

HILLGROVE RESOURCES

Monday, 5 March 2007

ALFORD PROJECT – EXPLORATION UPDATE

Highlights

- Past drilling has identified significant widths of copper mineralisation associated with haematite alteration including **76m at 0.95% Copper including 12m at 2.18% Copper in ALDDH01.**
- Key similarities to Iron-Oxide-Copper-Gold (IOCG) deposits such as Olympic Dam, Prominent Hill and Carrapateena.
- Copper mineralisation associated with a number of discrete gravity features, a key association for IOCG deposits.
- Uranium potential with past drilling returning excellent first pass with assay results up to 290ppm Uranium.
- Past exploration has defined a series of copper anomalies along the Alford Shear Zone for over 7km in strike.
- 2007 exploration program underway which will include calcrete sampling, aircore drilling, diamond drilling and assaying of past work for uranium.

Alford Project (Argonaut Resources N.L. 80%, Hillgrove Resources Limited 20% earning up to 70% by spending \$4 million by 2010)

Background

Alford Project (EL 3037) is located in the northern part of the Yorke Peninsula and is centred on the small township of Alford (Figure 1). The licence covers 477km² of the highly prospective Moonta-Wallaroo district, which is a part of the larger Proterozoic Copper-Gold province (Gawler Craton) that hosts the Olympic Dam Copper-Gold-Uranium deposit. The Moonta-Wallaroo area has been a large producer of copper in South Australia, with most mining conducted between 1860 and 1923. Total production from the area was 9.6M tonnes of ore at an average grade of 3.7% copper, 3g/t gold, 5g/t silver, and yielded 340,000 tonnes of copper.

The Alford region is extensively mineralised, with strongly developed copper mineralisation and lesser gold, lead, zinc and uranium. The mineralisation occurs in breccia and shear zones, parallel to the foliation, in country rocks consisting mainly of sediments and intruded by later Hiltaba aged granites. Primary mineralisation consists of

Hillgrove Resources Limited

ACN 004 297 116

Level 41 Australia Square, 264 George Street, Sydney NSW 2000

Tel: 02 8221 0404 Fax: 02 8221 0407

www.hillgroveresources.com.au

variable amounts of bornite (native copper), chalcopyrite, pyrite, hematite and magnetite, with traces of gold, silver, uranium, base metals and other accessories. The origin of the mineralisation appears to be related to either the original thermal event that deposited the volcano-sedimentary pile or the subsequent Hiltaba thermal event. The styles of mineralisation expected include Iron Oxide Copper-Gold-Uranium, Volcanic Massive Hosted, Sediment Hosted Base Metal, Skarn and Graphite associated Copper or Zinc.

Past Exploration

The Alford project has been held under continuous tenure since the early 1970's by various companies including Jododex, MIM, Argonaut Resources exploring for copper and Uranerz exploring for uranium.

IOCG Exploration: Exploration for IOCG style mineralisation has included surface sampling, geophysics, RAB, RC and diamond drilling. This work has identified significant copper mineralisation with many key similarities to IOCG style mineralisation. These include:

- Copper – Uranium mineralisation associated with haematite and magnetite alteration.
- It is adjacent to a highly evolved Hiltaba-aged granitoid (heat and fluids source).
- It is structurally complex with crustal scale faults/shears.
- The region is a basement high – a special geological phenomenon associated with known IOCG style mineralisation.

Work completed by past explorers has highlighted the main Alford Shear Zone as a conduit for mineralising fluids, but to date no structural or chemical trap to focus the mineralisation has been identified. A number of geophysical anomalies on late faults cross-cutting the magmatic centres have been identified and are considered highly prospective for IOCG style deposits. A large portion of the past exploration work has been targeted at the magnetic highs, with only limited success. Recent work completed by other explorers in the region suggests that de-magnetised zones with associated gravity highs along the main structural corridors are the most prospective zones. A number of targets which fit these criteria are present within the tenure but to date have been poorly tested or not tested at all.

The most significant of these is Netherleigh Park, a north-south de-magnetised carbonaceous siltstone unit 1800m in strike and up to 400m wide. Diamond drilling of this anomaly (ALDDH01) produced some encouraging results including 76m at 0.95% copper, with associated silver (10m at 180g/t) and anomalous lead and zinc.

Better copper results returned to date include:

- 76m at 0.95% Copper **including 12m at 2.18% Copper in ALDDH01.**
- 14m at 1.5% Copper in MPBD003.
- 26m at 0.73% Copper in MPB005.
- 54m at 0.56% Copper in MPB008.
- 39m at 0.63% Copper in ALMR012.

Uranium Exploration: Uranium exploration in the area was active during the mid-1980's when Uranerz conducted detailed sampling over a number of magnetic anomalies within the Alford shear zone. Numerous copper anomalies were defined along a 7km strike length of the shear zone with associated uranium anomalism up to 290ppm uranium.

Better uranium results returned to date include:

- 4m at 290ppm in MPB016.
- 2m at 268ppm in MPB008.
- 2m at 229ppm in MPB026.

Further work is now underway to fully access the results returned to date and determine their possible sources and relationship to the copper mineralisation.

These first pass drill results are considered to be very encouraging as most were returned in aircore/RAB drilling in the highly weathered and depleted saprock above the fresh rock. Follow up RC and diamond drilling is now planned to test these excellent first pass results at depth.

Alford Project – 2007 Exploration Program

The following work programs have been put in place to continue the exploration effort within the Alford shear, begin regional exploration of the neighbouring unexplored regions, and incorporate uranium as a priority target for all future exploration.

- Calcrete sampling along the Alford Shear for the areas which have yet to be sampled.
- Detailed aircore drilling of the existing copper anomalies.
- Continued aircore drilling at Netherleigh Park to define the limits of mineralisation.
- Deep diamond drilling at Netherleigh Park to assess mineralisation at depth.
- Re-assaying of previous drilling to incorporate uranium and vanadium.
- Regional calcrete sampling program to assess the rest of EL3037.

Alford Project – Ideally Located for Any Potential Development

With the ever increasing cost base of developing a new mining project, the projects proximity to any existing infrastructure is critical to the projects viability. The Alford project is ideally located in terms of infrastructure for any potential development as it is a short distance from Port Pirie, which already handles sulphides, and has excellent proximity to existing infrastructure such as roads, power, water and major industrial centres with skilled workforce and engineering services.

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.

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 974 km² in the Kanmantoo Trough and the Gawler Craton, two of the most prospective regions of South Australia, for copper and gold.

Hillgrove has successfully completed a Pre-Feasibility Study of the Kanmantoo Copper Mine, a potential mid-tier copper producer, where it has established an Indicated and Inferred Resource of 28MT grading 0.94% copper and 0.20 g/t gold, containing 262,000 tonnes of copper and 177,200 ounces of gold. Additionally, the copper/gold mineralisation is associated with what is thought to be a World Class resource of garnet which has application as an abrasive.

Hillgrove has a strategic alliance with Sempra Metals & Concentrates, a subsidiary of Fortune 500 Company Sempra Energy, involving a \$10 million equity and debt package to assist the development of Kanmantoo.

The Company has an initial strategic 19.9% shareholding in Eastern Star Gas Limited (ASX:ESG), an integrated natural gas and electricity production company, which is developing gas resources for the major Eastern Australian market.

Hillgrove has a 31% shareholding in InterMet Resources Limited (ASX:ITT) which has an extensive portfolio of exploration interests in South Australia targeting IOCG deposits, gold, nickel and uranium.

For more information contact:

Mr David Archer
Managing Director
Hillgrove Resources Limited
Tel: + 61 2 8221 0404
Mobile: 0414 737 767

Mr Dale Ferguson
General Manager Mineral Operations
Hillgrove Resources Limited
Tel: + 61 8 9322 6377
Mobile: 0439 886 019

Figure 1. Interpreted Geology Map

