

HILLGROVE RESOURCES



COMPANY UPDATE

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OCTOBER 2011



This presentation contains information that is based on projected and/or estimated figures that reflect expectations, assumptions and outcomes that may or may not eventuate.

Any forward-looking statements are subject to a range of risk factors, which include:

- interest and currency exchange rate assumptions
- product pricing assumptions
- mine plans and/or resources
- equipment life or capability
- current or new technical challenges
- market conditions
- management decisions

Hillgrove has prepared this information in good faith, based on its current knowledge and understanding. There are nevertheless risks and uncertainties involved in any forward looking scenarios and statements which could cause results to differ from expectations and projections.

Hillgrove shall not be liable for the correctness and/or accuracy of the information nor any differences between the information provided and actual outcomes, and furthermore reserves the right to change its projections from time to time.

All currency referred to is Australian Dollars (AUD) unless otherwise indicated.

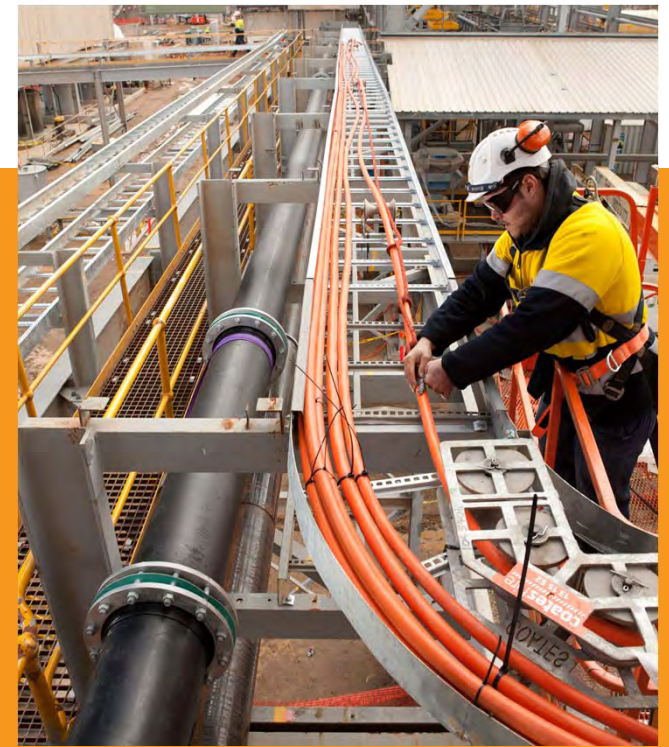
The information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Aaron Green, who is a Member of The Australian Institute of Geoscientists. Mr Green is a full-time employee of Runge Limited and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Green consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

KEY ASSETS:

- Principal asset is the Kanmantoo Copper Mine project (100% owned), in South Australia
- Highly prospective, exploration assets in Indonesia
 - Sumba gold project (80% owned)
 - Bird's Head copper/gold project (80% beneficial interest via JVA)



- Kanmantoo plant 90% complete
- Robust economics, supported by some hedging
- Producing asset in Oct/Nov 2011 (few weeks)
- High optionality through:
 - Kanmantoo mine-life extension (target 10 year reserve life)
 - Kanmantoo capacity expansion
 - from 2.4 to 2.7 Mtpa (free)
 - up to 3.5 Mtpa (cheap)
 - Indonesian exploration success



STRATEGIC OBJECTIVES

- Kanmantoo – copper producer in October:
 - Kanmantoo constructed on time and budget – on track
 - Extend Kanmantoo mine life – on track
 - Expand plant – subject to resources/reserves
 - Identify additional near mine resources – targets identified & drilling planned
- Indonesia – potential giants:
 - Exploring to identify significant gold resources and Tier 1 copper targets
- Second source of cash flow within 5 years – future growth

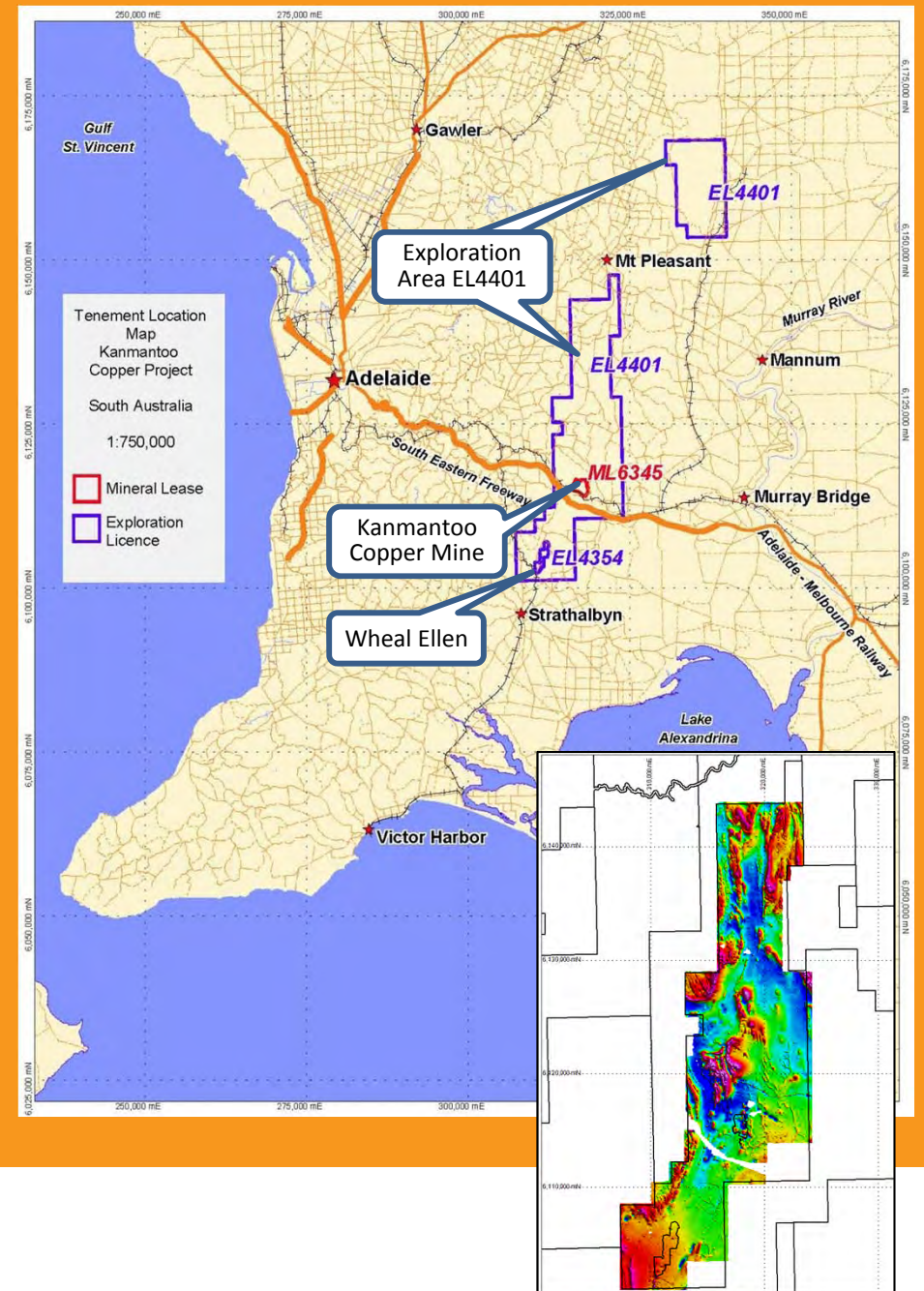


KANMANTOO COPPER MINE

AERIAL VIEW OF SITE 20 APRIL 2011



- Kanmantoo 100%-owned by Hillgrove
- Capital cost advantages due to location
 - Local workforce
 - Grid power
 - Recycled water pipeline
 - 3km from main highway
 - 75km to export port
- Highly prospective Exploration Licence area of 500km²
- No shortage of regional targets for copper/gold





KEY TARGETS

- Commission crushing circuit Now
- First concentrate Late October 2011
- Practical Completion of Plant 1 November 2011
- First revenue November 2011
- Ramp up to full production over 4-6 months March-May 2012
- Bank Completion Test June 2012
- Planned ore throughput 2.4Mtpa 2.7Mtpa possible
- 3.5Mtpa achievable with AUD 12M CAPEX Target 12-18 months
- Mine life of 6.5/10 years based on current reserves/resources
- Mine life extension through current exploration program

CONSTRUCTION & MINING

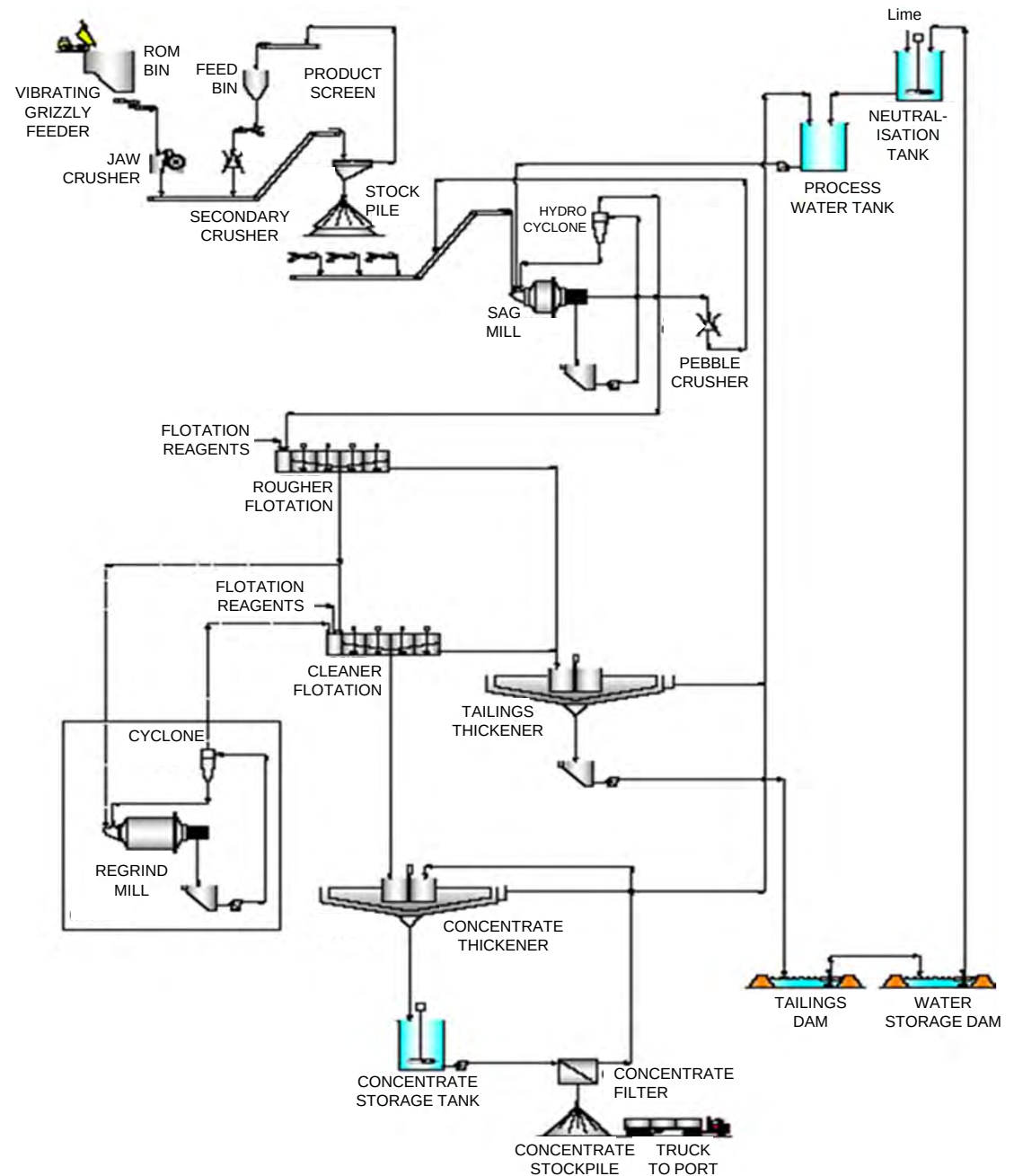


	Project Total	FID Capital Costs		Construction Period Costs		
	Total capital costs (AUD M)	Capital costs spent to 31/8/10 (AUD M)	Capital costs for FID (AUD M)	Spend Period to July 2011 (AUD M)	Remaining Budget (AUD M)	Estimated Cost at Completion (AUD M)
Pre-strip	26.7	-	26.7	18.7	6.1	25
Mining, TSF & Grade Control	17.1	0.1	17.0	12.1	2.0	14
Pillara processing plant	67.9	21.3	46.6	49.6	10.2	60
Other infrastructure	9.3	0.4	8.9	8.9	1.5	10
Project Mgt costs/Other	13.2	1.1	12.1	8.3	6.6	15
Contingency	10.0		10.0			
Total	144.2	22.9	121.3	97.6	26.3	124

- Cash Balance at 31 July was AUD 55 million
- Project debt facility of AUD 30 million (drawn to AUD 12 million)
- Cash plus undrawn debt of AUD 73 million more than covers:
 - Remaining cost to complete ~AUD 25 million
 - WC and reserve account seeding of AUD 20 million



- Capital cost savings with second-hand plant from WA
- Abesque Engineering – principal contractor
- Parsons Brinckerhoff – construction project manager
- Plant nearing commissioning
 - Crushing Circuit – Now
 - Wet Plant – Oct 2011
- Contract mining - Exact Mining Services
- Simple flowchart, coarse grind, free-floating minerals



**Crusher Area
and Ore Feed
Conveyor**

**Crushed Ore
Stockpile Feed
Conveyor**

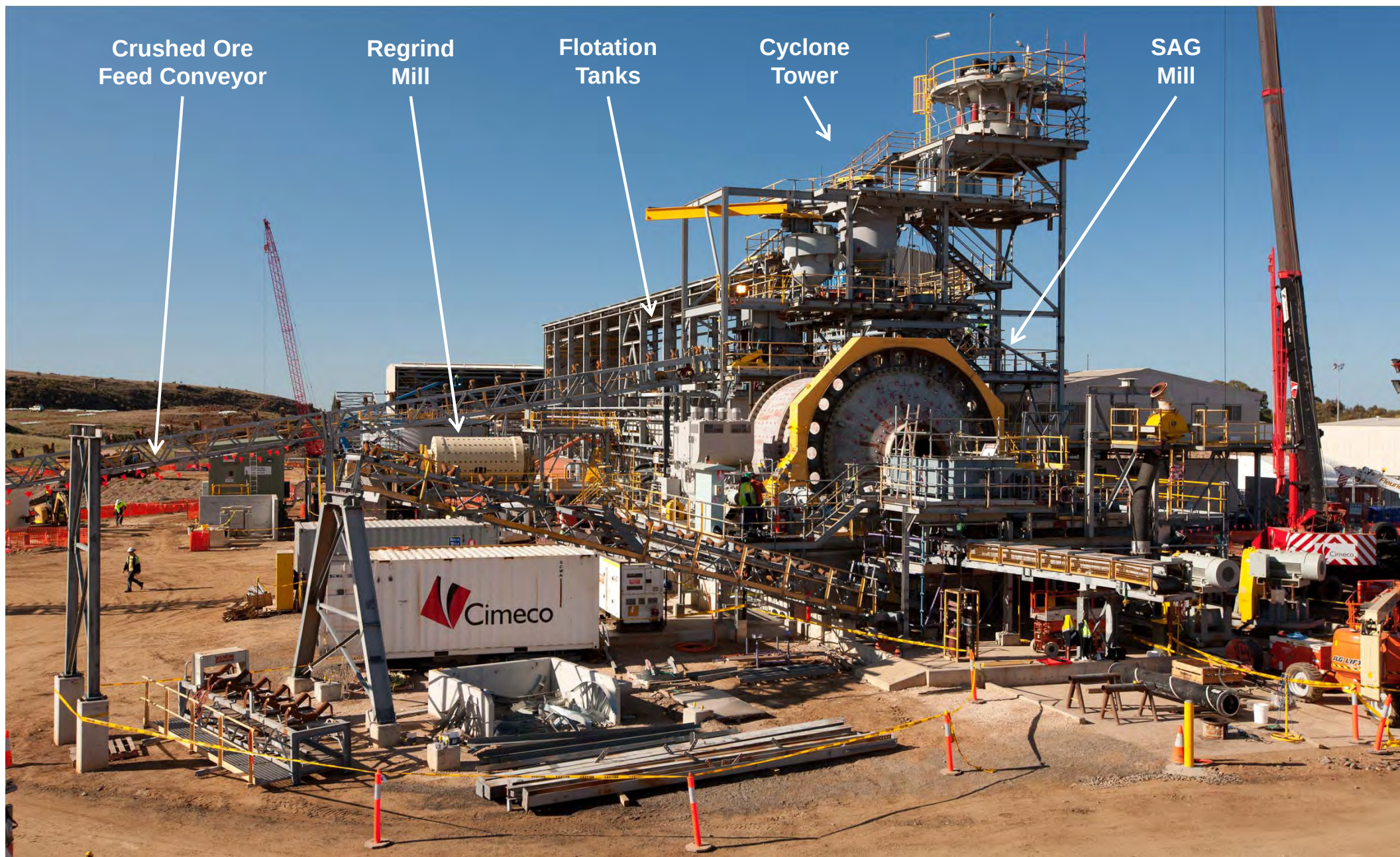
**Crushed Ore
Stockpile Reclaim
Conveyor Tunnel**

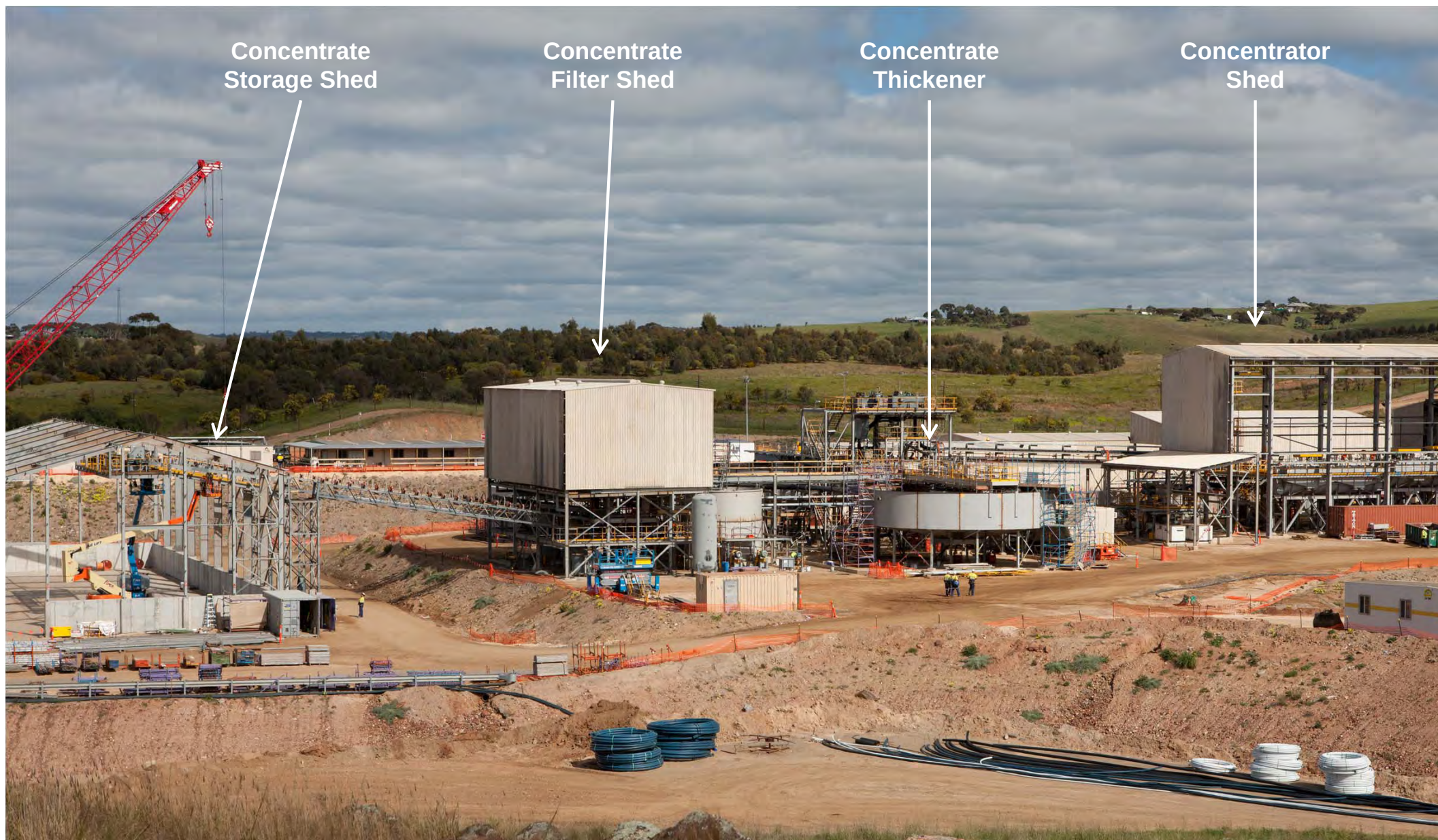
**Dust
Containment
Cone**

**Crushed
Ore
Stockpile**

**Processing
Plant Area**







- Ore stockpiling underway - approximately 500,000t Oxide and Transition ore
- Stockpiling sulphide ore – expect circa 100,000t for plant start-up
- Production Targets
 - Copper concentrate grade ~ 27%
 - Copper recovery ~ 94%
 - Au, Ag recovery ~ 70%



REVENUE SOURCES

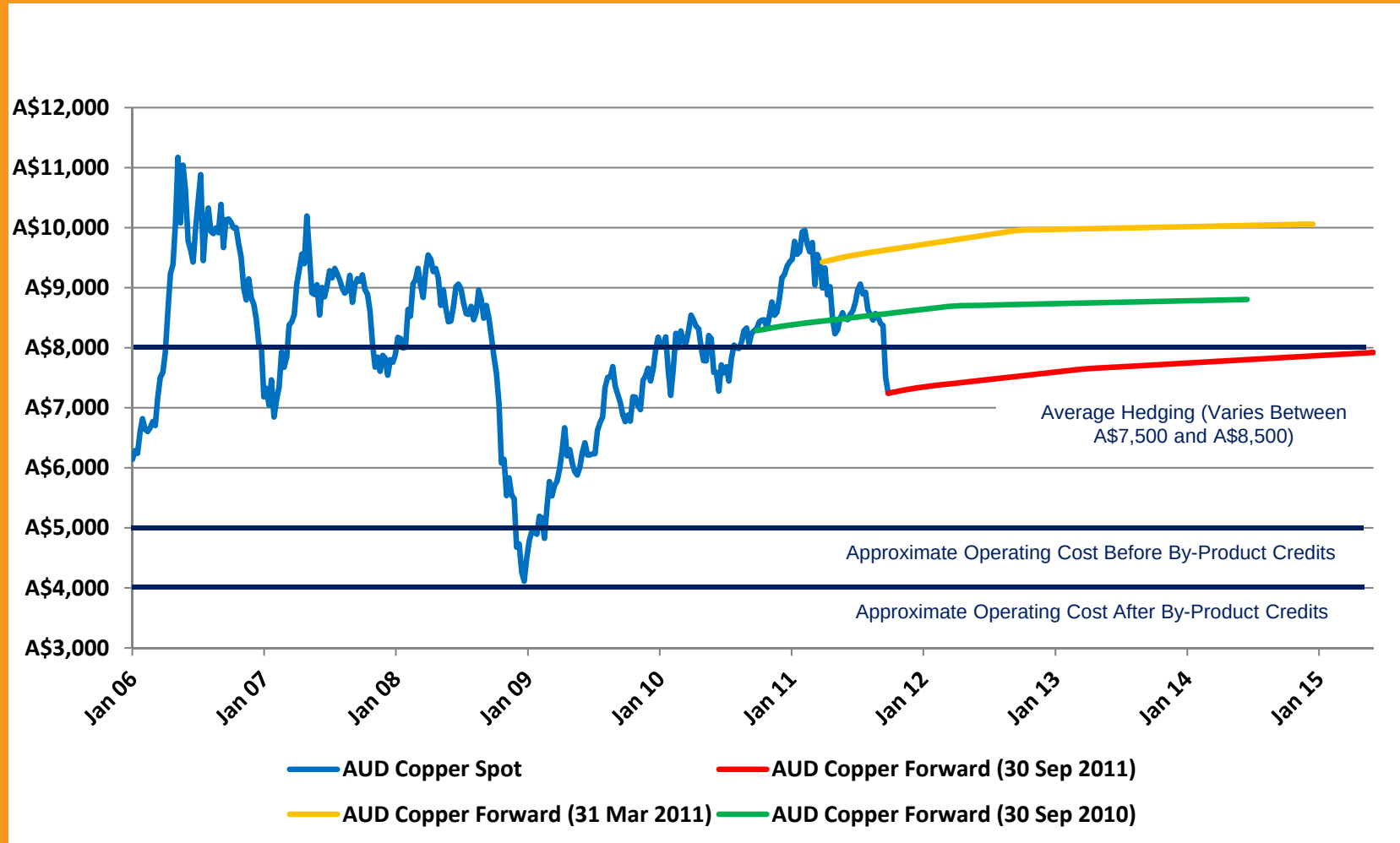
- Payable metals production at steady state:

- 20k tonnes p.a. copper
- 10k ounces p.a. gold
- 180k ounces p.a. silver

HEDGING

- Hedging of 50-55% of projected Cu output for 40 months from July 2012 (debt repayment period)
- Ramp up period revenue is 100% covered by put options at a strike price of \$AUD 7,500/t
- Average hedging price of AUD 8,320/tonne (USD 3.73/lb) – no FX exposure on hedged volume
- No gold or silver hedging to date; unused gold hedging facility with project banks





Source: Noah's Rule



OPERATING COSTS

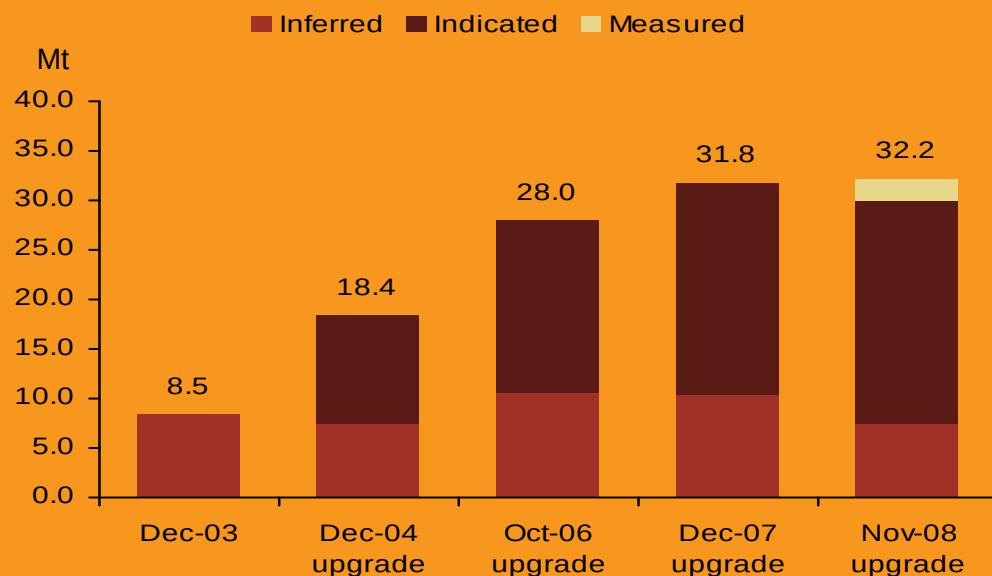
- Average LOM cash cost of USD 1.61/lb
 - including smelter charges and after by-product credits, excluding royalties
 - Au @ AUD 900/oz and Ag @ AUD 13/oz
 - 0.85 FX rate
- Average LOM cash cost of USD 1.61/lb
 - including smelter charges and after by-product credits, excluding royalties
 - Au @ AUD 1,300/oz and Ag @ AUD 30/oz
 - 1.00 FX rate
- LOM off-take contract with J.P. Morgan Metals & Concentrates LLC
 - Terms set for first 80k of Cu in concentrate, then “market”
- Royalties 1.5% NSR for 5 years, 5.0% thereafter



RESOURCES & EXPLORATION



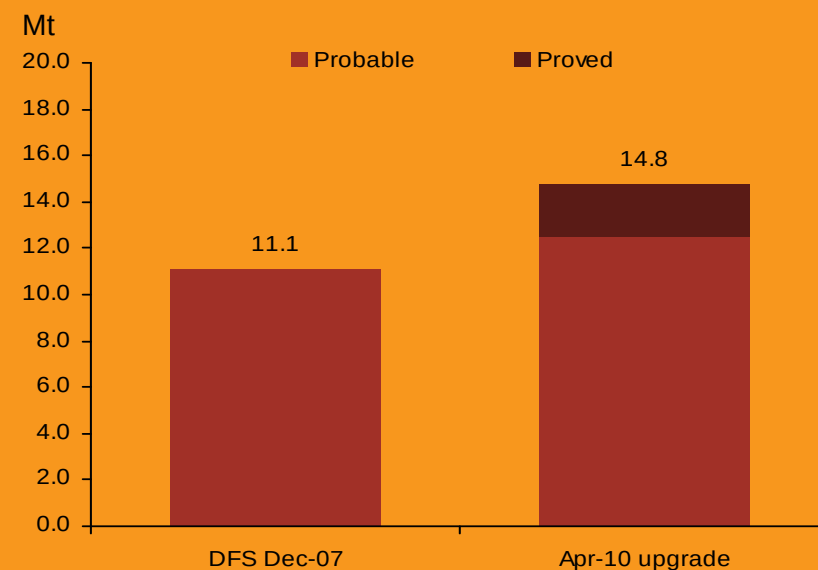
CURRENT RESOURCES



Class	Total (0.25% Cu cut off grade model)						
	Tonnes Kt	Cu %	Au g/t	Ag g/t	Cu Metal Tonnes	Au Ounces	Ag Ounces
Measured	2,290	0.9	0.2	3.5	21,700	12,100	255,300
Indicated	22,525	0.9	0.2	3.3	204,400	139,900	2,381,200
Inferred	7,376	0.9	0.2	2.9	66,100	39,100	677,100
Total	32,192	0.9	0.2	3.2	292,200	191,100	3,313,600

Source: HGO's ASX release dated 8 December 2008

CURRENT RESERVES



Category	Tonnes Mt	Cu %	Au g/t	Ag g/t
Proven	2.3	0.87	0.13	3.2
Probable	12.5	0.84	0.18	3.1
Ore reserve	14.8	0.85	0.17	3.1

Source: HGO's ASX release dated May 4th 2010



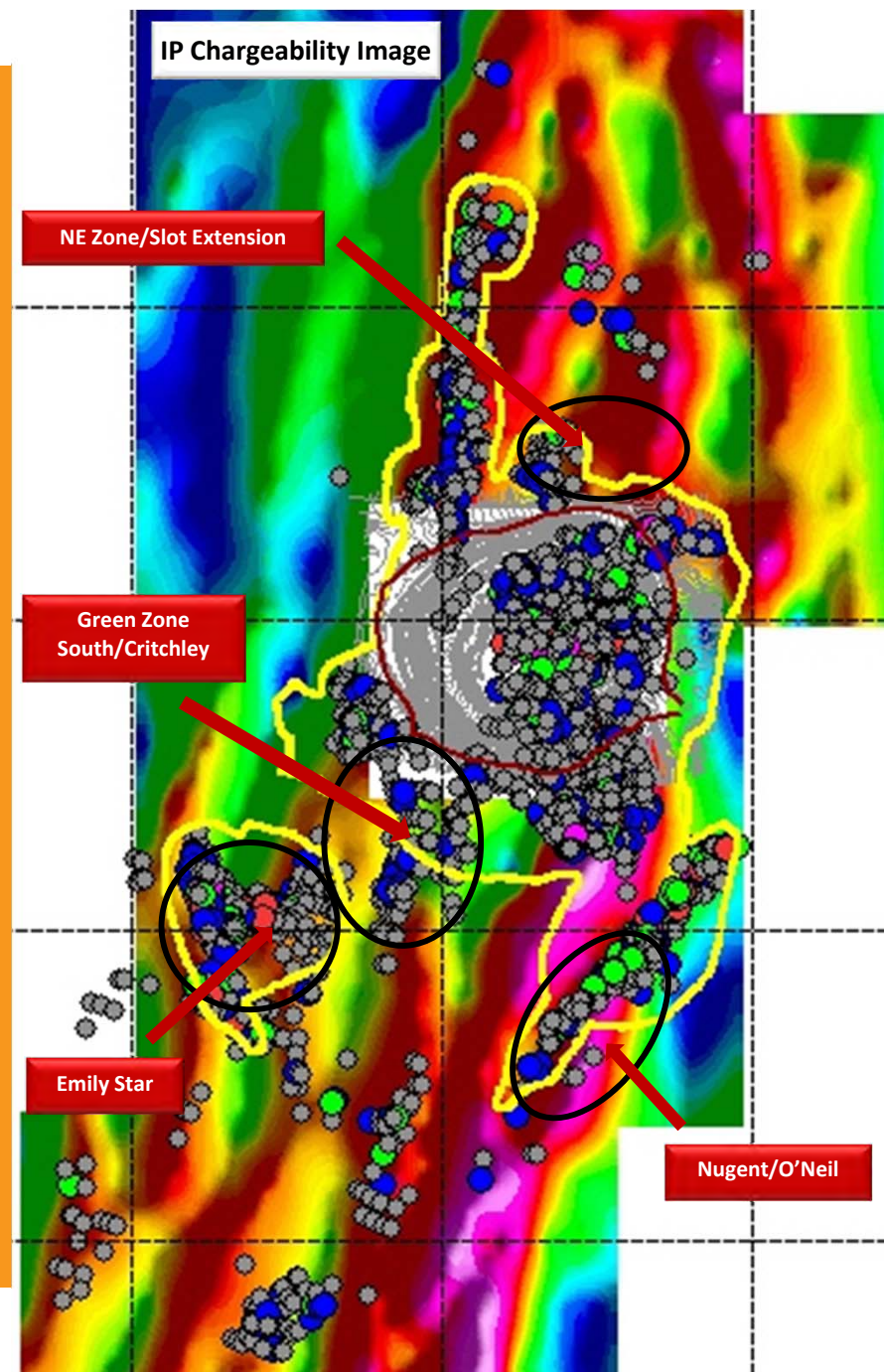
- Priority objective is to add to open pit reserves to extend mine life
- Two phase drilling program
 - Convert inferred resources to indicated (thus into reserves)
 - Identify additional inferred resources for later conversion
- Plan to update resources and reserves early in 2012

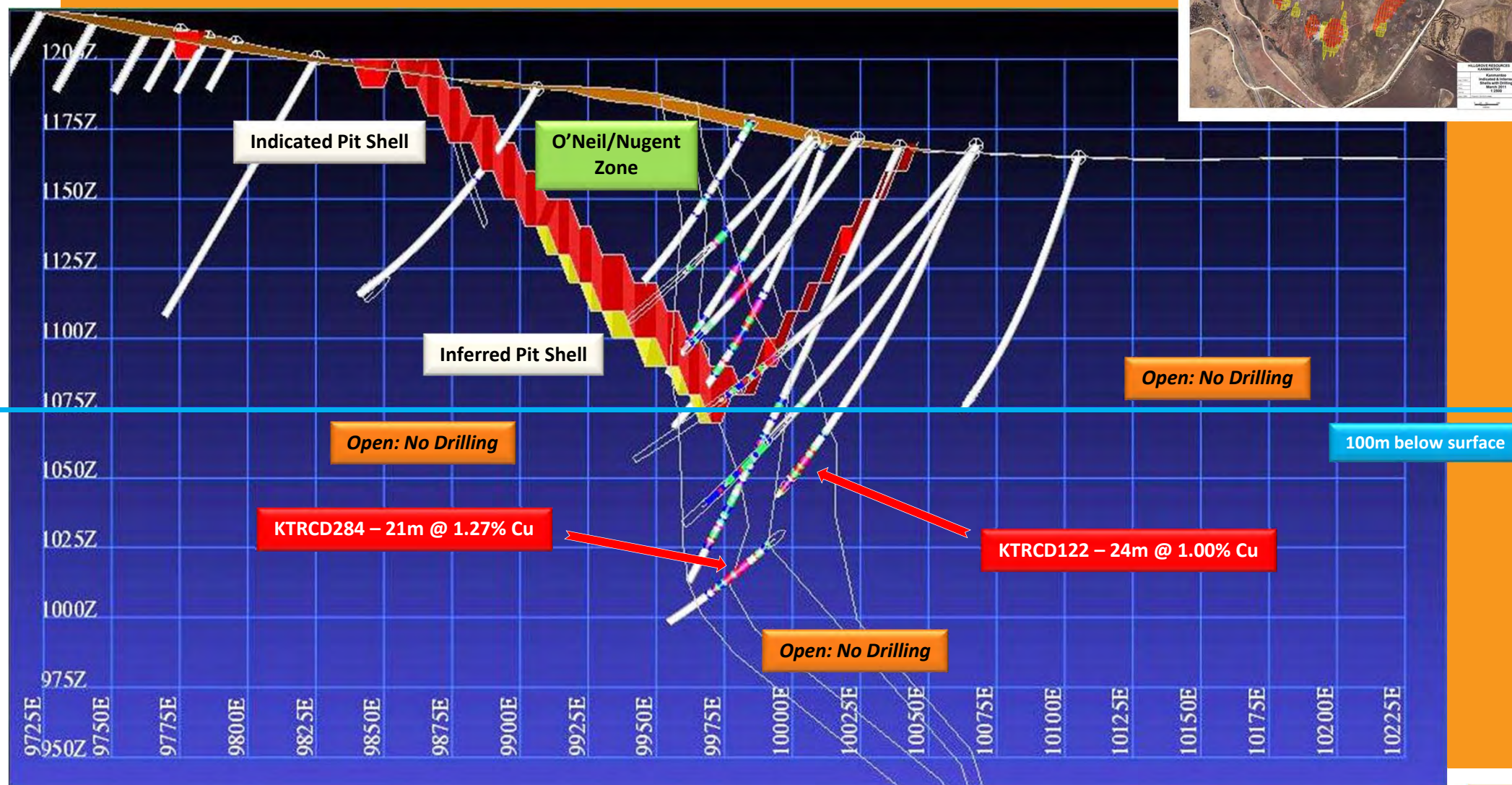
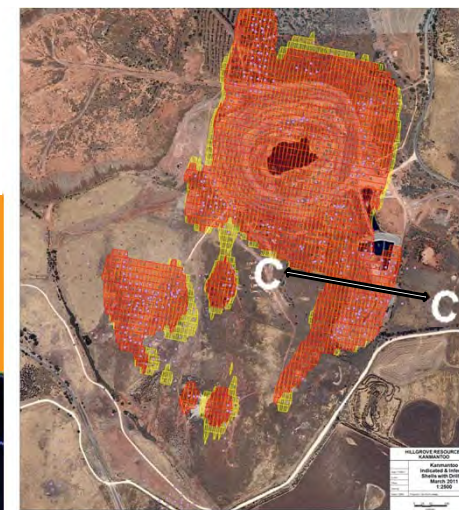


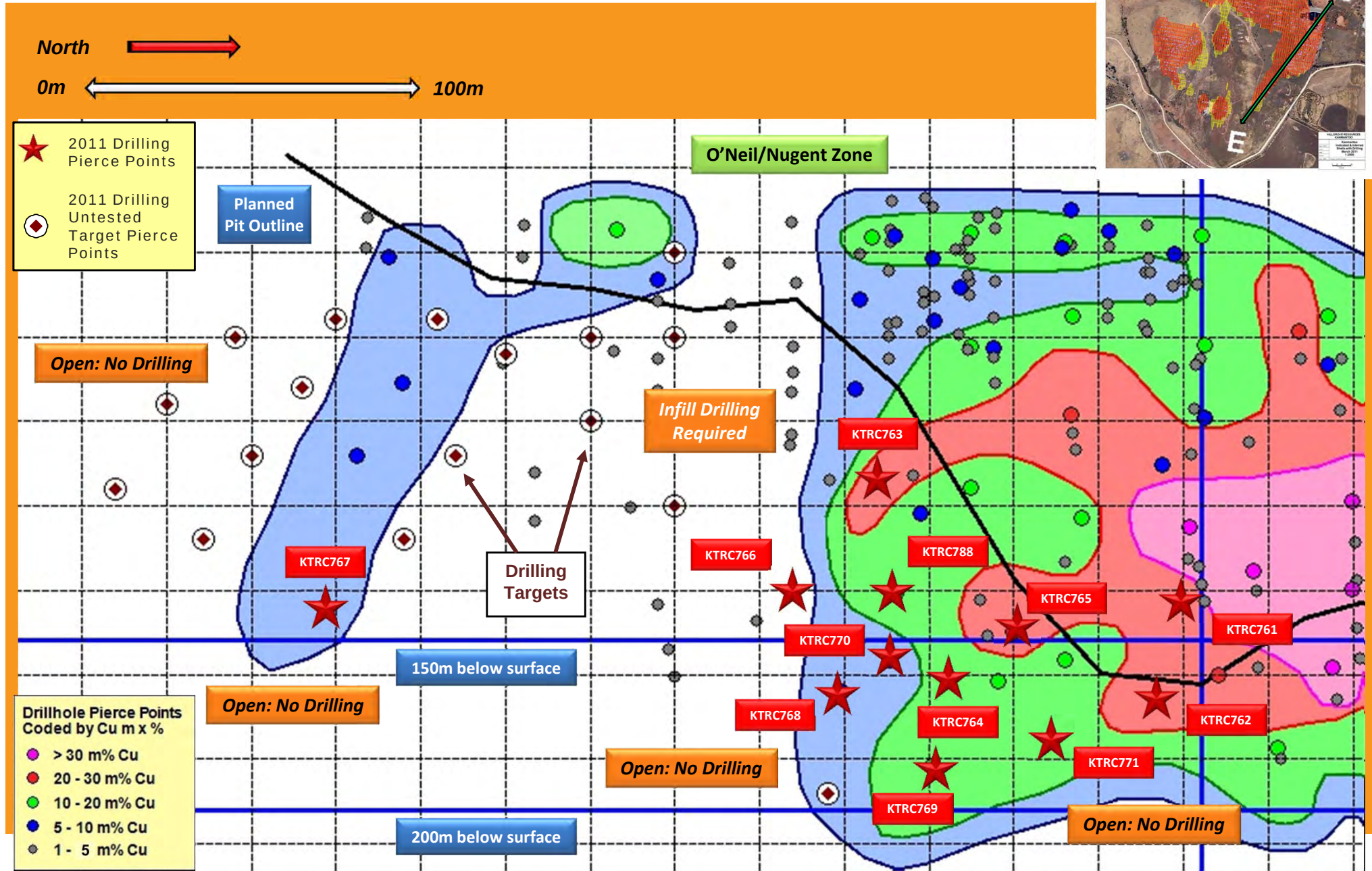
Priority 1: Extend Kanmantoo mine life

- 32Mt resource, with 14.8 reserves
- Initially plan to convert resources to reserves by closer spaced drilling
- Targeting four zones adjacent to current optimised pit design
- Conversion drilling program commenced in April 2011
- Cut-off for incorporation into resource model – Nov 30 2011
- Targeting new resource/reserve statement in Q2 2012

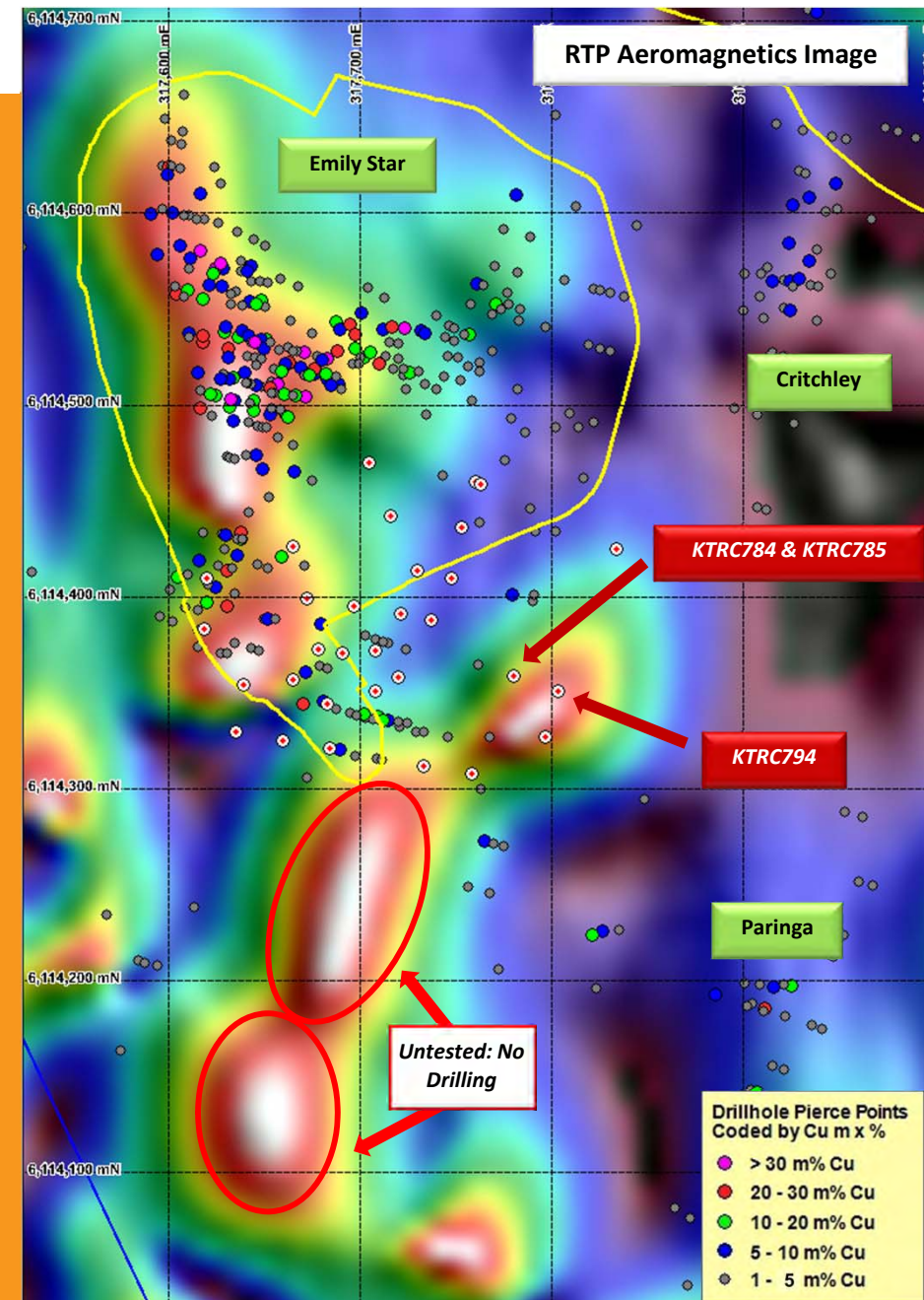
**OBJECTIVE IS CONVERSION OF
INFERRED TO INDICATED RESOURCES**







- Wide, shallow, high-grade intercepts
- Nugent/O'Neil
 - 18m @ 1.29% Cu from 135m (23m%)
 - 14m @ 1.54% Cu from 75m (22m%)
 - 31m @ 0.77% Cu from 99m (24m%)
- Emily Star
 - 23m @ 0.97% Cu from 112m (22m%) including 12m @ 1.41% Cu from 114m (17m%)
 - 16m @ 1.07% Cu from 52m (17m%)
 - 12m @ 1.44% Cu from 60m (17m%)



- Resource conversion drilling has been highly successful at both O'Neil/Nugent and Emily Star
 - 48 RC holes completed for 7,691m to 31 July
 - Nominal 30 x 30m drill spacing for Indicated classification
 - ~ 3,000m Resource conversion drilling remaining
- Visible copper sulphide (chalcopyrite) mineralisation intersected in every drill-hole
- Both zones have been extended significantly and remain open along strike, down dip and down plunge
- Only 2 of the original 4 targets selected for resource conversion drilling have been tested so far; NE and Green Zone remain untested

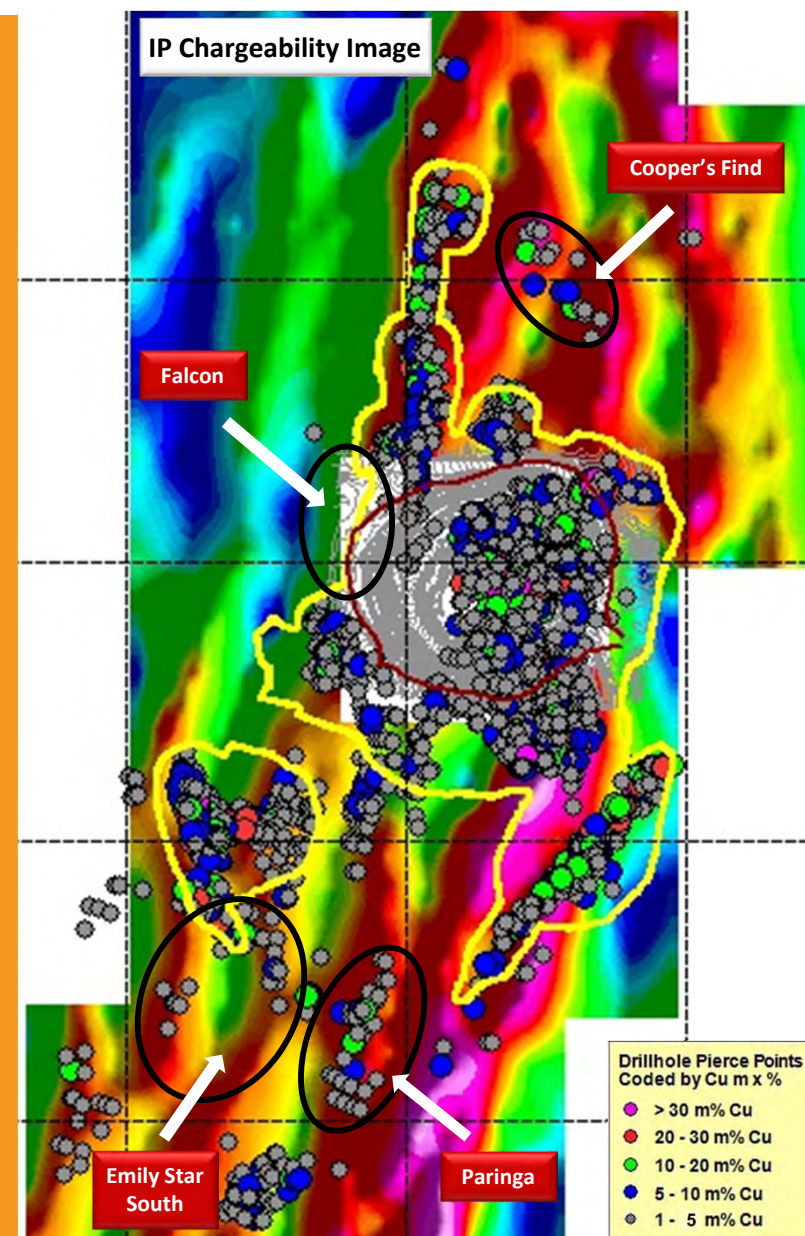
MAJORITY OF DRILLING IS LIKELY TO HAVE CONVERTED EXISTING RESOURCES INTO RESERVES, AS WELL AS ADDING RESOURCES

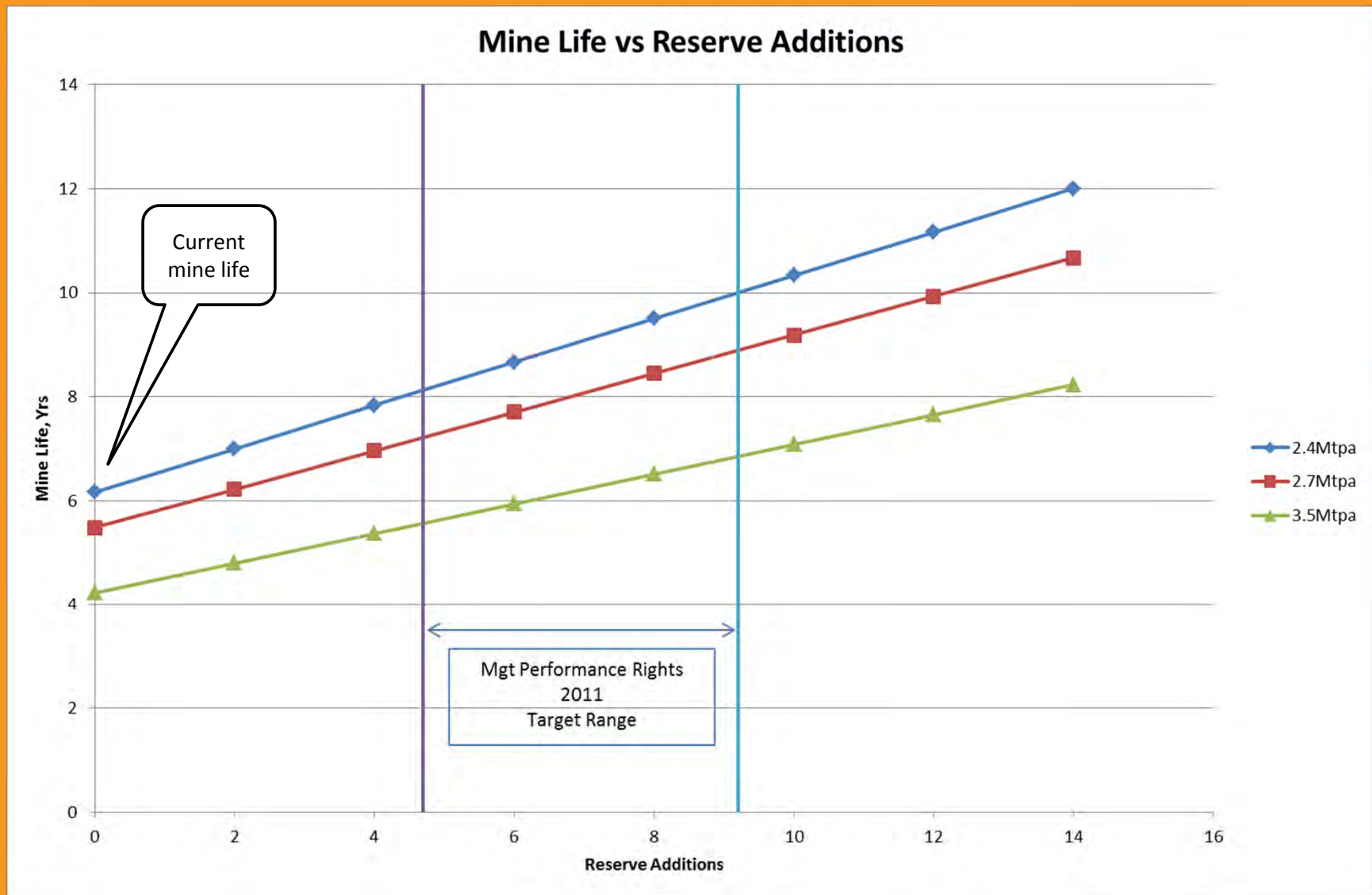


Priority 2: provide copper “pipeline” for the project

- Longer term and wider exploration focus (but initially still within Mining Lease)
- Further geophysics (IP) underway, geochemistry and geology to generate new targets
- Prioritise additional near mine targets within the mining lease
- Identify targets to provide continuous pipeline of resources for later conversion

**HIGHLY PROSPECTIVE AND CAPABLE
OF ADDING SIGNIFICANTLY TO
KANMANTOO RESOURCE BASE**



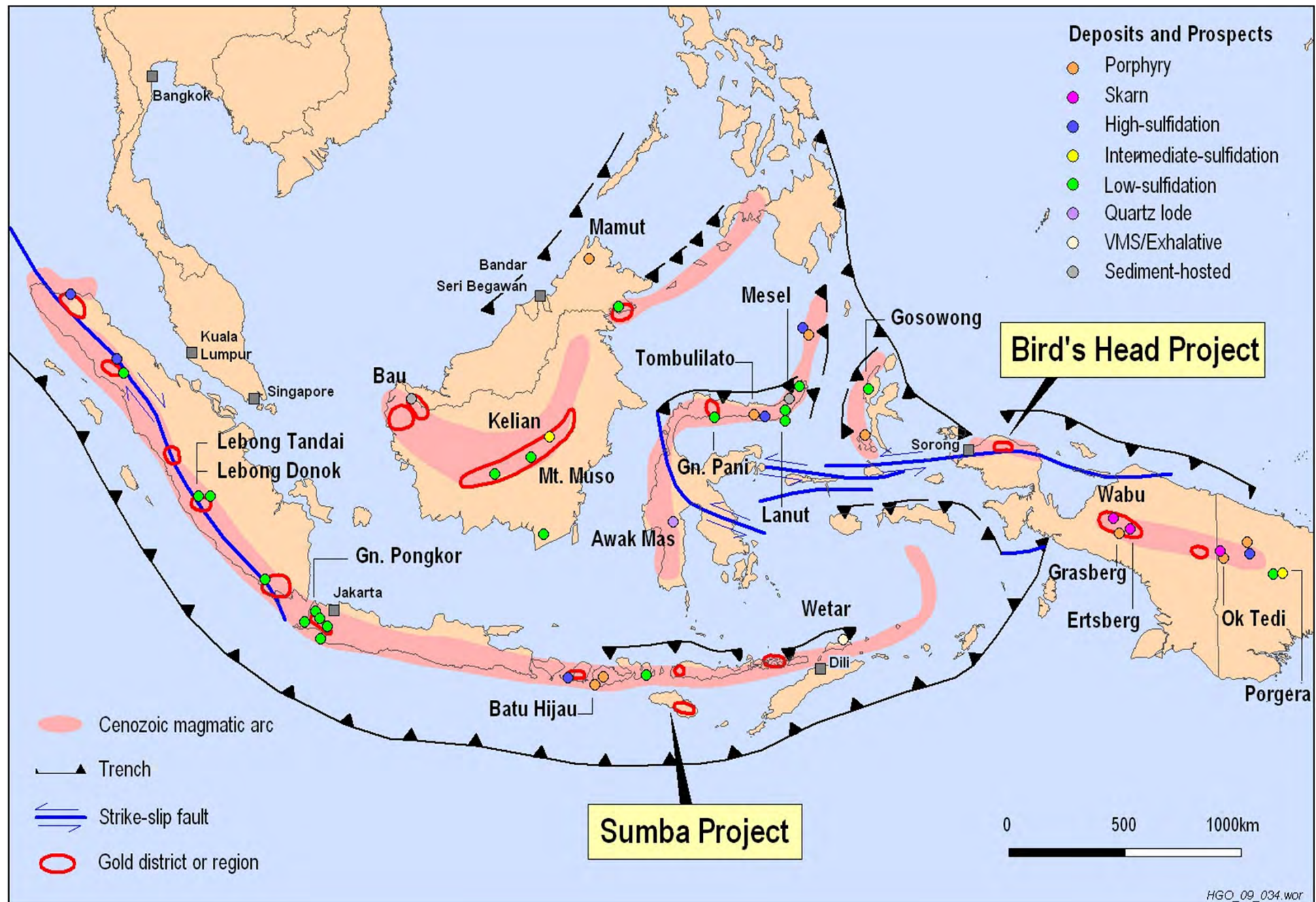


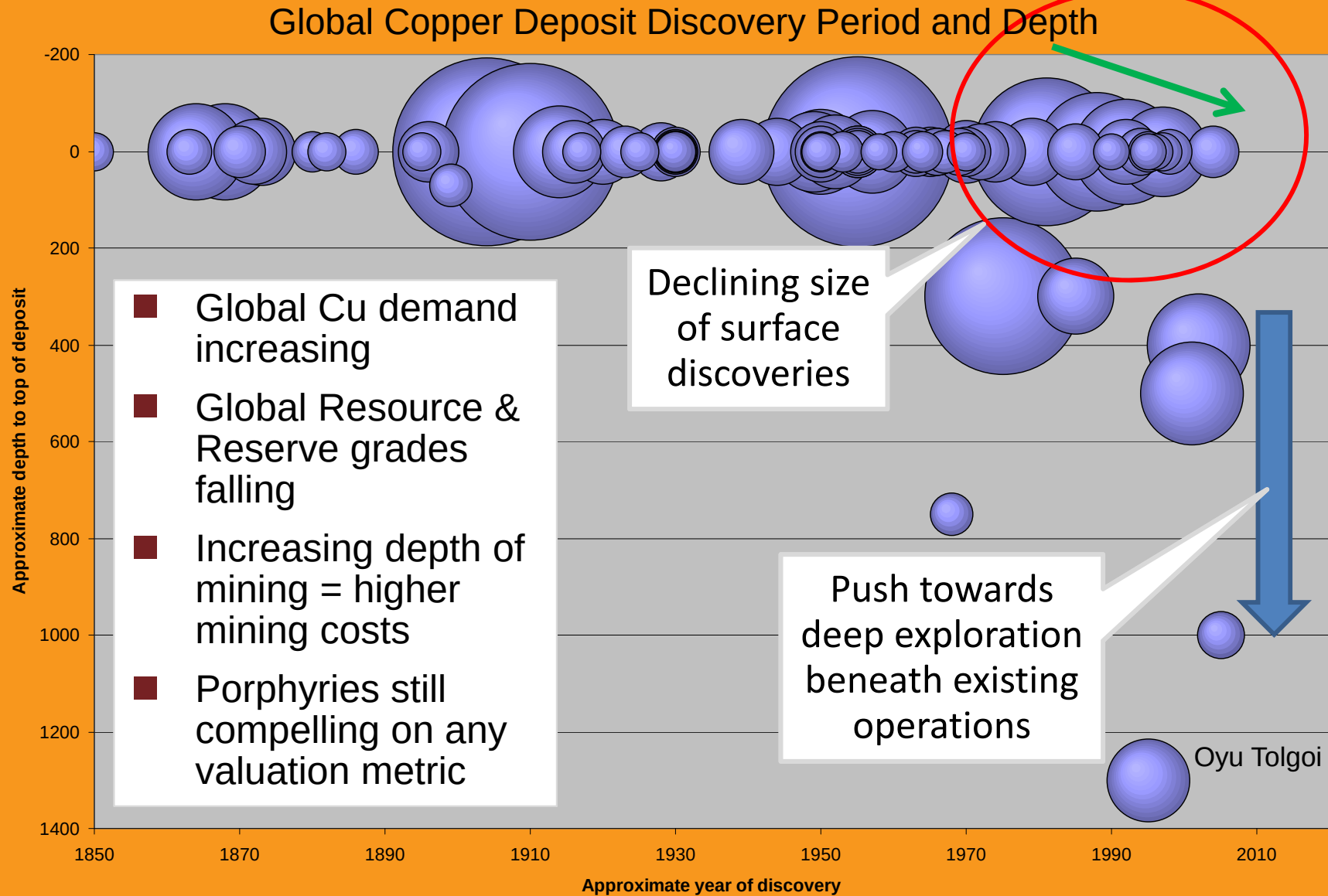


- Construction on time and budget
- First production October/November 2011 (few weeks)
- Robust project with near term cash flows
- Near-mine drilling indicates Life of Mine extension probable
- Capacity expansion is cheap



INDONESIA



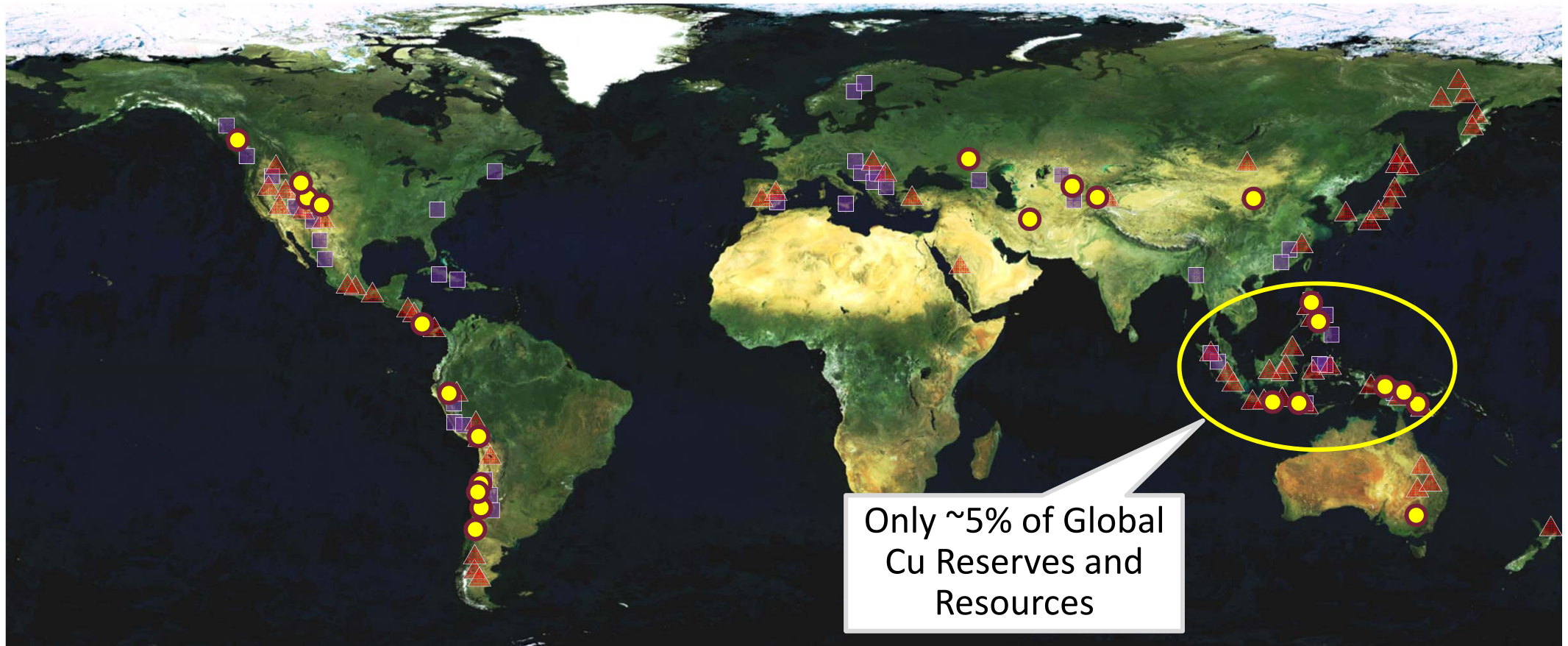


Source: MEG in Rio Tinto Demand, Supply and Copper Price –Exploration Perspective



WHERE ARE THE OPPORTUNITIES TO DISCOVER GIANT PORPHYRIES?

- “Giant” Porphyry Copper – Gold Deposits
- Principal High Sulphidation Epithermal Gold Deposits
- ▲ Principal Low Sulphidation Epithermal Gold Deposits



- Indonesia is an archipelago of globally significant mineral endowment right on our doorstep
- Remarkably underexplored; open for business
- Hillgrove well established with two highly prospective projects



- **Focussed approach:** only targeting large porphyry copper – gold deposits and associated epithermal gold deposits
- Partnership established first with professional in-country partners
- New laws allow for direct foreign ownership – the paradigm has shifted
- Indonesia is a mining country – specific new legislation
- Only two assets selected by HGO from a myriad of opportunities



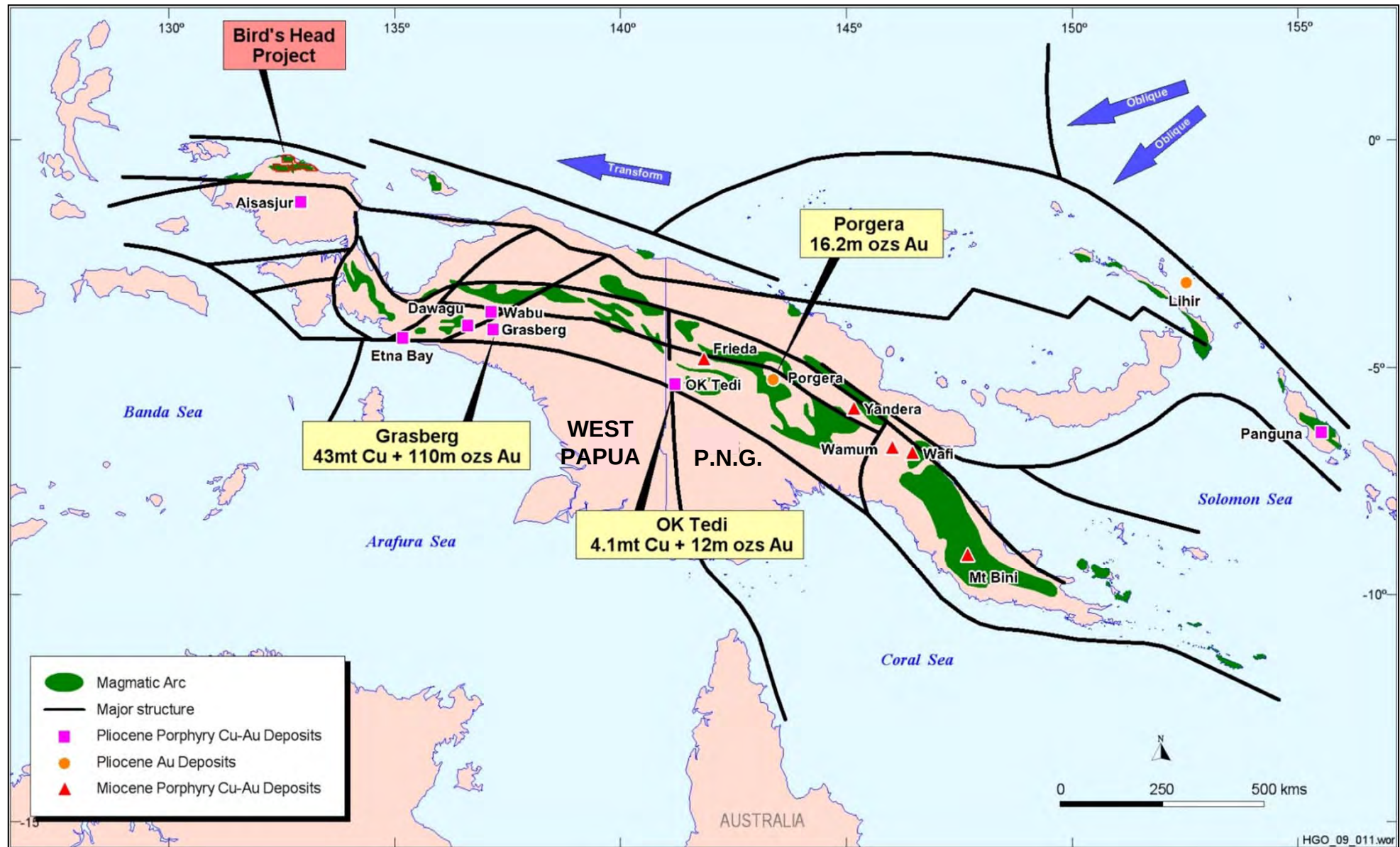
SUMBA

- Hillgrove is an 80% shareholder in PT Fathi Resources Pte. Ltd
- Corporatised ownership via intermediate Singapore holding companies

BIRD'S HEAD

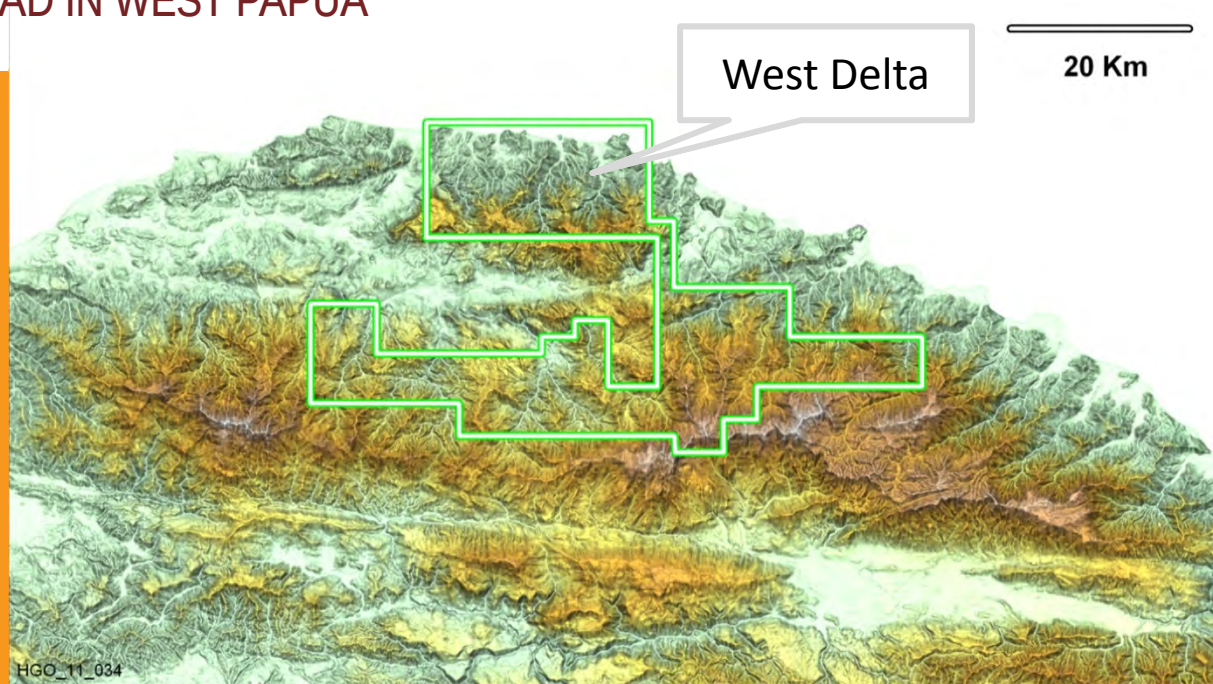
- Hillgrove has an 80% beneficial interest in PT Akram Resources Pte. Ltd through JV Agreement (JVA)
 - JVA has been executed
 - Sale & Purchase Agreement executed
 - Share pledge agreement executed
 - Hillgrove holds POA over pledged shares
 - Process is now mechanical, awaiting outcome of West Papuan elections, and conversion of PT Akram to “PMA” status





Bird's Head covers part of the interpreted westward continuation of the New Guinea Magmatic Arc



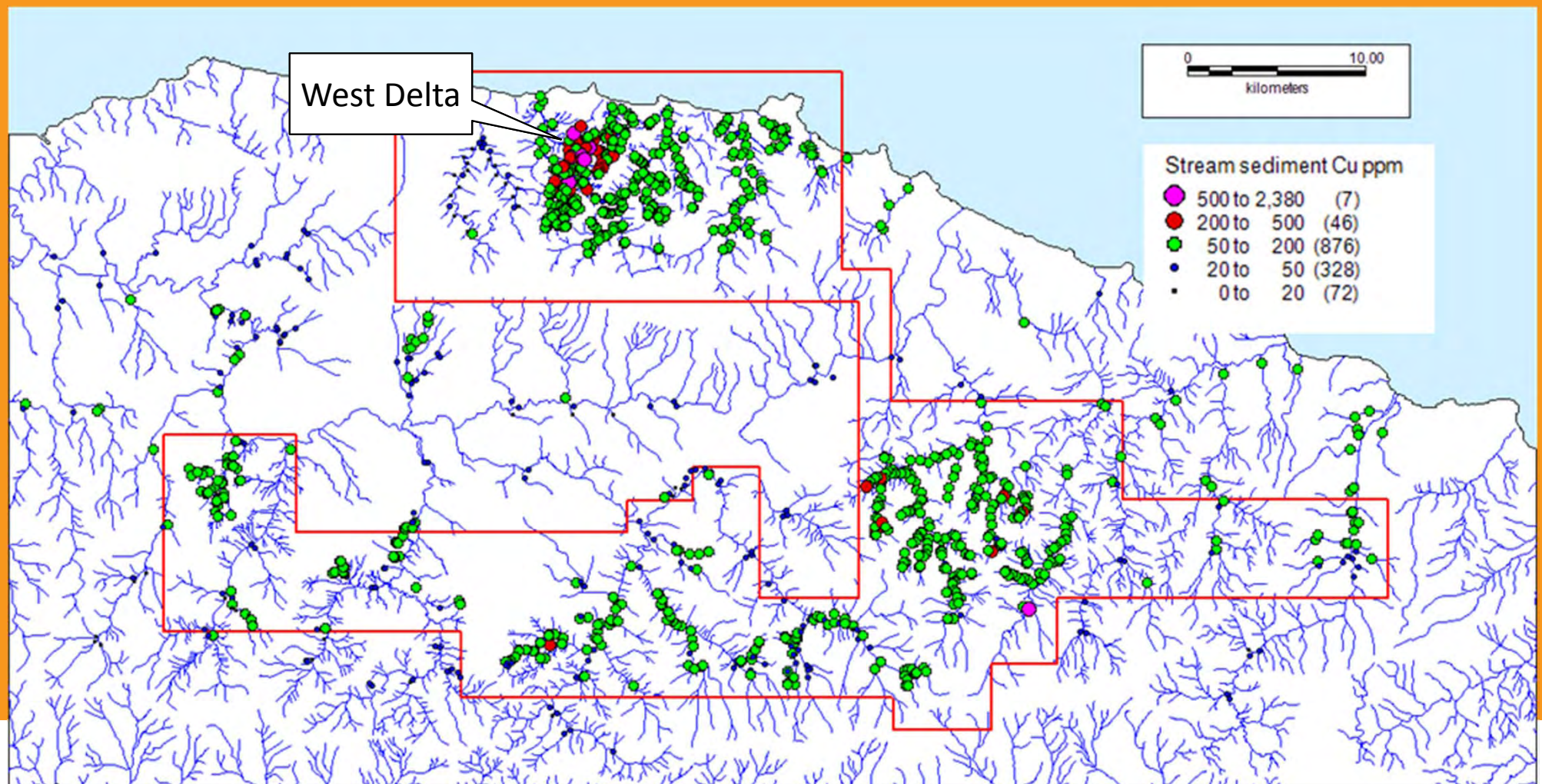


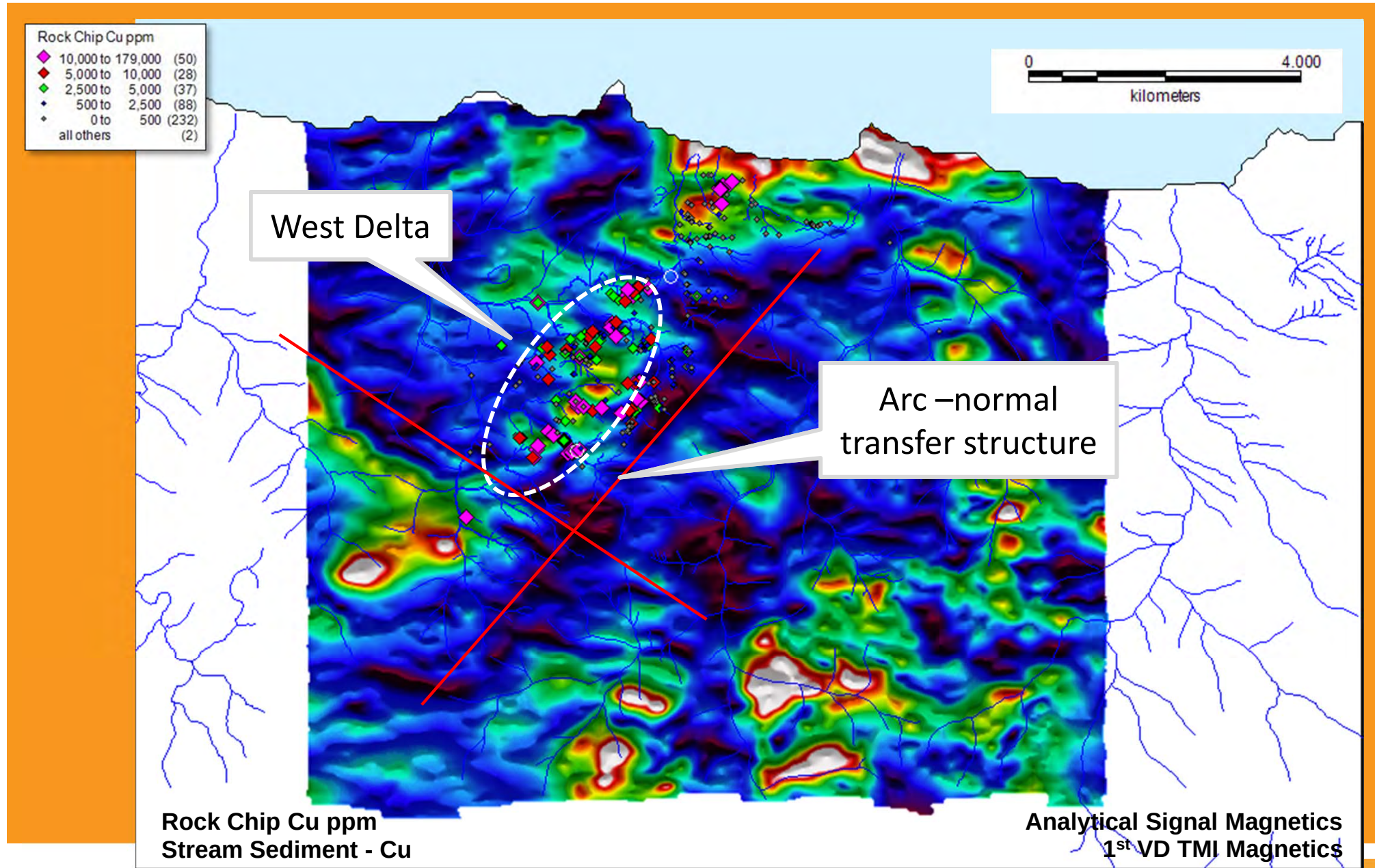
- Hillgrove has an 80% beneficial interest in PT Akram through JV Agreement
- Moving to a corporatised ownership structure – awaiting election of Governor of West Papua to finalise establishment of PMA company
- IUP rights cover almost 1,000km², granted to March 2017
- Hillgrove responsible for exploration and development activities and sole funding up to Decision to Mine
- Ex-Normandy project: HGO acquired drilling, geophysics and other key data





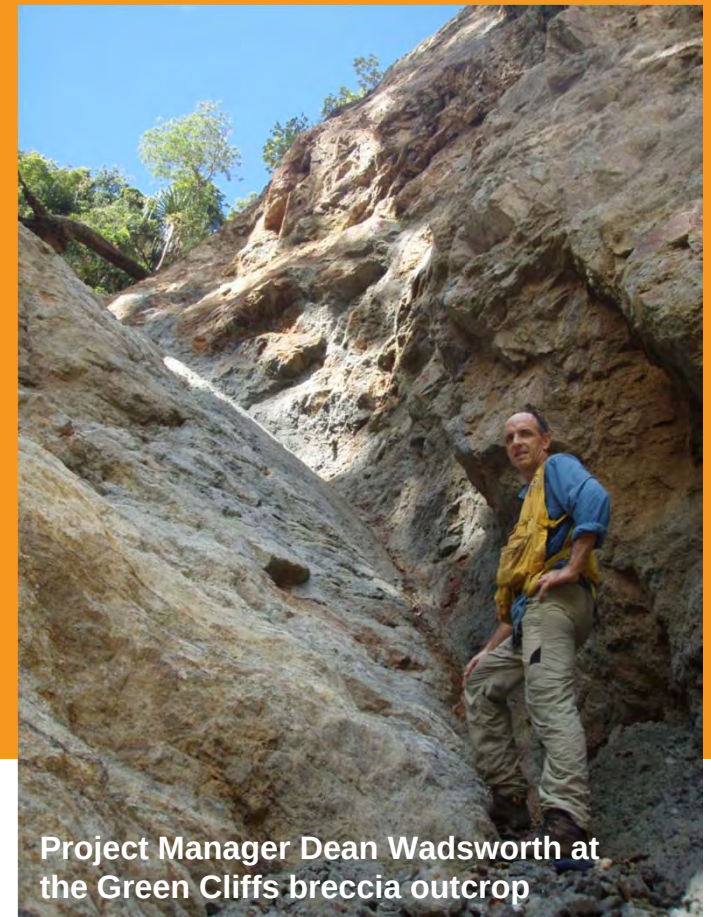
- Close to the coast – significant advantage for future development
- Known porphyry – related copper mineralisation
- Significant previous exploration database ex Normandy



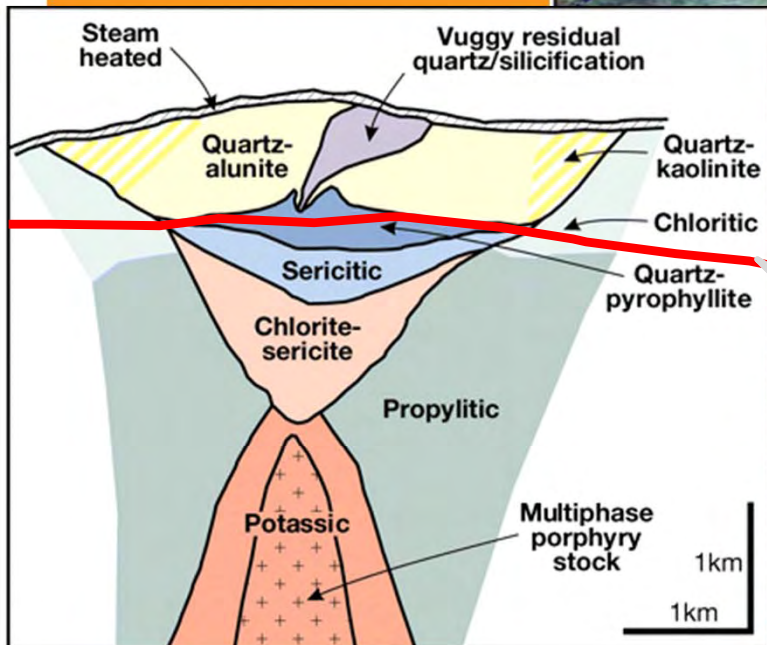
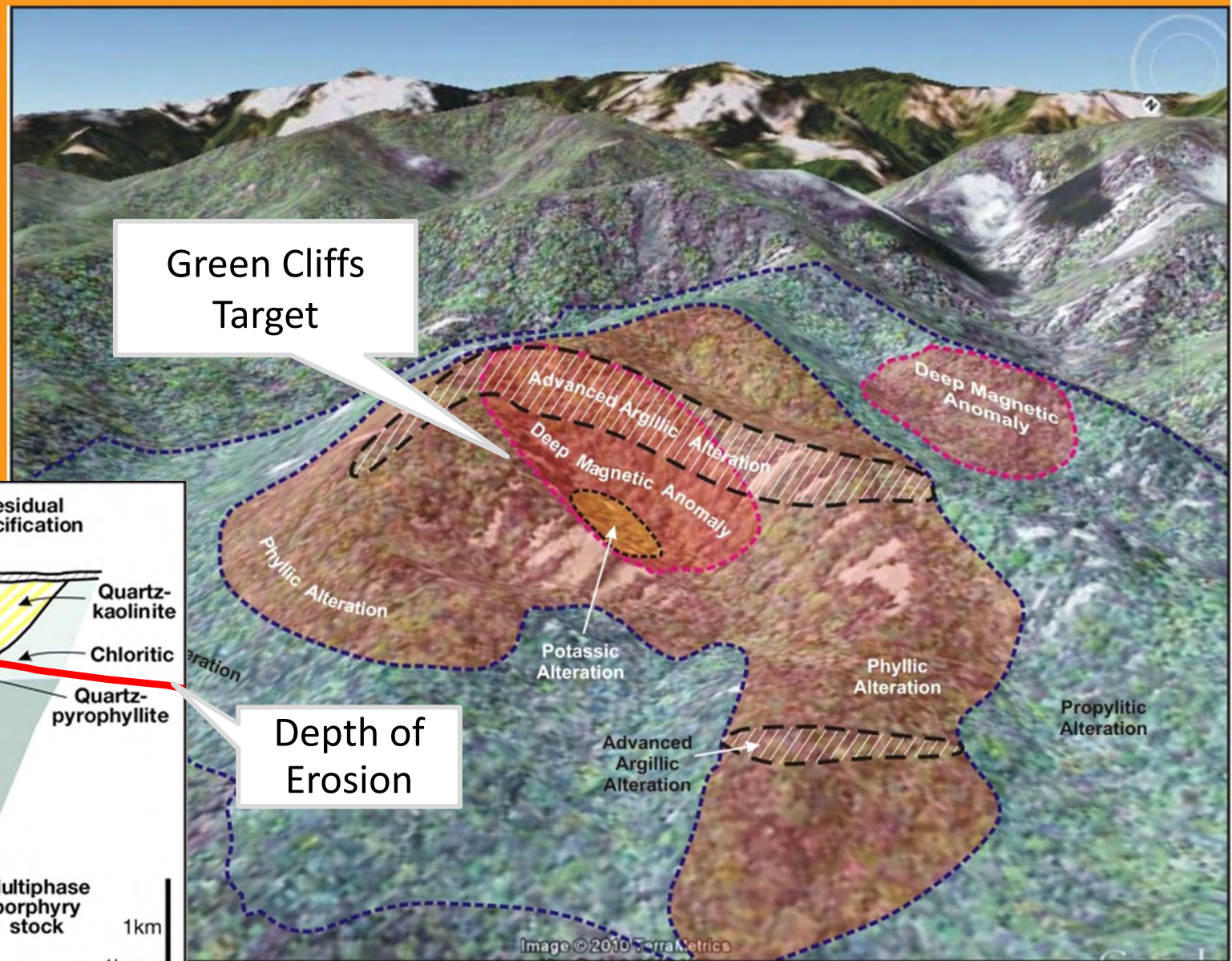


- Geological interpretation is of:
 - A young (Tertiary) intrusive complex
 - Overlapping hydrothermal alteration systems in a 6.5 x 1.5 km corridor
 - Intrusive unit does not outcrop
- Trenching highlights:
 - **32m @ 0.73% Cu including 20m @ 0.95%**
 - **52m @ 0.35% Cu including 12m @ 0.75%**
 - **132m @ 0.29% Cu including 18m @ 0.65%**
 - **54m @ 0.48%Cu including 22m @ 0.97%**
- Rock chip sampling has encountered strongly anomalous copper values
 - mostly >1% Cu with anomalous gold and molybdenum association

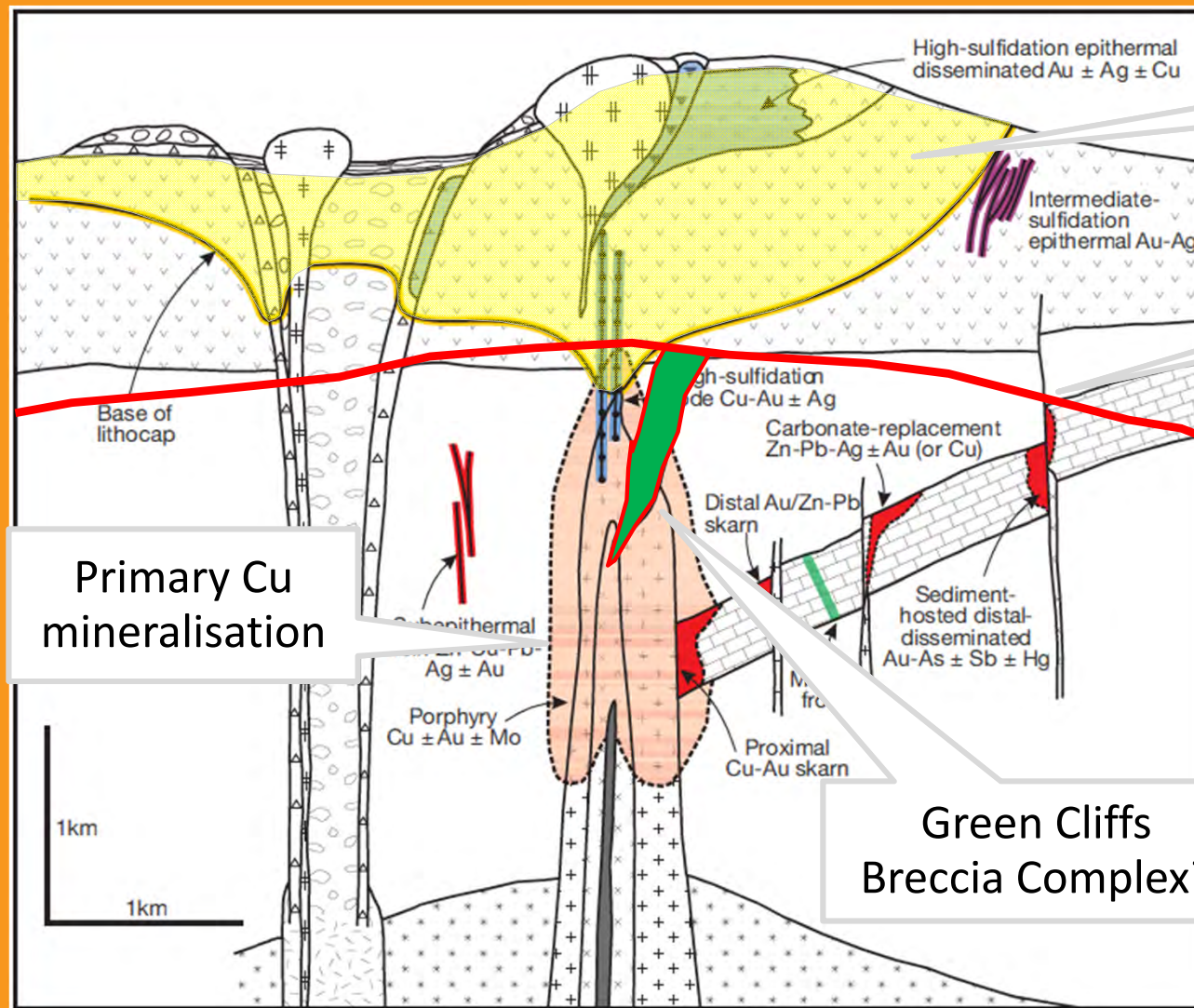
MULTIPLE PORPHYRY COPPER TARGETS



- Classic porphyry signature
- Drill ready status
- Awaiting forestry permit to drill



Source: Sillitoe Porphyry Cu Systems EconGeol 105/1

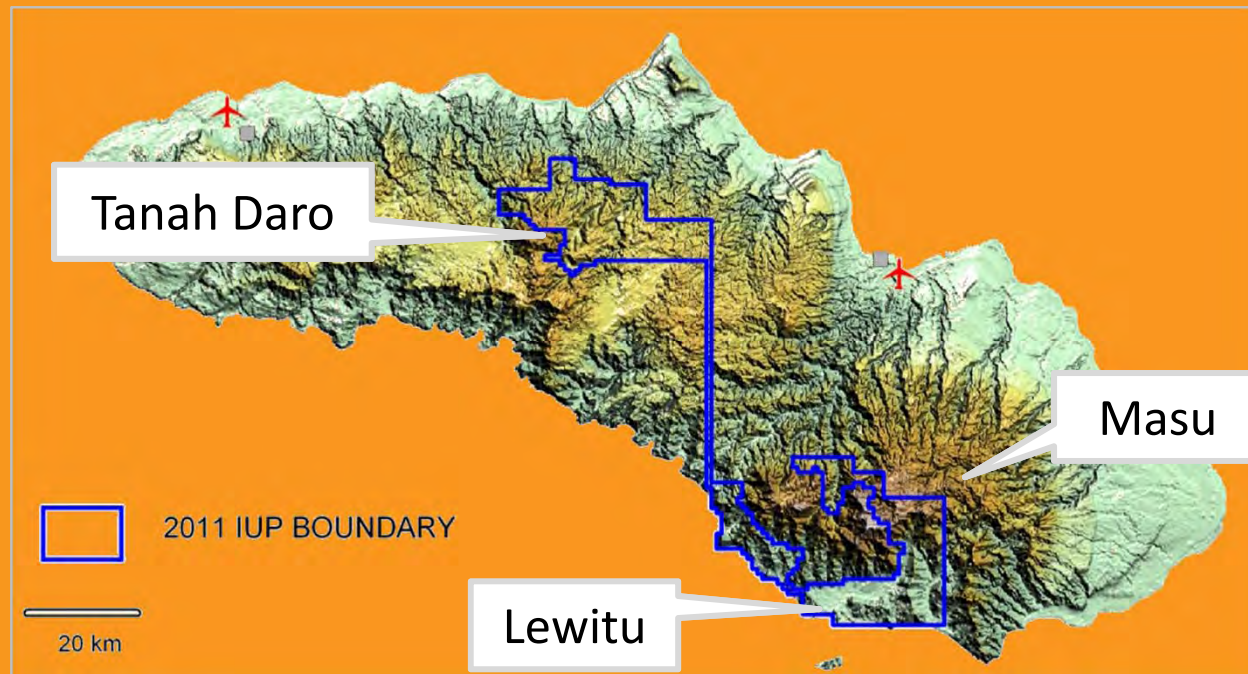


Source: Sillitoe Porphyry Cu Systems EconGeol 105/1

NEXT STEPS:

- Secure Pinjam Pakai
- Drill test to ~600m
- Continue surface exploration along target corridor

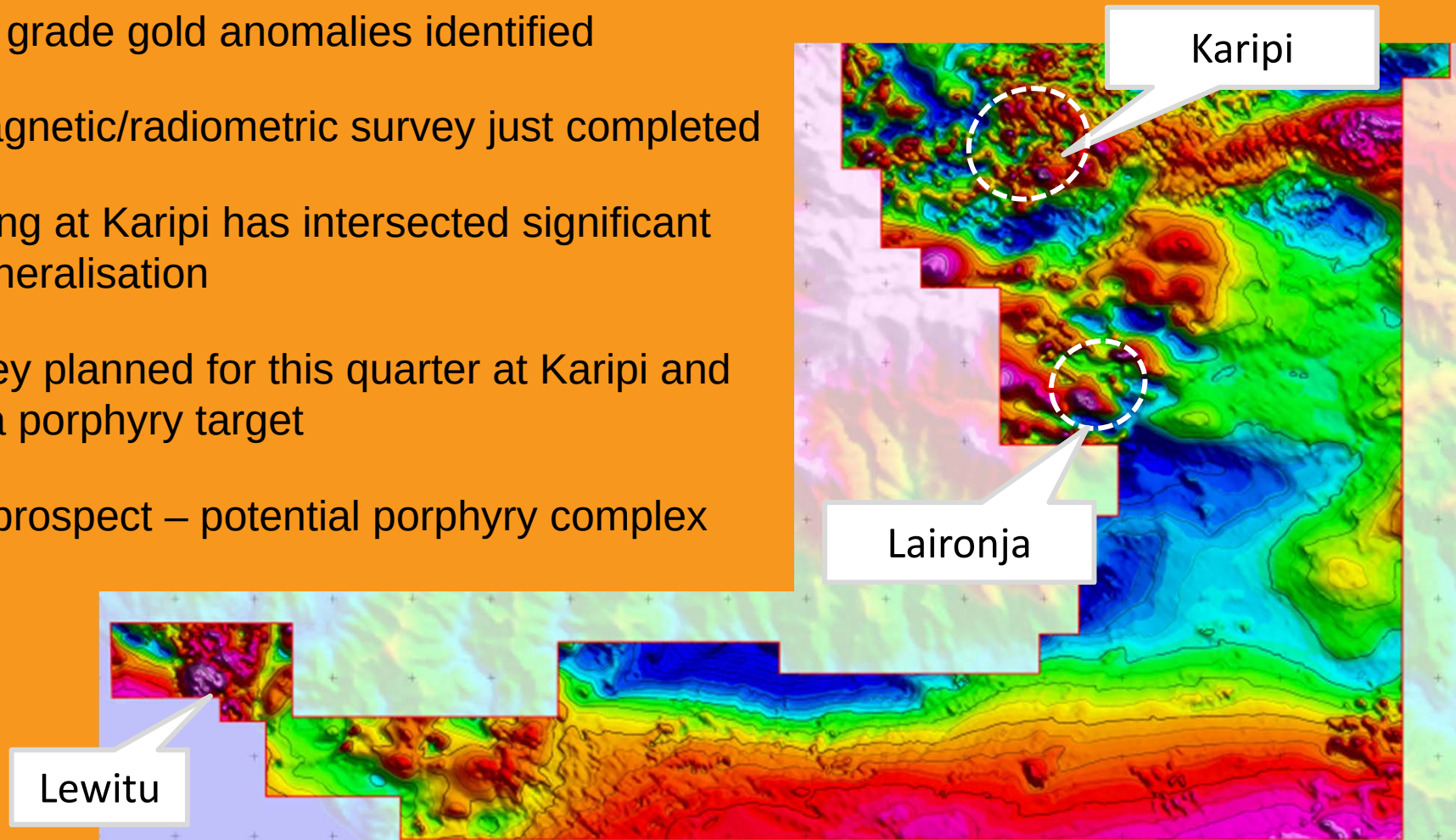




- Hillgrove has an 80% direct shareholding in PT Fathi Resources
- IUP rights cover almost 1,000km², granted to March 2017
- Hillgrove responsible for exploration and development activities and sole funding up to Decision to Mine under JV Agreement
- Ex BHP project
- Targeting High and Low Sulphidation Gold Deposits

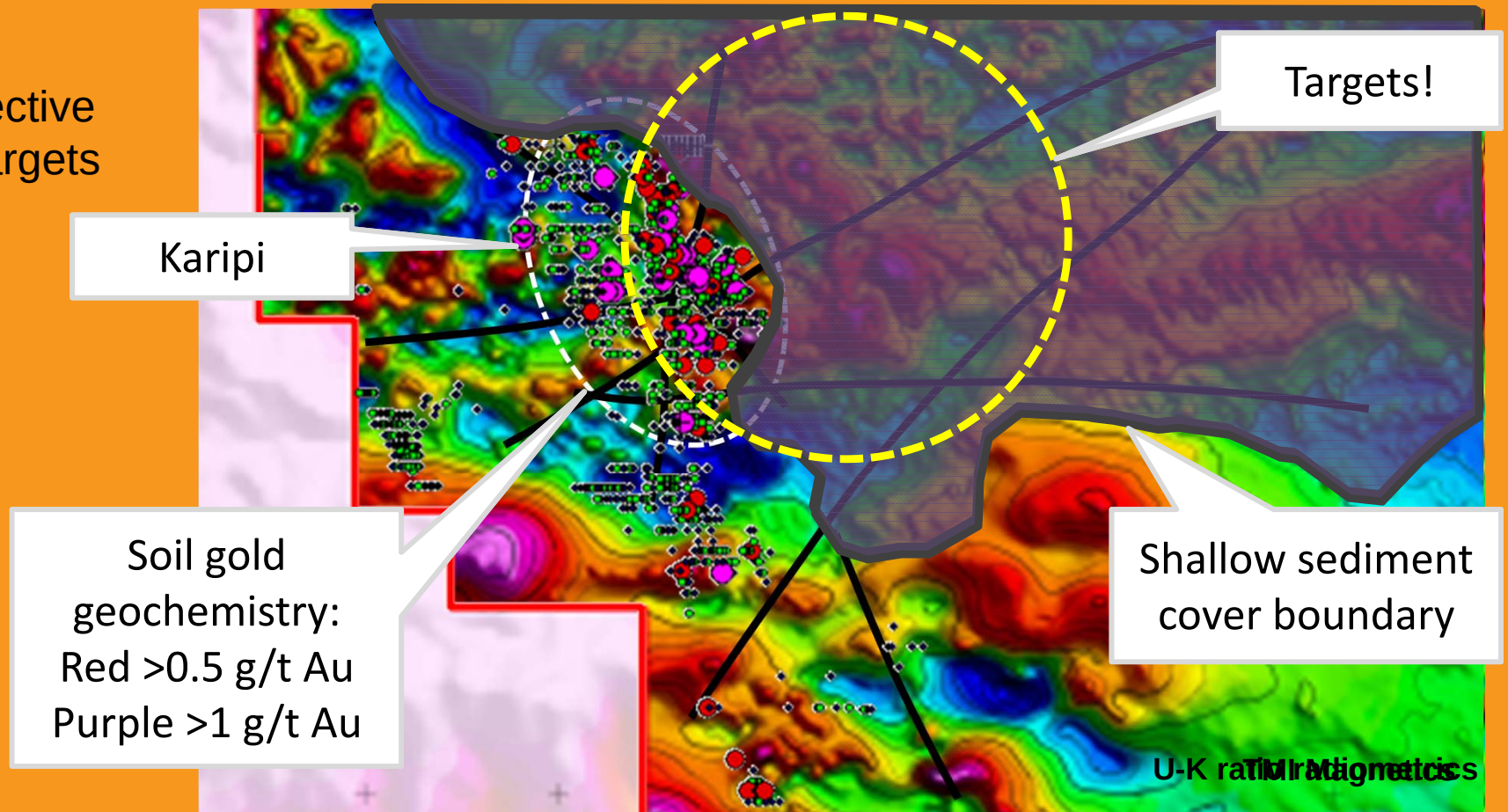


- Initial mapping, soil sampling, trenching and scout drilling completed to date
- 17 high grade gold anomalies identified
- Aeromagnetic/radiometric survey just completed
- Trenching at Karipi has intersected significant gold mineralisation
- IP survey planned for this quarter at Karipi and Laironja porphyry target
- Lewitu prospect – potential porphyry complex



- Thin sediment masks prospective lithology but gold observed in exposed basement rock over large areas

- Highly prospective gold targets



- Magnetic signatures indicate strike continuation of prospective structures beneath sediments

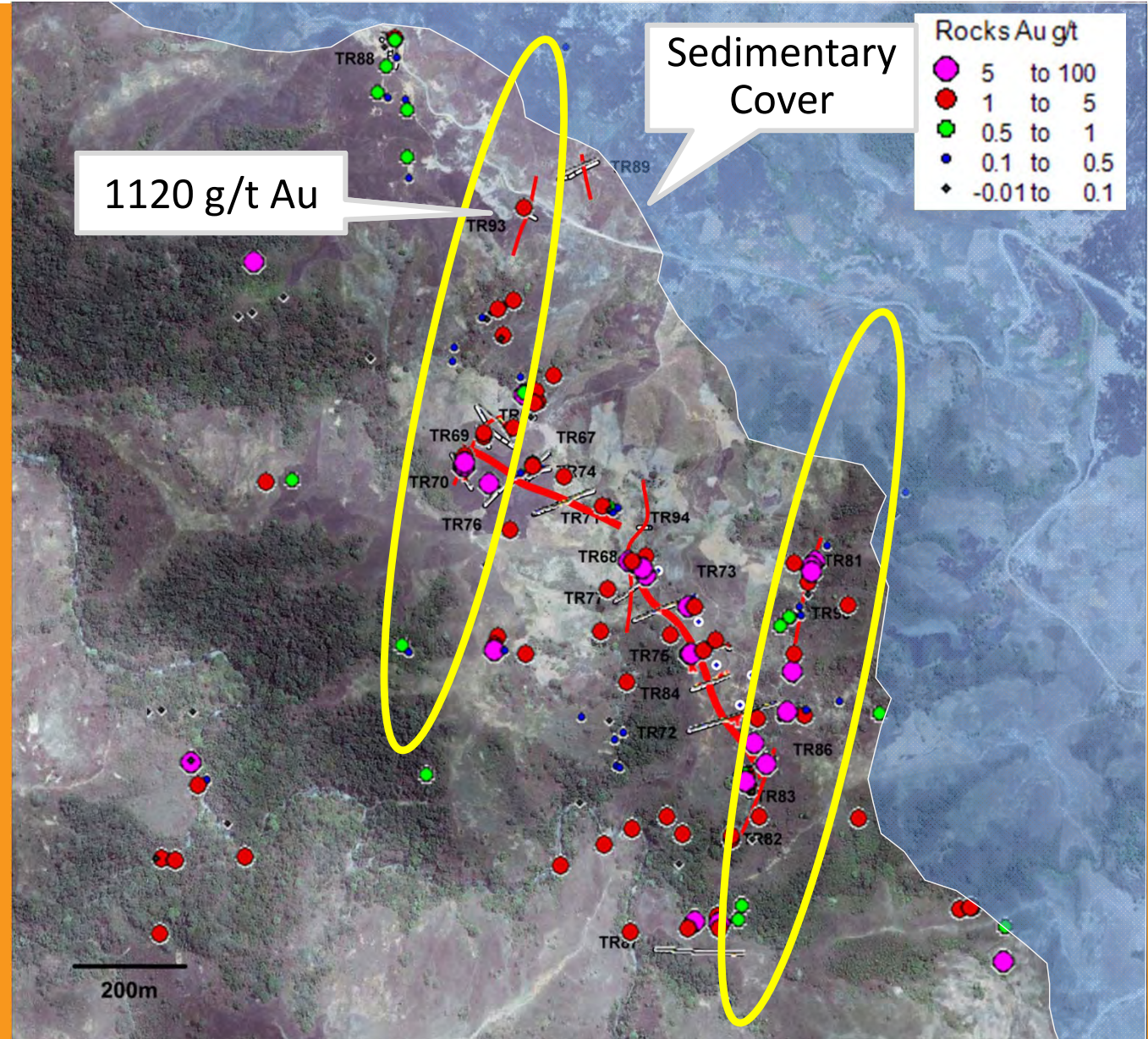


■ Karipi-Kanjilu trenching indicates broad gold anomaly over 800m

- 22m @ 2.66 g/t Au
- 80m @ 3.18 g/t Au
- 73m @ 4.72 g/t Au
- 28m @ 3.21 g/t Au
- 12m @ 32.96 g/t Au
- 32m @ 1.42 g/t Au
- 32m @ 3.16 g/t Au
- 30m @ 3.46 g/t Au
- 4m @ 51.2 g/t Au

■ Rock Chips reporting bonanza grades to

- 1120 g/t Au, 360 g/t Au, 220 g/t Au, 164 g/t Au etc



KARIPI

- Mapping continues
- Trenching continues
- 3D IP survey
- Drilling

LEWITU

- Potential porphyry target
- Land access agreements under negotiation
- Mapping and surface geochemistry sampling planned

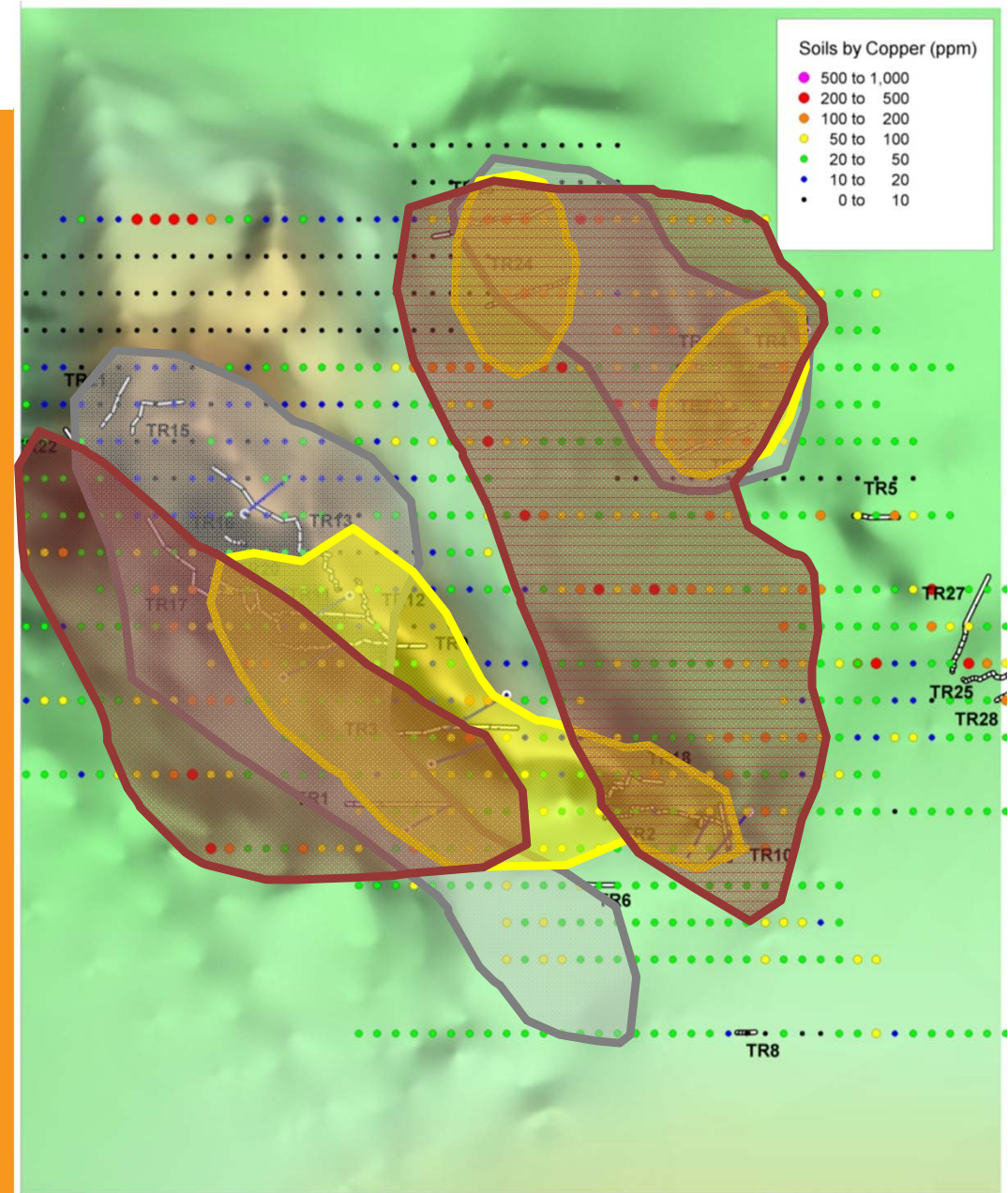
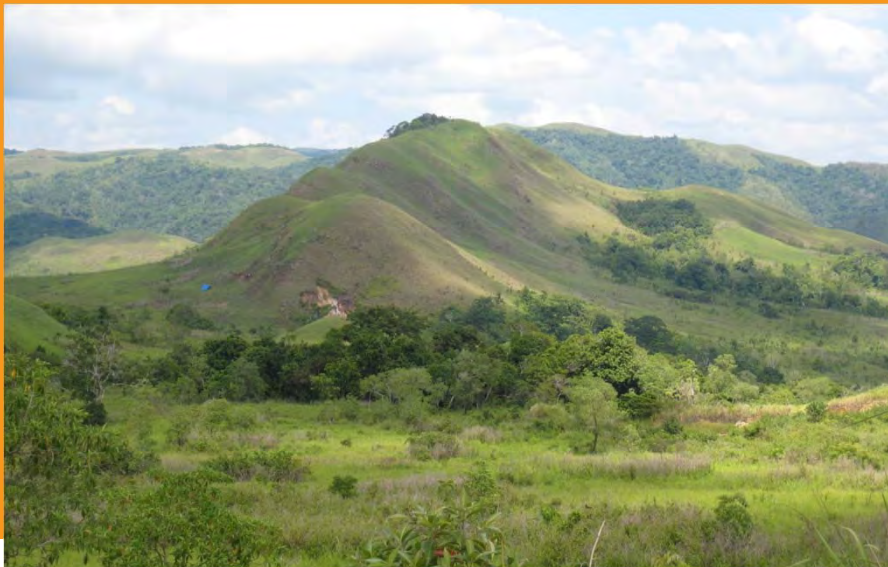
LAIRONJA

- Extensive remnant lithocap
- Shallow scout drilling intersected inner propylitic porphyry alteration
- 3D IP ahead of deeper drilling, if warranted

Aerial view of Karipi, looking SE



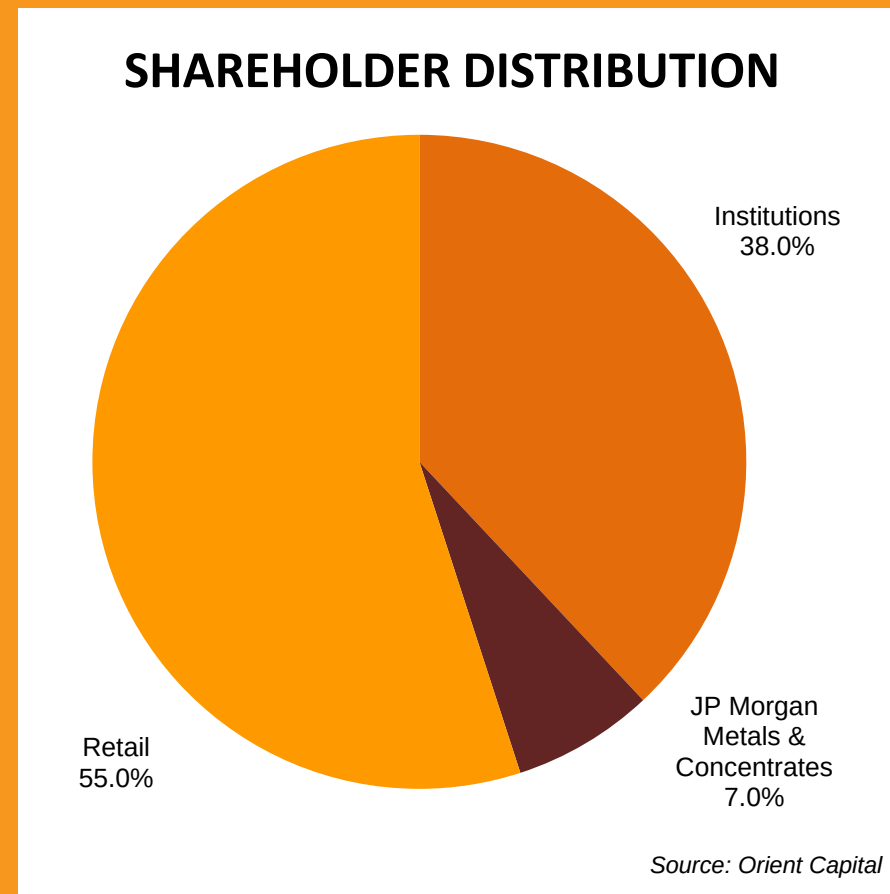
- Remnant lithocap / High Sulphidation system? Porphyry
- Soils show Au / Mo zonation round Cu target
- Shallow scout drilling intersected sporadic Au, with anomalous Cu at the bottom of two holes
- IP survey planned ahead of deeper drilling



CORPORATE OVERVIEW

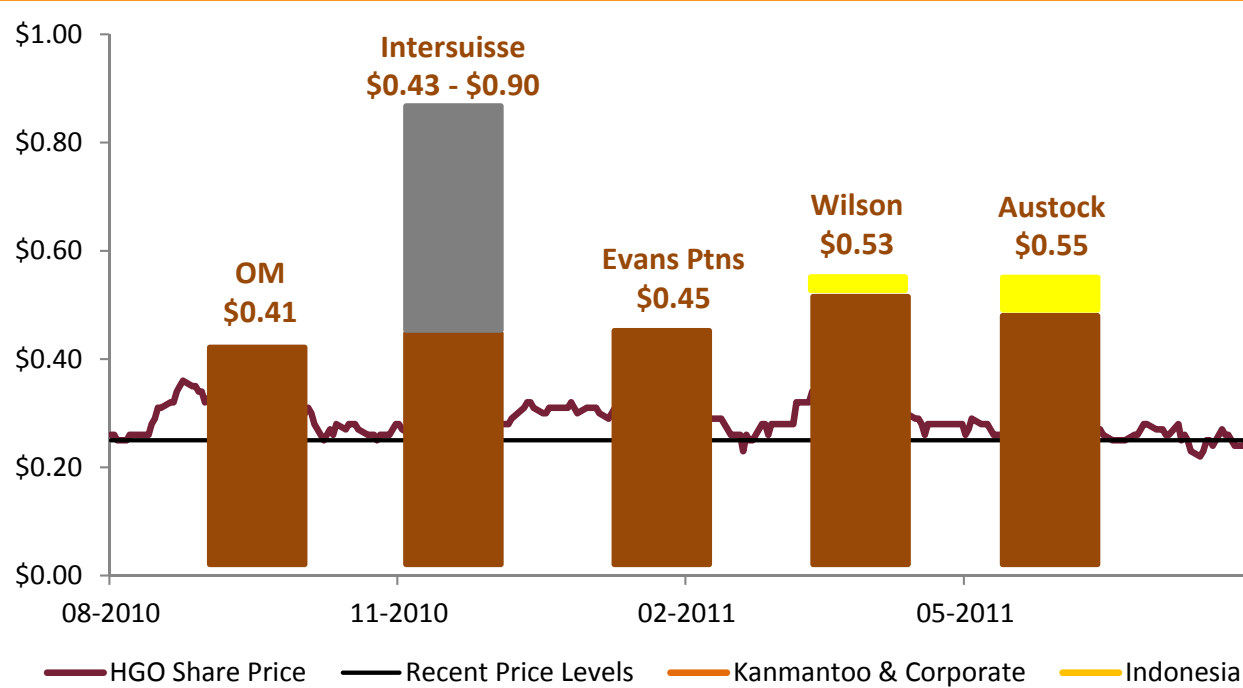


- ASX listed: HGO
- Shares on issue: 793.7 million
- Share price: AUD 0.235 (29 Sep 2011)
- Market capitalisation: AUD 186.5 million (29 Sep 2011)
- Cash and cash equivalents: AUD 55.3 million (31 Jul 2011)
- AUD 12 million debt at 31 Jul 2011 (AUD 30 million facility size)
- EV AUD 167 million (31 Jul 2011)
- 45% Institutional shareholders
- Top 20 shareholders own ~45%



Criteria	2010	2011
Type	Performance Rights (ZEPO)	Performance Rights (ZEPO)
Number	4,720,000	4,595,000
Fully diluted ownership by management	~0.6%	~ 1.1%
Service Condition	3 yrs from award	3 yrs from award
TSR - Peer group of 15 companies - Measured over 3yrs - Must be greater than median - Sliding scale to 75th percentile	Yes 50% of award	Yes 50% of award
Release of Bank Completion Guarantee	Yes 50% of award	
Increased Reserves at Kanmantoo - Must be greater than 19.5 Mt - Sliding scale to 24 Mt		Yes 30% of award
Definition of another JORC resource - Outside Kanmantoo ML - Including but not limited to Indonesia		Yes 20% of award





- Broker valuations are significantly higher than the existing share price
- Little or no value attributed to the Indonesian assets
- Significant upside in Intersuisse's valuation through successful project delivery and current spot prices

Broker	Date	Kanmantoo & Corporate	Indonesia	Total
Ord Minett	19/08/2011	\$0.36	\$0.05	\$0.41
Intersuisse	1/06/2011	\$0.43	\$0.00	\$0.43
Evans & Ptns	5/09/2011	\$0.42	\$0.03	\$0.45
Austock	11/04/2011	\$0.43	\$0.12	\$0.55
Wilson HTM	31/08/2011	\$0.51	\$0.02	\$0.53



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- Robust economics support by some hedging
- Producing asset in Oct/Nov 2011 (few weeks)
- High optionality through:
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 - Kanmantoo capacity expansion
 - from 2.4 to 2.7 Mtpa (free)
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 - Indonesian exploration success

