as abrasive.

The Company has a 32.5% interest in the Gunnedah Basin Gas Joint Venture's PEL 238 Coal Seam Gas Project in New South Wales. The Joint Venture has drilled four new wells and a total of five wells are currently in test production. With a P3 resource of 8.7 trillion cubic feet of gas, PEL 238 contains one of the largest onshore accumulations of natural gas in Australia.

The information in this report that relates to Mineral 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 Exploration Manager of Hillgrove Resources and has sufficient 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'.

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TABLE 1 – DRILL COLLAR LOCATIONS

PROSPECT	HOLE ID	EASTING	NORTHING	Azimuth	INC.	DEPTH (m)	ASSAYED
Main Zone	KTDD020	318156	6114888	277	-60	162.02	Yes/PR
Eastern Zone	KTDD021	318297	6115005	277	-70	219.49	Yes/PR
Emily Star	KTRC080	317776	6114541	277	-60	130	Yes/PR
Emily Star	KTRC081	317596	6114210	277	-70	118	Yes/PR
Wheal Fortune	KTRC082	317690	6113962	277	-70	100	Yes/PR
Emily Star	KTRC083	317759	6114461	277	-60	136	Yes/PR
Eastern Zone	KTRC084	318336	6114926	277	-70	178	Yes/PR
SE Zone	KTRC085	318284	6114630	277	-60	76	Yes/PR
O'Neil Zone	KTRC086	318274	6114436	277	-60	52	Yes/PR
Green Zone	KTRC087	317970	6114771	277	-70	196	Yes/PR
Green Zone	KTRC088	317958	6114814	277	-70	166	Yes/PR
Coopers Find	KTRC089	318149	6115581	277	-60	118	Yes/PR
Coopers Find	KTRC090	318188	6115569	277	-60	118	Yes/PR
Coopers Find	KTRC091	318225	6115552	277	-60	88	Yes/PR
NW Zone	KTRC092	317999	6115215	277	-60	88	Yes/PR
NW Zone	KTRC093	318052	6115347	277	-60	88	Yes/PR
Coopers Find	KTRC094	318105	6115606	277	-60	40	Yes/PR
Coopers Find	KTRC095	318103	6115605	277	-60	118	Yes/PR
Green Zone	KTRC096	317937	6114741	277	-70	136	Yes/PR
Eastern Zone	KTRC097	318326	6114897	277	-70	160	Yes/PR
NW Zone	KTRC098	318063	6115231	277	-70	136	Yes/PR
Emily Star South	KTRC099	317487	6114023	277	-70	136	Yes/PR
Wheal Fortune	KTRC100	317573	6113677	277	-70	118	Yes/PR
Wheal Fortune	KTRC157	317607	6113620	277	-70	119	Yes/PR
Wheal Fortune	KTRC158	317639	6113614	277	-70	118	Yes/PR
Green Zone	KTRC159	317908	6114881	277	-70	136	Yes/PR
Wheal Fortune	KTRC160	317738	6113900	277	-60	64	Yes/PR
O'Neil Zone	KTRC161	318412	6114596	277	-70	118	Yes/PR
O'Neil Zone	KTRC162	318422	6114636	277	-70	178	No
SE Zone	KTRC163	318292	6114478	277	-60	100	No
Stella	KTRC164	318029	6113569	277	-70	25	No
Stella	KTRC165	318040	6113567	277	-70	118	No
Stella	KTRC166	318083	6113557	277	-70	100	No
Stella	KTRC167	318041	6113608	277	-70	94	No
Stella	KTRC168	318080	6113640	277	-70	94	No
Stella	KTRC169	318000	6113650	277	-70	100	No
Stella	KTRC170	318069	6113520	277	-70	98	No
Stella	KTRC171	317949	6113501	277	-70	100	No
SE Zone	KTRC172	318296	6114522	280	-60	100	No
SE Zone	KTRC173	318316	6114554	280	-60	100	No
Coopers Find	KTRC174	318137	6115641	277	-70	112	No
Coopers Find	KTRC175	318258	6115551	277	-70	112	No
Coopers Find	KTRC176	318213	6115590	278	-70	136	No
North West Zone	KTRC177	318079	6115359	277	-70	151	No
North West Zone	KTRC178	318018	6115190	277	-60	106	No
North West Zone	KTRC179	318049	6115176	277	-60	142	No
Green Zone	KTRC180	317913	6114814	277	-70	142	No
O'Neil Zone	KTRC086	318275	6114434	277	-60	130	No
Main Zone	KTRC181	318151	6115061	277	-70	100	No

Note: PR in the assayed column means the results have already been released in a past announcement. All hole locations using GDA 94 Datum.

FIGURE 1

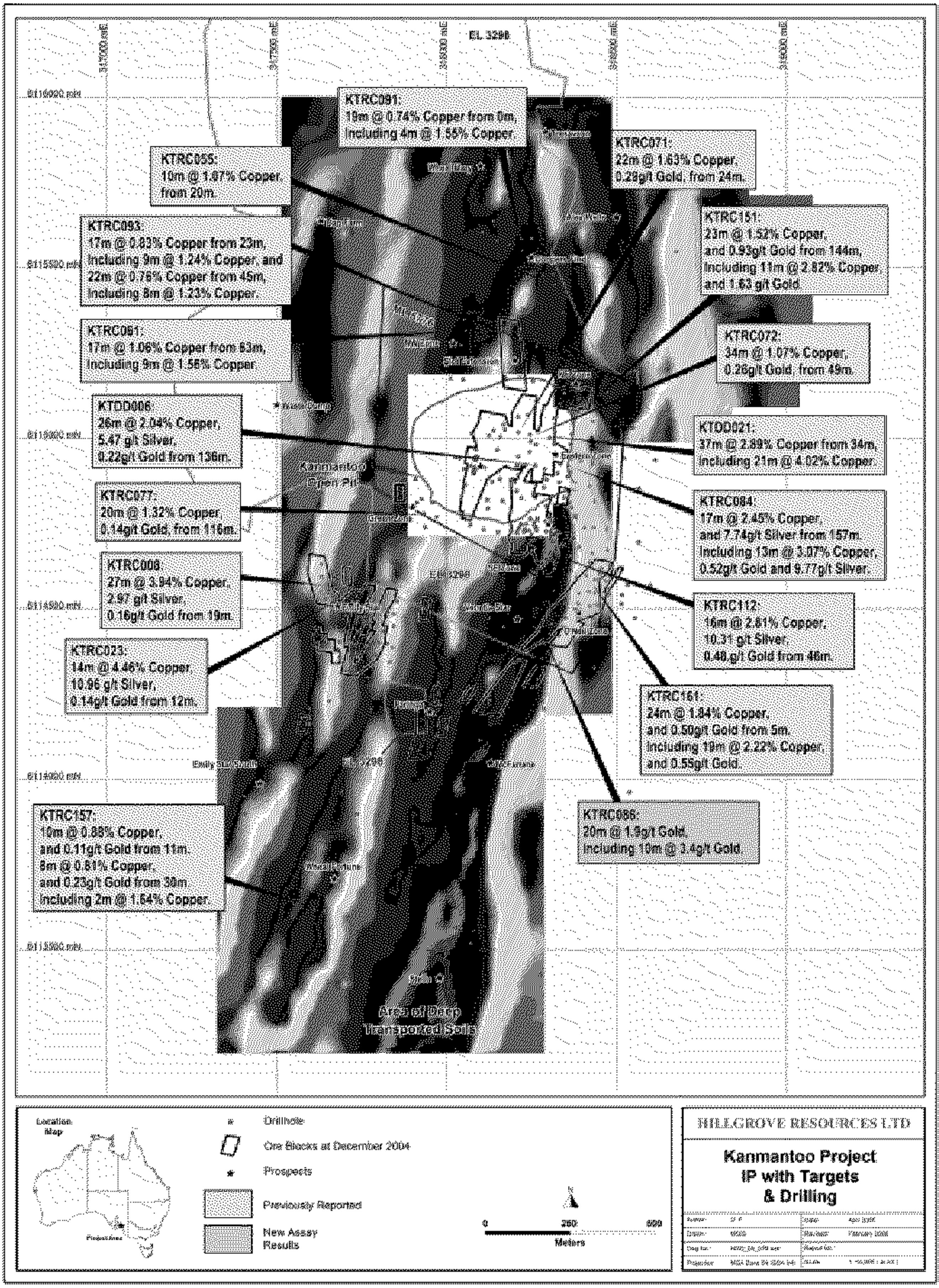
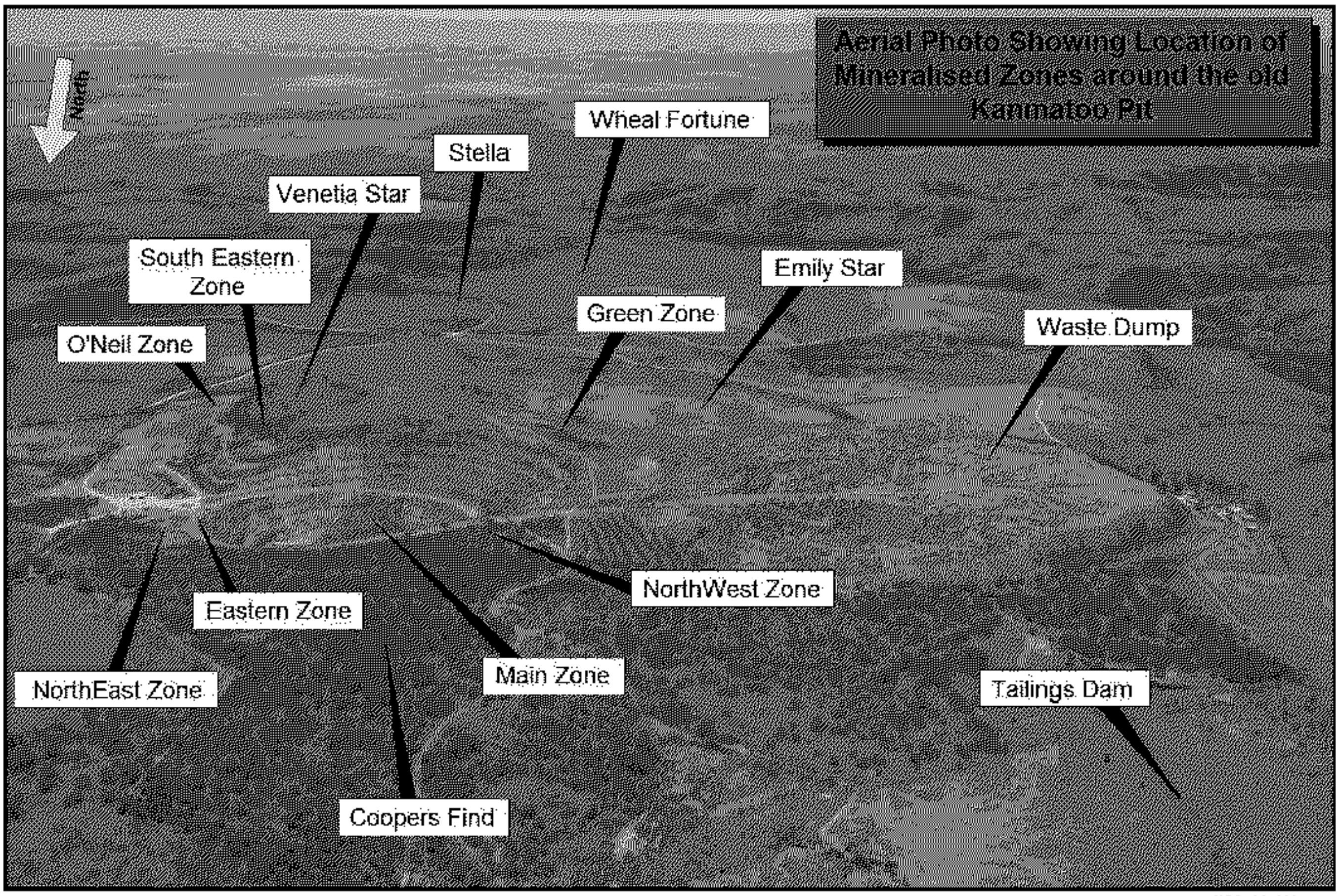

EL 3298
KTRC091:
19m @ 0.74% Copper from 0m,
Including 4m @ 1.55% Copper.
KTRC071:
22m @ 1.63% Copper,
0.29g/t Gold, from 24m.
KTRC055:
10m @ 1.87% Copper,
from 20m.
KTRC151:
23m @ 1.52% Copper,
and 0.93g/t Gold from 144m,
Including 11m @ 2.82% Copper,
and 1.63 g/t Gold.
KTRC093:
17m @ 0.83% Copper from 23m,
Including 9m @ 1.24% Copper, and
22m @ 0.76% Copper from 45m,
Including 8m @ 1.23% Copper.
KTRC061:
17m @ 1.06% Copper from 63m,
Including 9m @ 1.56% Copper.
KTRC072:
34m @ 1.07% Copper,
0.28g/t Gold, from 49m.
KTDD006:
26m @ 2.04% Copper,
5.47 g/t Silver,
0.22g/t Gold from 136m.
KTDD021:
37m @ 2.89% Copper from 34m,
Including 21m @ 4.02% Copper.
Kanmantoo
Open Pit
KTRC077:
20m @ 1.32% Copper,
0.14g/t Gold, from 116m.
KTRC084:
17m @ 2.45% Copper,
and 7.74g/t Silver from 157m.
Including 13m @ 3.07% Copper,
0.52g/t Gold and 9.77g/t Silver.
KTRC008:
27m @ 3.94% Copper,
2.97 g/t Silver,
0.16g/t Gold from 19m.
KTRC112:
16m @ 2.81% Copper,
10.31 g/t Silver,
0.48 g/t Gold from 46m.
KTRC023:
14m @ 4.46% Copper,
10.96 g/t Silver,
0.14g/t Gold from 12m.
KTRC161:
24m @ 1.84% Copper,
and 0.50g/t Gold from 5m.
Including 19m @ 2.22% Copper,
and 0.55g/t Gold.
KTRC086:
20m @ 1.9g/t Gold,
Including 10m @ 3.4g/t Gold.
KTRC157:
10m @ 0.88% Copper,
and 0.11g/t Gold from 11m.
8m @ 0.81% Copper,
and 0.23g/t Gold from 30m.
Including 2m @ 1.64% Copper.
Area of Deep
Transported Soils
Location Map
Drillhole
Ore Blocks at December 2004
Prospects
Previously Reported
New Assay Results
0
250
500
Meters
HILLGROVE RESOURCES LTD
Kanmantoo Project
IP with Targets
& Drilling

FIGURE 2



HGO_06_008.wor

FIGURE 3

Snapshot Showing All Past Drilling, Ore Blocks and Drilling Proposed as Part of the Next Round of Resource Definition Drilling

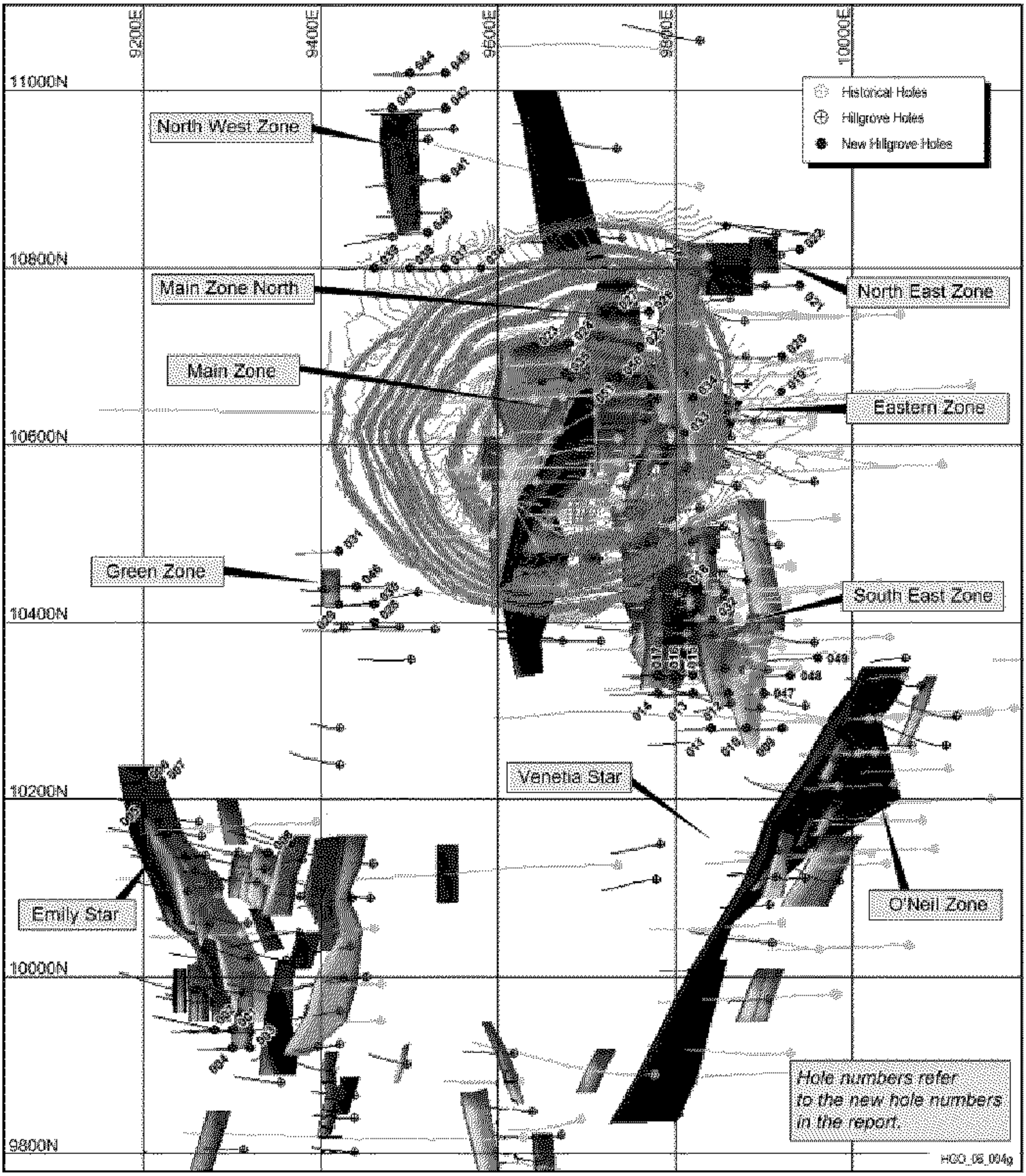
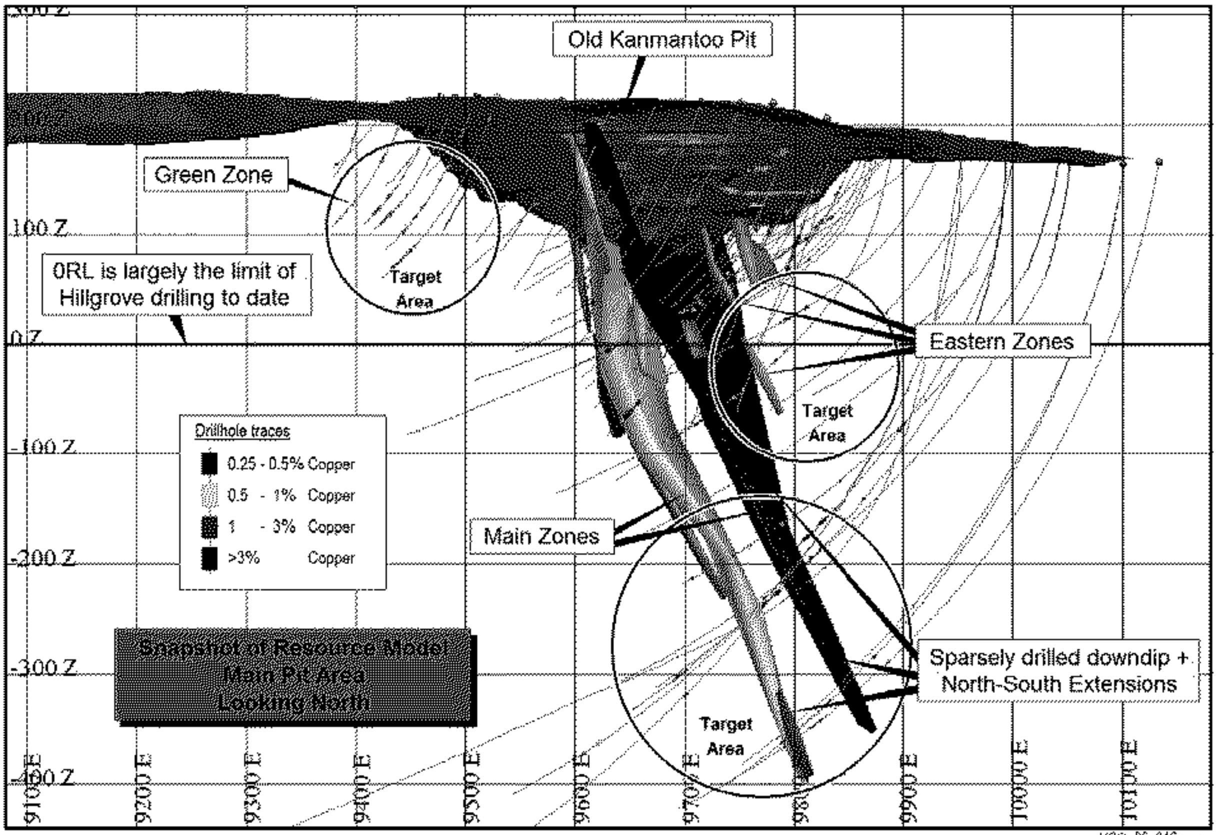
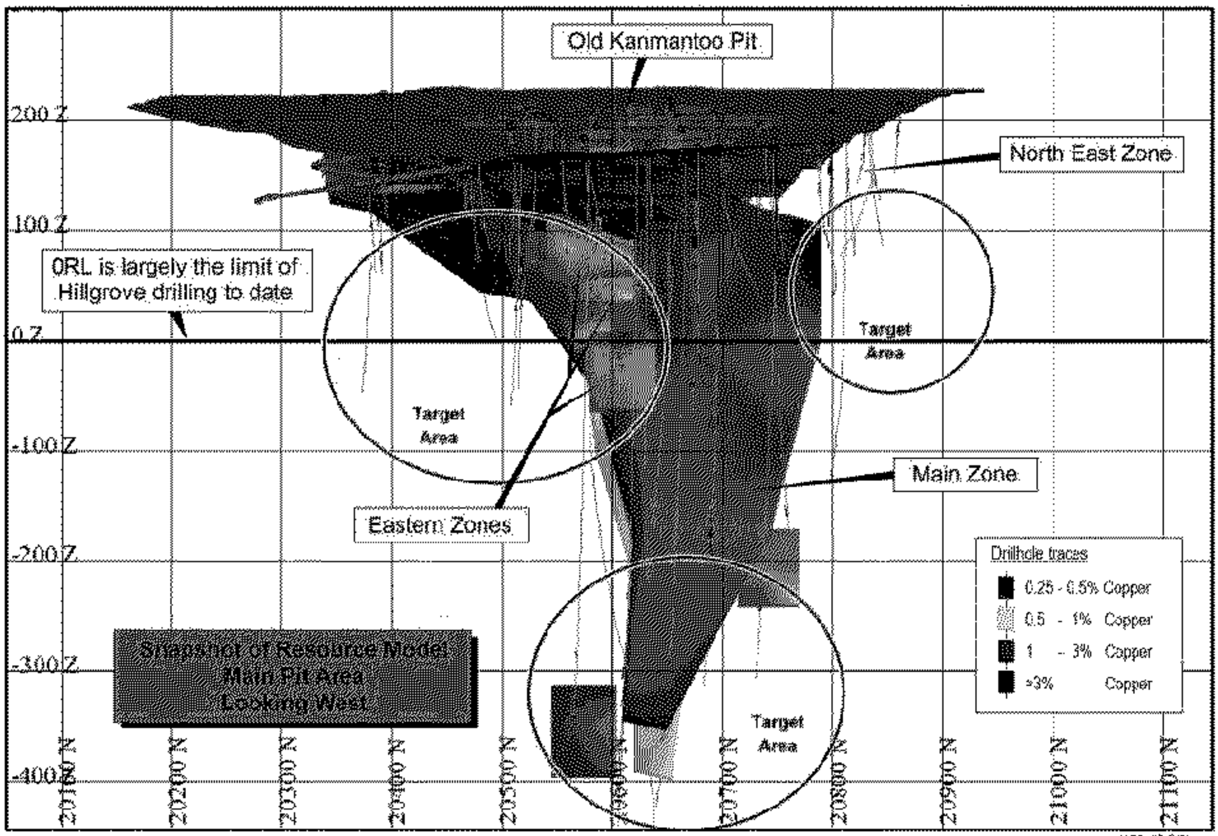


FIGURE 4



Note: Only data from main zone is shown and some historical data, although mineralised, has been removed due to inaccurate surveying of locations and down hole data.

FIGURE 5



Note: Only data from main zone is shown and some historical data, although mineralised, has been removed due to inaccurate surveying of locations and down hole data.

FIGURE 6

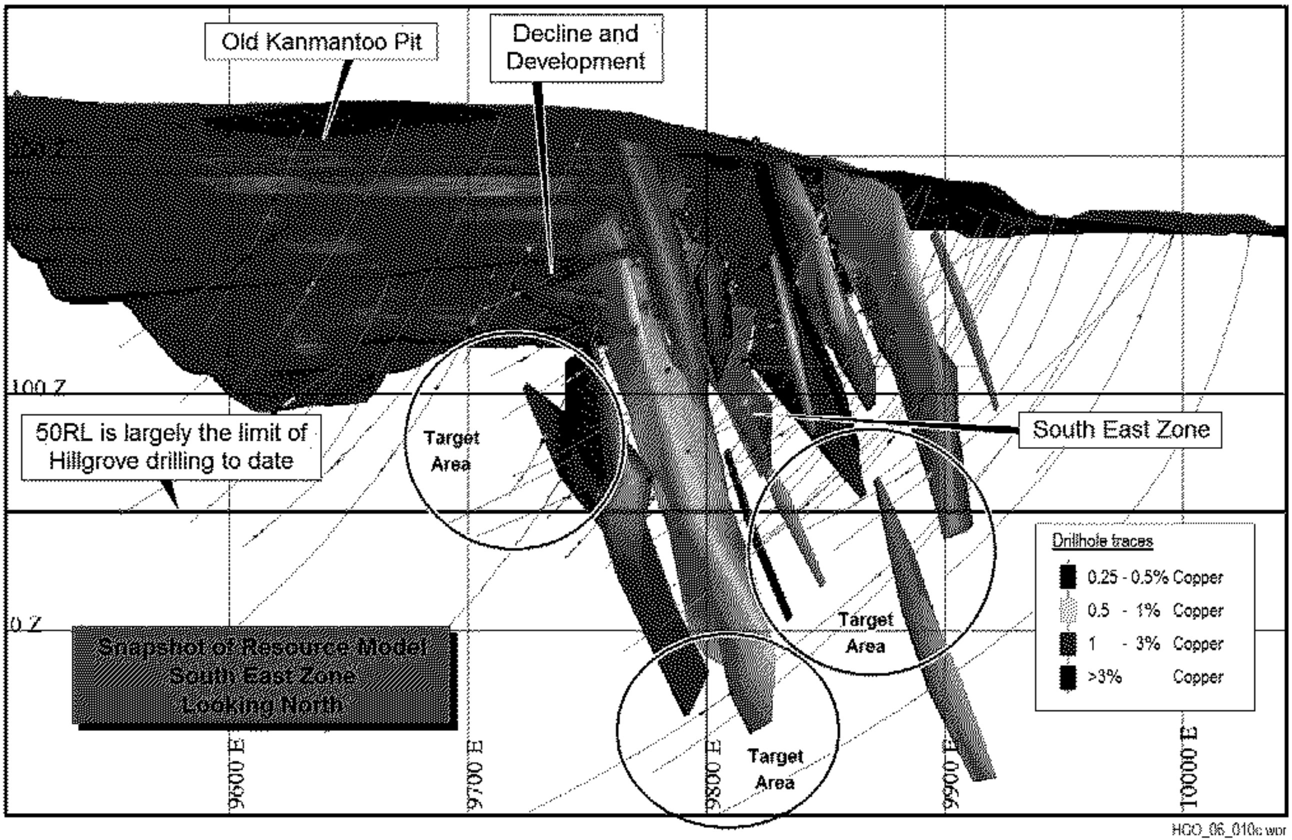
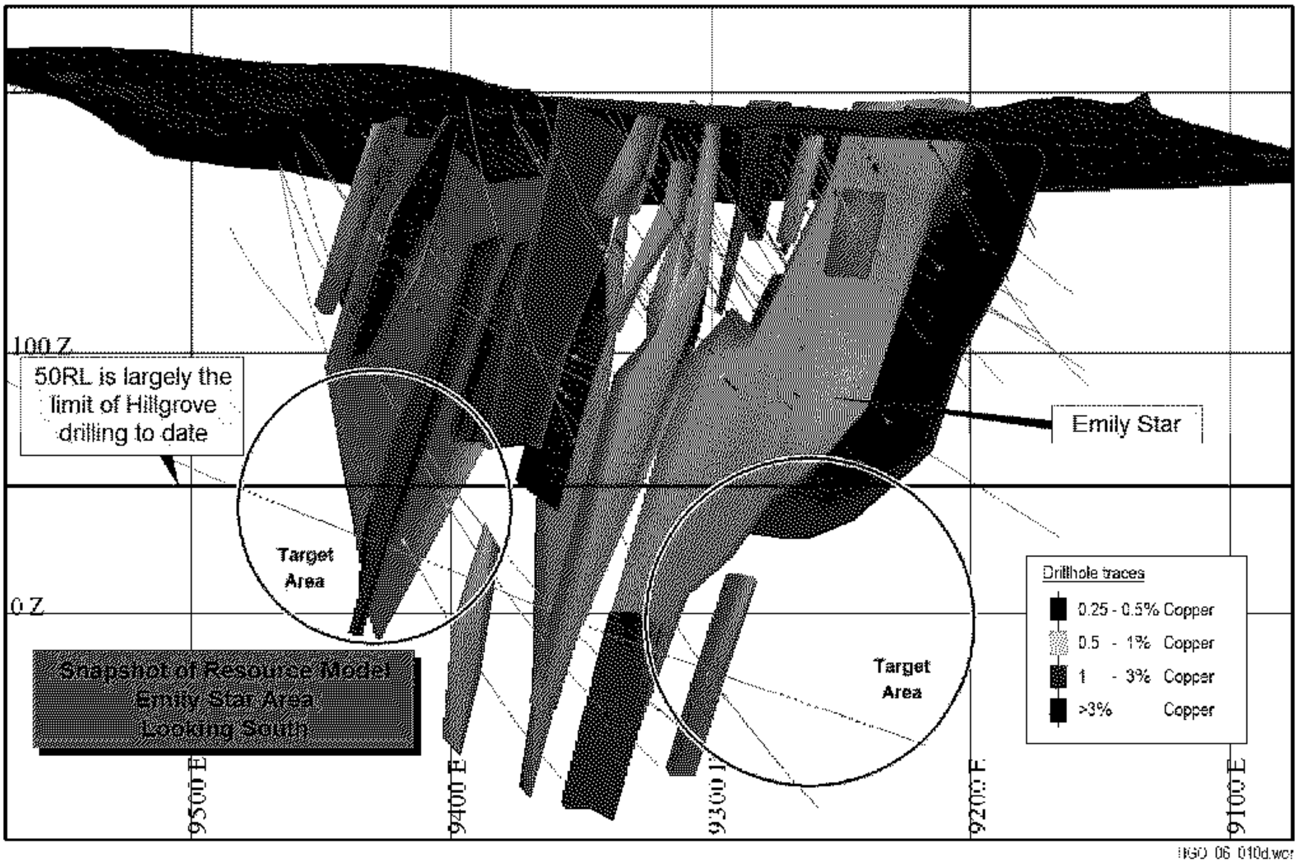


FIGURE 7



BRule 5.3

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	Quarter ended ("current quarter")
73 004 297 116	31 January 2006

Consolidated Statement of Cash Flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12.months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(1,348)	(4,997)
	(b) development		
	(c) production		
	(d) administration	(319)	(1,548)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	56	225
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	102	102
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,509)	(6,218)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		(179)
	(c) other fixed assets	(69)	(105)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments	303	303
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)	(18)	0
	Net investing cash flows	216	19
1.13	Total operating and investing cash flows (brought forward)	(1,293)	(6,199)

+ See chapter 19 for defined terms.

1.13	**Total operating and investing cash flows (brought forward)**	(1,293)	(6,199)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		7,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(18)	(126)
	Net financing cash flows	(18)	6,874
	Net increase (decrease) in cash held	(1,311)	675
1.2	Cash at beginning of quarter/year to date	6,456	4,470
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	5,145	5,145

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	81
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	2,800
4.2	Development	
	Total	2,800

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	4,488	5,799
5.2	Deposits at call	657	657
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	5,145	6,456

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				

+ See chapter 19 for defined terms.

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	**Preference** $^{+}$**securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	$^{+}$**Ordinary securities**	166,089,015	166,089,015		
7.4	Changes during quarter (a) Increases through issues **Placements** b) Decreases through returns of capital, buy-backs				
7.5	$^{+}$**Convertible debt securities** Unlisted Unsecured Convertible Notes converting on or before 28/10/2010	2,000,000	n/a	$1	$1
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options**			*Exercise price*	*Expiry date*
	Listed	38,067,206	38,067,206	$0.20	31/12/2006
	Unlisted	300,000	n/a	$0.20	31/03/2007
	Unlisted – ESOP ExSOP	3,340,000	n/a	$0.20	28/10/2009
	Unlisted - Sempra	8,000,000	n/a	$0.40	30/9/2010
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				

+ See chapter 19 for defined terms.

7.11	**Debentures** *(totals only)*		
7.12	**Unsecured notes** *(totals only)*		

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: .... Date: 28/2/2006
Company Secretary

Print name: Ian Kirkham

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.

+ See chapter 19 for defined terms.