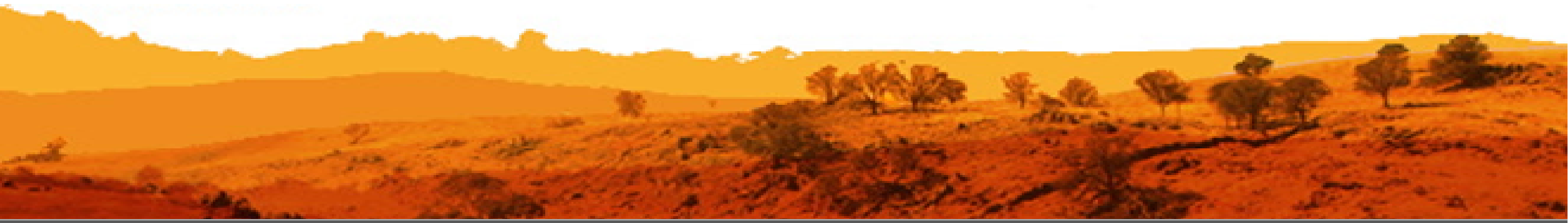
HILLGROVE RESOURCES

QUARTERLY REPORT

PERIOD ENDING 31 JANUARY 2012



The Board of Directors of Hillgrove Resources Limited (Hillgrove) (ASX: HGO) reports for the quarter ended 31 January 2012

HIGHLIGHTS

Kanmantoo Copper Mine, South Australia

- **Construction of the ore processing plant was completed** during the quarter with Practical Completion granted to Abesque Engineering on 23 December 2011.
- **As at 31 January, the Kanmantoo Copper Mine** was two months (now three) into ramp up towards full production of an annual rate of 2.4 million tonnes per annum, expected to be achieved by May 2012. Ramp-up is progressing well, on plan. Recent plant performance has been above expectations and plan.
- From the 1180 and 1170 benches 501kt of ore at 0.65% Cu were mined and delivered to the ROM pad for processing. **This is an additional 190kt tonnes at 0.55% Cu over the resource model forecast of 311kt at 0.71% Cu.**
- While grades encountered to date have been slightly lower than predicted by the resource block model, tonnages have been substantially in excess of predictions. **The implications for mine life are positive, although it is still very early in the ramp-up phase.**
- Mining has encountered more oxide and transitional mineralisation than expected. **Stockpiles as 31 January totalled 1.5 million tonnes at an average grade of 0.35% copper.** The company has accelerated examination of oxide treatment options, given the stockpiles are estimated to contain more than 5,000 tonnes of contained copper.
- Hillgrove **received 450 purpose built concentrate transport containers** made by leading container manufacturer and supplier SCF Group in the first week of December from China.
- **Over 270 containers of concentrate** have been trucked to Port Adelaide. First shipment of approximately 5,000 tonnes, grading more than 30% copper is planned for the first week of March 2012.
- Drilling at Critchley (south east of main pit – see map) has been highly successful, **intersecting wide zones of copper mineralisation at shallow depths, outside the current optimised pit design**. The mineralisation remains open along strike to the south and at depth, including:

  KTRC817 – 13m @ 0.73% Cu from 113m (9m%)

  KTRC841 – 9m @ 1.01% Cu from 109m (9m%)

  KTRC850 – 16m @ 1.40% Cu from 114m (22m%).

- Two holes completed for total length of 362m south of the current southern boundary of the Emily Star pit (see map). Both holes intersected wide zones of copper mineralisation, which is a highly **significant result from a previously untested area**, and has excellent potential to greatly expand the planned Emily Star pit. These holes included:

  KTRC861 36m @ 0.81% Cu from 75m (29m%)

  Including: **21m @ 1.22% Cu from 79m (26m%).**

- The **resource update** for Kanmantoo is expected to be completed by the end of March 2012, and the reserve update will be completed several months later. These updates will not include drilling results since early December 2011 (including those above).
- The **Kanmantoo Copper Mine was officially opened** by the Hon Jay Weatherill, Premier of South Australia, on 22 February which was attended by stakeholders, including operators of 1970's mine.

Indonesia

- **Pinjam Pakai (drilling permit) for the West Papua Birds Head copper-gold porphyry prospect** was **granted** from the Indonesian Department of Forestry in late December. **Drilling is expected to commence in late March**, with an initial program of 5,000m.
- **On Sumba Island, IP geophysical survey** was c**ompleted** over the Karipi gold prospect. Interpretation indicates strong geophysical anomalies beneath shallow cover, located on significant regional structures. Geophysical and trenching targets will be drill tested this coming Quarter.

Corporate Activity

- The first early payment for concentrate production from Kanmantoo was received on the 19 January, making it the first sale of copper concentrate and **first revenue for the project**. Funds invoiced for the quarter totalled $7.3 million (75% of full value).
- Mezzanine Finance Facility for $10 million was provided and drawndown from Macquarie Bank with 27.7 million options issued at an exercise price of 27 cents per share.
- Douglas Snedden appointed to the Board.
- Cash on hand as at 31 January 2012 was AUD 22.5 million.

KANMANTOO COPPER PROJECT, SOUTH AUSTRLIA

Mining Leases 5776 and 6345; Exploration License 4401 (Hillgrove 100%)

The Kanmantoo Copper Mine is now three months into its ramp up towards full production. Over 270 containers of concentrate have been loaded and trucked to Port Adelaide ready for the first planned shipment during the first week of March.

The exploration program has continued the development of the robust brownfields exploration model and a solid pipeline of resource and reserve extension targets has been identified. These targets are expected to lead to an extension of mine life.

PLATE 1. PROCESSING PLANT, KANMANTOO COPPER MINE (22/02/12)

Left: ROM pads and crusher facility. Right Foreground: Crushed ore stockpile, adjacent to and under the dust containment cone

Processing Plant Construction, Commissioning and Operations

Construction of the ore processing plant was completed during the quarter with Practical Completion granted to Abesque Engineering on 23 December 2011. Hillgrove Resources took operating responsibility for the plant when ore commissioning started in the plant during November. The tonnes milled and metal production for the quarter is shown in Table 1 below.

TABLE 1. KANMANTOO COPPER MINE PRODUCTION STATISTICS

		November 11	December 11	January 12
Total Tonnes Mined	Tonnes (kT)	1,053	991	1,112
Ore to long term stockpiles	Tonnes (kT)	160	147	75
Ore to ROM	Tonnes (kT)	49	95	144
ROM grade	Copper (%)	0.68	0.58	0.72
Ore Milled	Tonnes (kT)	36.3	154.3	140.4
Milled Grade	(%)	0.46	0.63	0.60
	Gold (G/T)	0.09	0.12	0.12
	Silver (G/T)	2.16	2.16	2.35
Recovery	Copper (%)	55.5	69.1	84.2
	Gold (%)	74.7	62.7	65.0
	Silver (%)	37.4	52.1	50.3
Copper Concentrate Produced	Tonnes	329	2,143	2,302
Concentrate Grade	Copper (%)	28.2	31.4	31.1
	Gold (G/T)	7.7	5.5	4.8
	Silver (G/T)	80.9	84.2	74.8
Contained Metal In Concentrates	Copper (Tonnes)	93	673	715
	Gold (Oz)	81	378	357
	Silver (Oz)	856	5,802	5,536
Total Concentrate Sold	(Dm Tonnes)			4,263
Payable Metal In Concentrates Sold	Copper (Tonnes)			1,249
	Gold (Oz)			637
	Silver (Oz)			9,117

Crushing performance for January was negatively impacted by higher planned and unplanned maintenance relative to December. When operating, the crushing circuit is showing an operating capacity of up to 550tph, well above the designed nameplate capacity of 410t/h. Crusher performance has been restricted by the incidence of oversize material from the pit. A program has been implemented with the objective of improving blast fragmentation in the pit, and will be completed over the next 6 months. This is not expected to be a long term issue for the mine.

The tonnes milled in January were slightly impacted by minor throughput bottlenecks typical of the early ramp up phase of a process plant such as this. The experienced plant team has been able to quickly identify bottlenecks and rapidly implement the minor changes necessary to rectify the issues encountered. The throughput rate for February to date has been ahead of expectations at 280t/h, representing 93% of 300tph nameplate capacity, with recent performance well above 300tph.

Progress has been very pleasing. The management and operating staff for the mine and plant are now all in place, along with all the supply and administrative support staff necessary sustain ramp-up to full production rates within the second quarter.

In early December Hillgrove received 450 purpose built concentrate transport containers manufactured in China by the SCF Group. Our concentrate is loaded into the containers within our site-based storage shed (capacity about 5,000 tonnes), sampled, then enclosed, transported to, and stored on an outside hard-stand area at Port Adelaide.

Local Adelaide Hills' road haulage company Whittam Transport Pty Ltd was awarded the contract to load and haul our concentrate from the Kanmantoo mine to Port Adelaide.

Flinders Ports manage the storage and unloading of the containers into the hold of ships via a purpose-built "rotainer" and crane, before the containers are cycled back to the mine for re-filling. This creates a new industry standard for concentrate transport, storage and ship-loading, and is the best available environmental solution.

At the time of writing, 271 containers have been delivered to Port Adelaide containing 6,555dmt of concentrate. The first ship is scheduled to be loaded in the first week of March.

Mining and Ore Production

Mining and Ore production has also continued to ramp up during the quarter as shown in Table 1.

Mining is occurring in the Spitfire Pit, the Kavanagh Pit and the Otto pit (see map). The second mine production fleet was mobilised and commissioned during the quarter. Mine operations are now operating 2 Komatsu 200t excavators and 1 Komatsu 125t excavator plus a fleet of 11 Caterpillar 777 dump trucks, a fleet of ancillary dozers, graders, water carts, wheel loaders and smaller excavators.

Ore feed is currently from the Spitfire pit and the 1180 and 1170 benches were completed during the quarter. The mine is currently working on the 1160 bench.

Grade Control Reconciliation

Early indications from the grade control sampling, modelling and ore mining in the upper benches (1180 and 1170) is indicating that the ore grades within the core of the mineralisation are in line with expectations from the resource block model. Total ore tonnages however have been substantially higher with lower grade ore being delineated within the Spitfire Pit. The majority of the extra ore tonnes are being identified on the eastern edge of the orebody, where Hillgrove's original resource work was restricted due to the steepness of the local pre-mining topography. By incorporating a variable cut-over grade strategy, the grade delivered to the ROM is comparable to the resource estimate in this area with lower grade ore being delivered to the long term stockpile.

From the 1180 and 1170 benches 501kt of ore at 0.65% Cu were mined and delivered to the ROM pad for processing. This is an additional 190kt tonnes at 0.55% Cu over the resource forecast of 311kt at 0.71% Cu.

These ore stockpiles have not yet been reconciled through the processing plant.

Oxide and transitional ore encountered has exceeded predictions of the resource block model. This material has been transported to long-term stockpiles on top of the old 1970's waste dump. As at 31 January, long term stockpiles totalled approximately 1.5 million tonnes at an average grade of 0.35% copper, with estimated contained copper of more than 5,000 tonnes, and recoverable copper (via heap leaching), estimated at about 3,500 tonnes. This represents a recoverable value of AUD25-30 million at current prices. Examination of treatment options has been accelerated, but any production must follow MARP submission and approval processes.

The combination of more ore on the benches and more oxide and transitional material than predicted by the Resource block model has reduced the overall strip ratio below what it might otherwise have been. While too early to extrapolate this early experience throughout the Resource, the results to date are very encouraging. We are monitoring the situation closely, and results are likely to be modelled in the updated resource and reserve statements in due course.

Environmental and Community

PLATE 2. *L-R: Managing Director, Drew Simonsen; Chairman, Hon. Dean Brown and Premier of SA, Hon. Jay Weatherill at Kanmantoo Opening*

The Kanmantoo operations have continued uninterrupted by any regulatory and compliance issues. The Kanmantoo-Callington Community Consultative Committee meeting was held in the Callington Community Hall on Thursday the 8th of December. This was well attended and the minutes are available on the Hillgrove Resources website.

The Kanmantoo Copper Mine was officially opened by the Hon. Jay Weatherill MP, Premer of South Australia on the 22 February 2012 and was well attended by many stakeholders.

Kanmantoo Exploration Update

Resource/Reserve drilling was closed off at Kanmantoo in early December to allow for the work to commence on an updated Resource estimation in the first quarter of 2012. Once this is completed, a new life-of-mine pit optimisation will be undertaken, and the resultant updated Reserve statement released, expected to be in the second quarter of 2012. Drilling during the quarter focussed predominantly on the Critchley zone, with a final four holes completed at Emily Star and two holes also completed on the eastern margin of the Spitfire cutback. A total of 93 reverse circulation holes for 15,368m were completed during the 2011 Resource/Reserve drilling campaign and it is expected this drilling will result in a significant Resource upgrade and subsequent Reserve and mine life increase.

Fourteen RC holes for 2,514m were completed during the quarter at Critchley, where drilling had a three pronged approach, targeting the conversion of Inferred resources to Indicated status, along with extending the known mineralisation to the south and at depth, and, in conjunction with the Emily Star drilling, further exploring the potential to link the Critchley and Emily Star satellite deposits into a single, larger open pit.

The drilling at Critchley was highly successful, intersecting wide zones of copper mineralisation at shallow depths, outside the current pit design, including:

KTRC817 – 13m @ 0.73% Cu from 113m (9m%)

KTRC841 – 9m @ 1.01% Cu from 109m (9m%)

KTRC850 – 16m @ 1.40% Cu from 114m (22m%).

Importantly, the Critchley zone remains open along strike to the south and at depth, with limited historical drilling and recent geophysical surveys highlighting the excellent potential to link Critchley and the adjacent Main Zone South with the high grade (e.g. **KTRC554 – 6m @ 4.19% Cu from 82m**) Paringa zone over 200m to the south (see plan below).

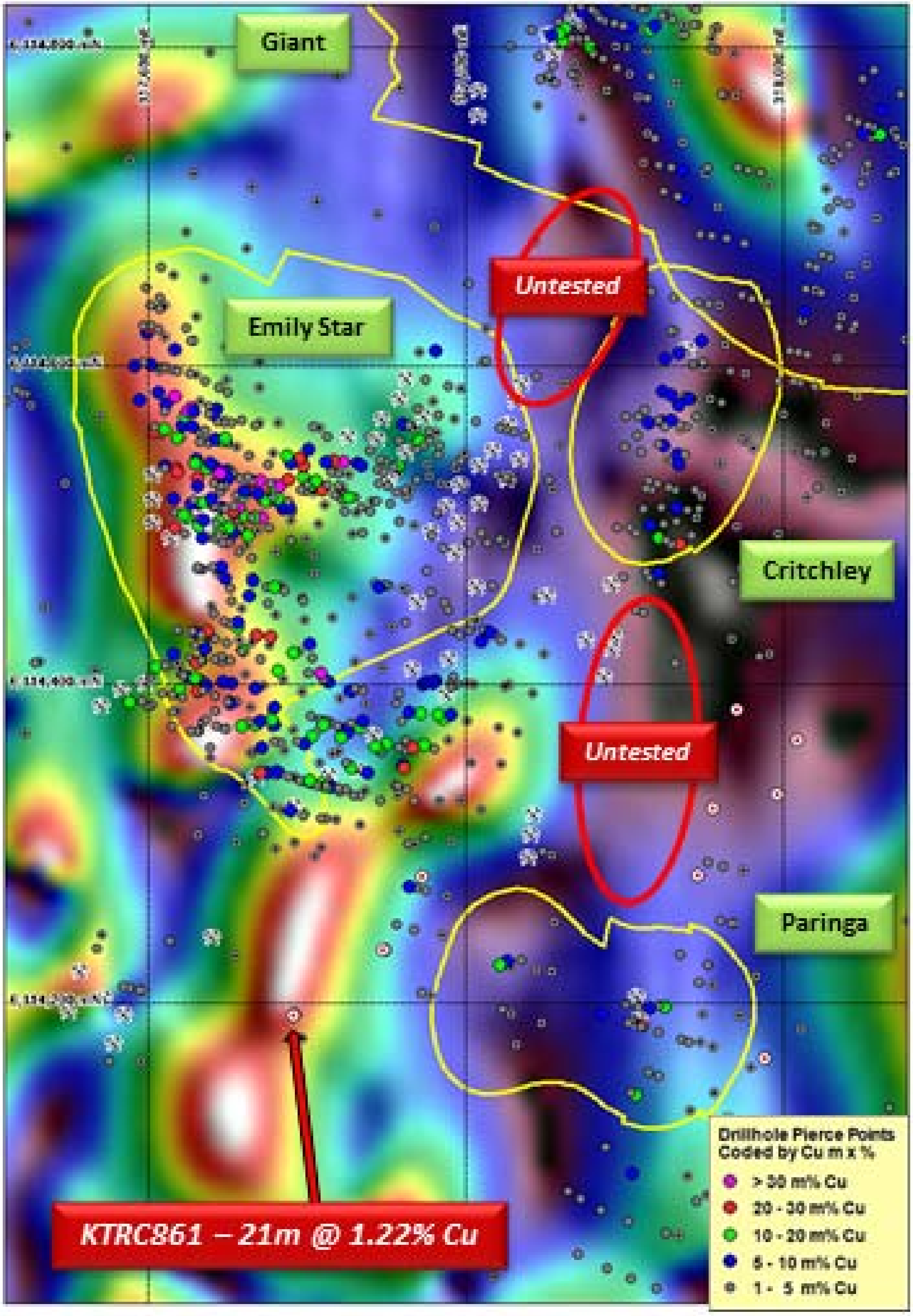
Four final holes for 731m were completed at Emily Star during the quarter. These holes all targeted the eastern lenses at Emily Star as part of the Reserve conversion process. All four holes intersected mineralisation where expected, with significant results including:

KTRC833 – 12m @ 1.88% Cu from 81m (23m%)

KTRC843 – 11m @ 1.80% Cu from 192m (20m%).

The bulk of the Emily Star deposit has now been drilled out on a nominal 30m x 30m spacing to bring it into Indicated status for Reserve conversion. Importantly, however, the deposit remains open to both the south and north, and delineation of the eastern lenses, in conjunction with the successful Critchley drilling, suggests there is good potential to join these zones into a single, larger pit.

PLATE 3. EMILY STAR PROGRESS AS AT 31 JANUARY



Two RC drillholes (KTRC856 and KTRC857) were completed on the eastern side of the Spitfire cutback where blast hole sampling had identified a zone of mineralisation outside the current Resource model. Both holes intersected the mineralised lens at depth and the zone will be captured in the upcoming Resource update.

In December, following the close off of the Resource/Reserve drilling the RC drill rig was relocated just to the south of the Kanmantoo mine lease to test two strong Induced Polarisation (IP) geophysical anomalies and an associated magnetic high. Four RC holes were completed for a total of 783m across the anomalies. Unfortunately the mine-host GABS unit was not intersected in any of the drillholes and the strong chargeability anomalies appear to be caused by disseminated pyrite within biotite schists. However, the easternmost hole did intersect a 4m wide zone of silver-lead-zinc mineralisation, returning **4m @ 82.4g/t silver, 3.57% lead and 3.71% zinc from 80m**, within a wider zone of anomalous silver. These samples were originally collected as 4m composite samples and the anomalous zone has now been resampled at 1m intervals and resubmitted for analysis, including gold. Results are pending.

In late-January the drill crew returned to Kanmantoo after a break over the Christmas and New Year period. The 2012 drill program commenced in Resource extension mode, with relatively wide spaced RC drill testing of aeromagnetic highs immediately to the south of the Emily Star deposit. At the end of January, two holes had been completed for 362m, on a single section approximately 125m to the south of the current southern boundary of the planned Emily Star open pit. Both holes intersected wide zones copper mineralisation. Assays have been returned for KTRC861, with intersections including:

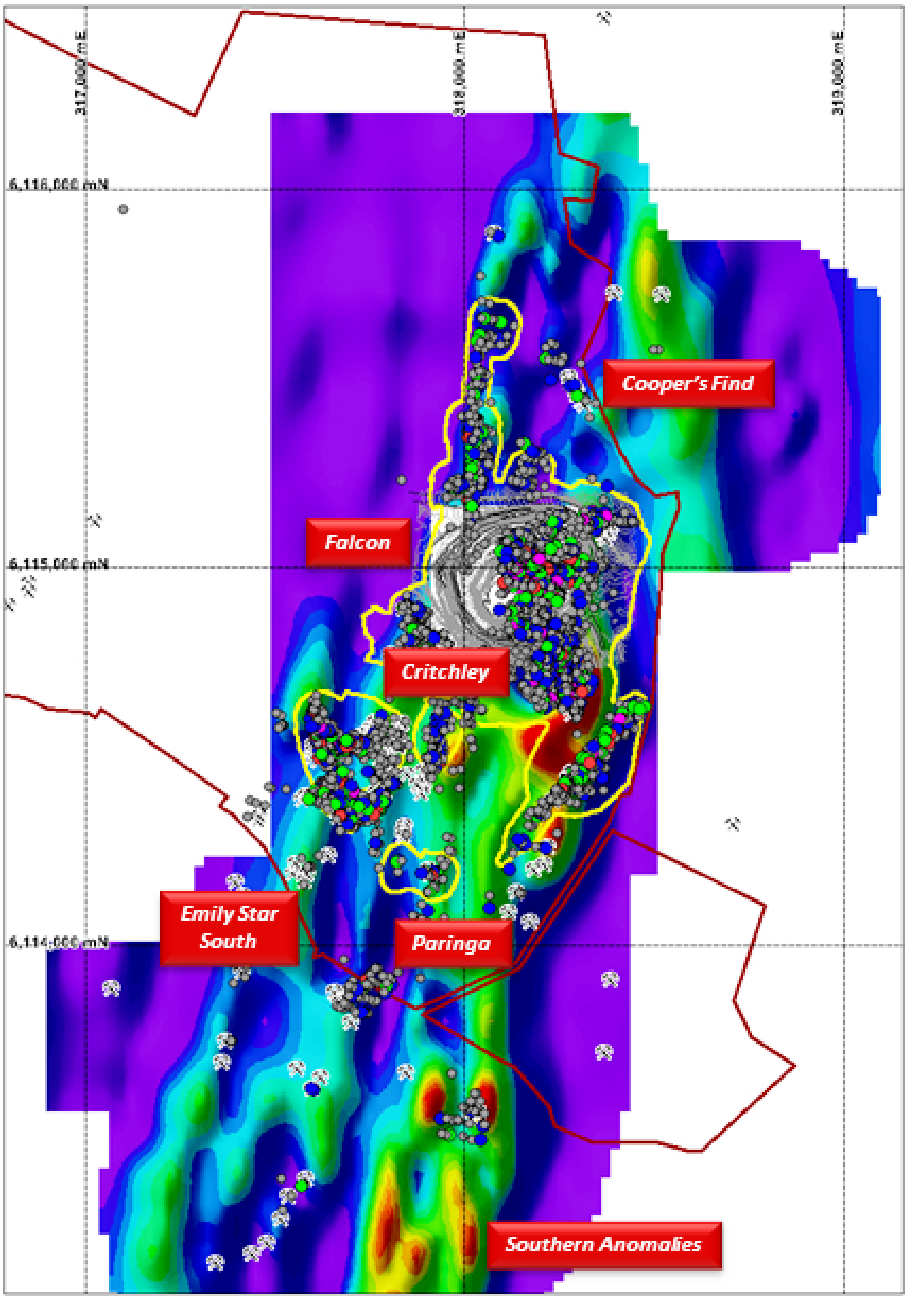
KTRC861 **36m @ 0.81% Cu from 75m (29m%)**

Including: **21m @ 1.22% Cu from 79m (26m%)**

This is a highly significant result from a previously untested area (see plan above) that has excellent potential to greatly expand the planned Emily Star pit. Further wide spaced drilling is planned for this area, along with Resource extension drilling in the untested Critchley to Paringa zone, Falcon and Cooper's Find zones. An IP chargeability image is shown below, highlighting these areas. If warranted, infill drilling will be completed later in 2012 in order to bring these zones into subsequent Resource upgrades.

Significant intersections to January 31st are tabulated at the end of this report in Table 5.

PLATE 4. ZONES TARGETED FOR RESOURCE EXTENSION DRILLING IN EARLY 2012



Kanmantoo Exploration – Summary & Next Steps

Exploration drilling at Kanmantoo in the next quarter is planned to focus on targeting extensions to known mineralisation, which are currently not captured in the Resource model. Relatively wide spaced (~50 x 50m spacing) drilling will target the Emily Star South, Critchley – Paringa, Falcon and Cooper's Find zones (see Plate 3) to identify and delineate zones of mineralisation that have high potential to add to the Kanmantoo Resource base with infill drilling at a later date. This phase of drilling is an integral part of Hillgrove's continuing development of a "pipeline of copper", and follows on from the highly successful Resource-to-Reserve conversion drilling completed in 2011.

We expect updated Resource and Reserve statements to be available in Q1/Q2 2012.

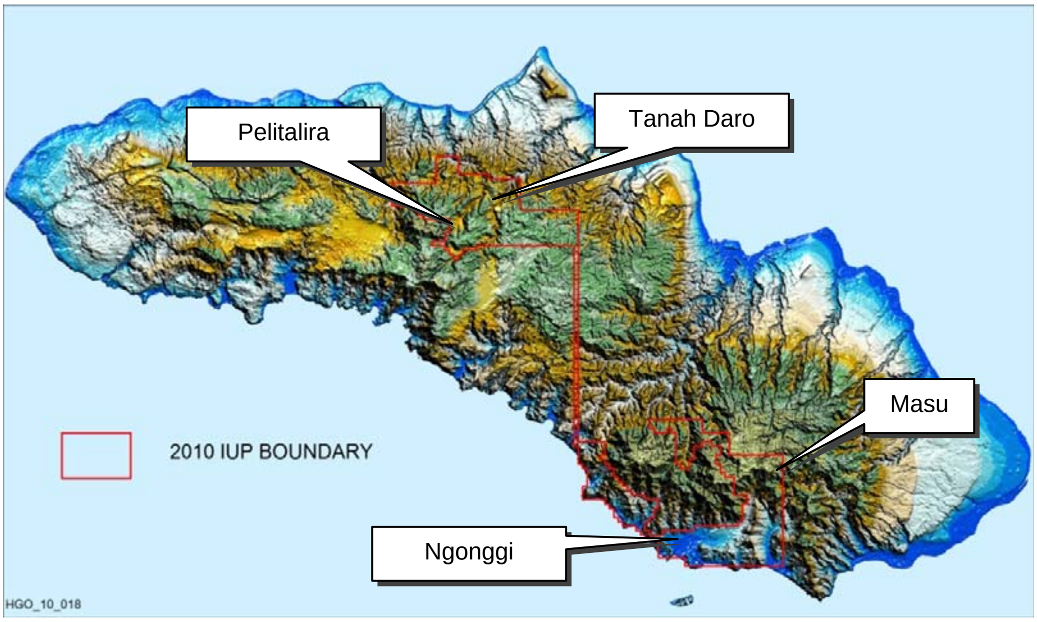
INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

PLATE 5. INDONESIAN ARCHIPELAGO

SUMBA GOLD PROJECT, INDONESIA
IUP 322/KEP/HK/2009

Hillgrove is an 80% shareholder in PT Fathi Resources Pte Ltd, which holds IUP 322 on the island of Sumba. Hillgrove is responsible for the sole funding and management of all exploration and development activities, up to a decision to mine. The IUP Explorasi (Exploration and Mining Business Licence) covers 999km² and is valid until December 2016.

PLATE 6. SUMBA ELEVATION MODEL AND IUP BOUNDARY



The Island of Sumba is covered by geologically recent marine sediments that effectively mask and preserve highly gold-prospective underlying volcanic units. Erosion of this sedimentary cover has created windows through to underlying volcanic lithology, where Fathi is focusing its exploration efforts.

Masu Project

The Masu Project is located in the South-Eastern portion of the IUP, where ongoing soil sampling, rock chip sampling, trenching and drilling activities undertaken by PT Fathi have confirmed the presence of epithermal vein-hosted gold mineralisation at several prospects.

Exploration within the Masu Project this Quarter focused on completion and interpretation of an IP geophysical survey over the highly promising Karipi prospect. Soil sampling, trenching and rock-chip sampling continues to delineate extensions to the Karipi gold prospect.

Surface Geochemistry Sampling

A total of 12 trenches were completed this quarter over extensions to the Karipi gold target. Trenching encountered significant gold mineralisation similar to intersections reported last quarter. Highlights included:

- MATR116 20m @ 1.58 g/t Au
- MATR119 4m @ 10.57 g/t Au.

At Karipi East and Karipi North, surface rock chip sampling has identified a number of parallel epithermal veins separate to the main Karipi system. Rock chip sampling of these systems during the Quarter has continued to identify significant gold values to 1270 g/t Au, 450 g/t Ag.

TABLE 2. KARIPI TRENCHING SIGNIFICANT GOLD INTERSECTIONS

Trench	Interval and Au Grade	Ag g/t
MATR099	5m @ 0.59g/t Au	<0.1
MATR110	NSR	
MATR111	2m @ 3.21g/t Au	3.3
	6m @ 0.91g/t Au	0.63
MATR112	6m @ 1.38g/t Au	4.37
MATR113	NSR	
MATR114	5m @ 1.07g/t Au	<0.1
MATR115	2m @ 1g/t Au	0.1
	2m @ 0.83g/t Au	0.3
MATR116	**20m @ 1.58g/t Au**	2.5
MATR117	5m @ 1.09g/t Au	0.1
	2m @ 1.1g/t Au	0.3
MATR118	4m @ 0.79g/t Au	1.25
MATR119	**4m @ 10.57g/t Au**	4.7
MATR120	6m @ 2.87g/t Au	0.5
MATR121	NSR	

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
Silver values calculated from multi element sweep using ICP analytical method
Significant intercepts calculated as weighted average, maximum of 2m internal waste at a 0.5 g/t Au cut off
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

TABLE 3: KARIPI SIGNIFICANT ROCK CHIP RESULTS

Sample ID	Gold g/t	Silver g/t
MARK018553	**1270**	**450**
MARK018555	**29.5**	5.5
MARK018512	**27.7**	7.9
MARK018688	**24.7**	**76.9**
MARK018637	**24.1**	12.6
MARK018554	**20.4**	13.7
MARK018644	**11.5**	4.5
MARK018709	**11.2**	8.4
MARK018515	**7.64**	2.4
MARK018634	**7.15**	4.9
MARK018502	**6.03**	2.5
MARK018701	**5.58**	0.1
MARK018506	**5.4**	6.2
MARK018698	**5.18**	**30.2**

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
Silver values calculated from multi element sweep using ICP analytical method
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

Geophysics

A 3D IP geophysical survey over the Karipi prospect was completed and processed this quarter.

Interpretation of results indicates several targets both in proximity to strong surface geochemistry and under shallow cover. Drilling planned for this coming Quarter will test a number of these targets (Plate 7 below).

Mapping

Mapping activities have continued along the Masu Corridor, principally targeting detailed coverage of the Karipi – Liandinger areas. Mapping this Quarter has refined the interpretation of surface quartz lodes and associated alteration assemblages and gold mineralisation. Mapping, geochemistry and geophysical interpretation is ongoing but has already identified a large number of drilling targets.

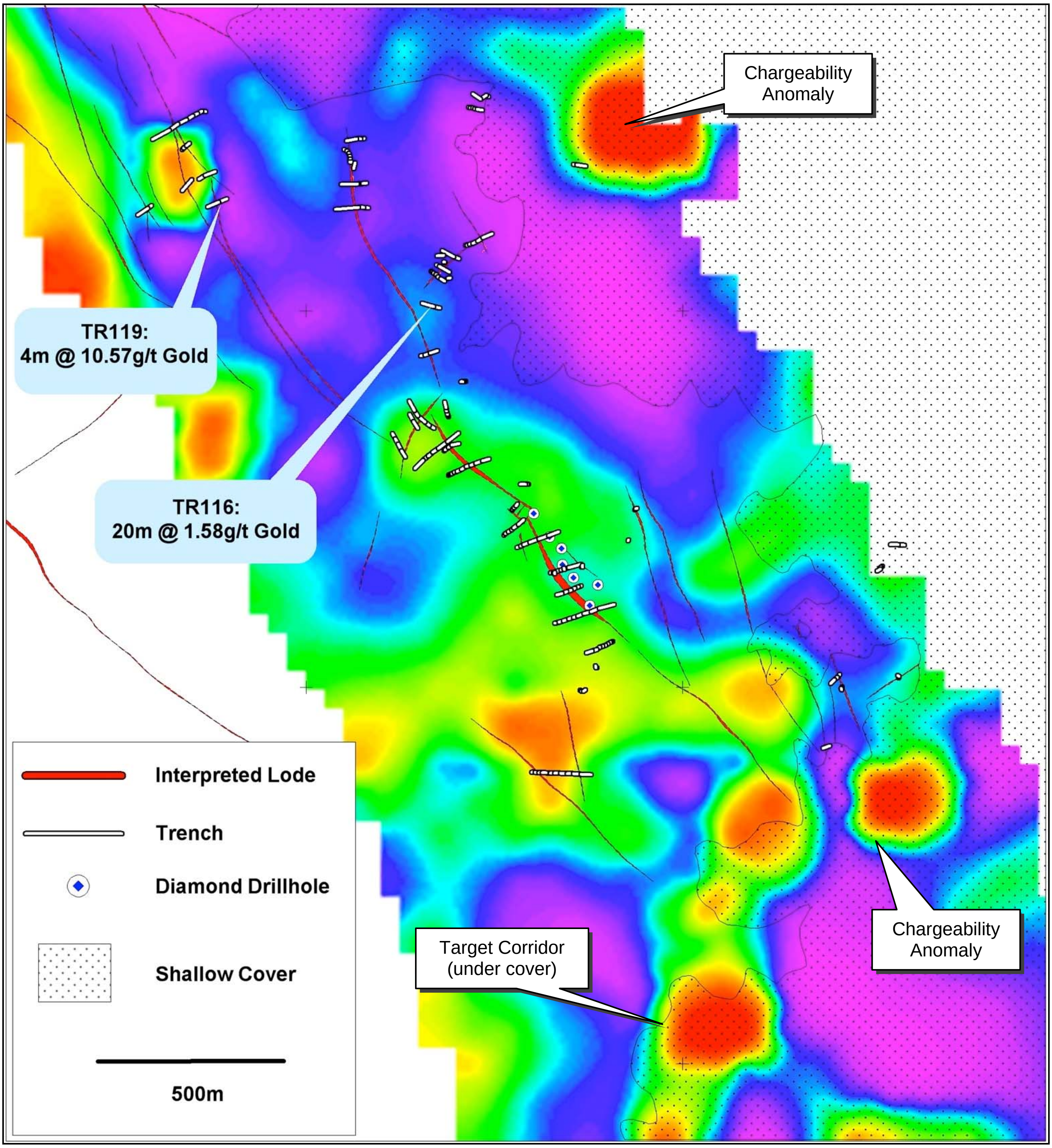
Drilling

Drilling activities are planned to resume at Karipi this Quarter, targeting identified gold mineralisation in trenching and soil geochemistry, aeromagnetic and IP geophysical targets and geological mapping targets. Drilling activities were suspended in 2011 for several months to address concerns expressed by communities located outside the IUP licence area. Significant efforts have been made to allay community concerns about possible environmental damage caused by drilling. Agreements with landowners and communities on whose land we operate have been finalised and permission to proceed with drilling has been granted by relevant stakeholders.

We take our environmental care and rehabilitation obligations very seriously, and make every effort to be a part of the communities we operate within – it is ingrained within the corporate culture. We believe some of these “concerns” have been prompted by the spread of misinformation in the area by so-called NGOs, including some with ulterior motives. Fathi is exploring, not mining, as has been reported.

Our activities provide a significant economic benefit to the communities in which we operate through employment, the purchase of food and materials and the rental of houses and equipment. We have also built community facilities as a mark of good citizenship. Fathi is one of the biggest contributors to the Sumbanese economy.

PLATE 7: KARIPI PROSPECT IP CHARGEABILITY (800MRL SLICE) SHOWING TRENCHING AND INTERPRETED QUARTZ LODE LOCATIONS



Note: Diamond Drillhole results shown in this diagram were reported in the previous Quarterly Report to 31/10/11.

Tanah Daro Project – Pelitalira Prospect

The Pelitalira prospect is located in Central Sumba within the Tanah Daro Project area. Pelitalira is easily accessed from the main sealed highway connecting the regional centres of Waingapu and Waikabubak.

Exploration this quarter focused on extending mapping, rock chip sampling and minor trenching over the Pelitalira North target area. Rock chip sampling encountered scattered significant gold values within a broad, elevated background gold geochemistry signature.

TABLE 4: PELITALIRA SIGNIFICANT ROCK CHIP RESULTS

Project	SAMPLE ID	Gold g/t	Silver g/t
TANAH DARO	TDRK015578	4.72	**198**
TANAH DARO	TDRK016794	3.17	0.4
TANAH DARO	TDRK016776	2.50	8
TANAH DARO	TDRK015559	2.35	1.8
TANAH DARO	TDRK016728	1.08	2.2

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
Silver values calculated from multi element sweep using ICP analytical method
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

North Pelitalira presents as a possible porphyry-related low-grade gold target, which will be drill tested in due course.

Next Steps - Sumba

Reconnaissance drilling at Karipi will recommence this Quarter, after a short delay caused by the need to undertake socialisation with communities outside the licence area.

Surface sampling and mapping will continue to extend coverage to the North, South, East and West of Karipi, assessing for possible extensions to gold mineralisation.

A series of deeper drill holes at Pelitalira are under consideration to assess deeper porphyry-related targets and a potential bulk-tonnage, low-grade gold resource.

BIRD'S HEAD COPPER/GOLD PROJECT, WEST PAPUA, INDONESIA

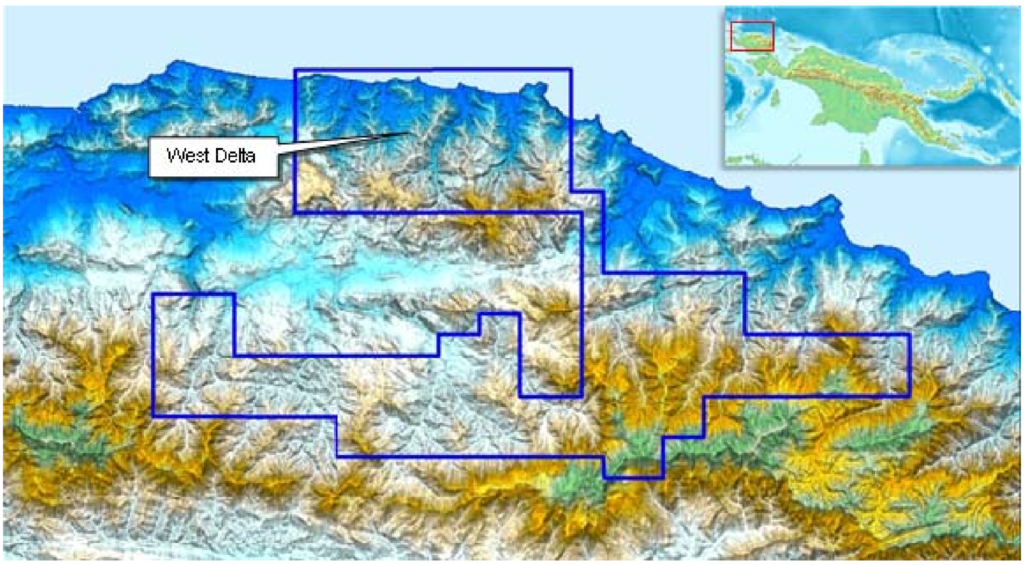
IUP40/2010

(Hillgrove 80%)

Hillgrove has an 80% beneficial interest in PT Akram Resources through a JV Agreement. We are in the process of converting this to an indirect shareholding, similar to Fathi, expected to be completed in this year. PT Akram holds IUP40/2010 in the Bird's Head region of West Papua. Hillgrove is responsible for the sole funding and management of all exploration and development activities up to a decision to mine. The IUP covers 992.3km^2 and is valid until March 2017.

Exploration activities this quarter focused on continuing geological mapping, trenching and preparation for planned drilling.

PLATE 8. BIRD'S HEAD PROJECT IUP BOUNDARY



Exploration Results

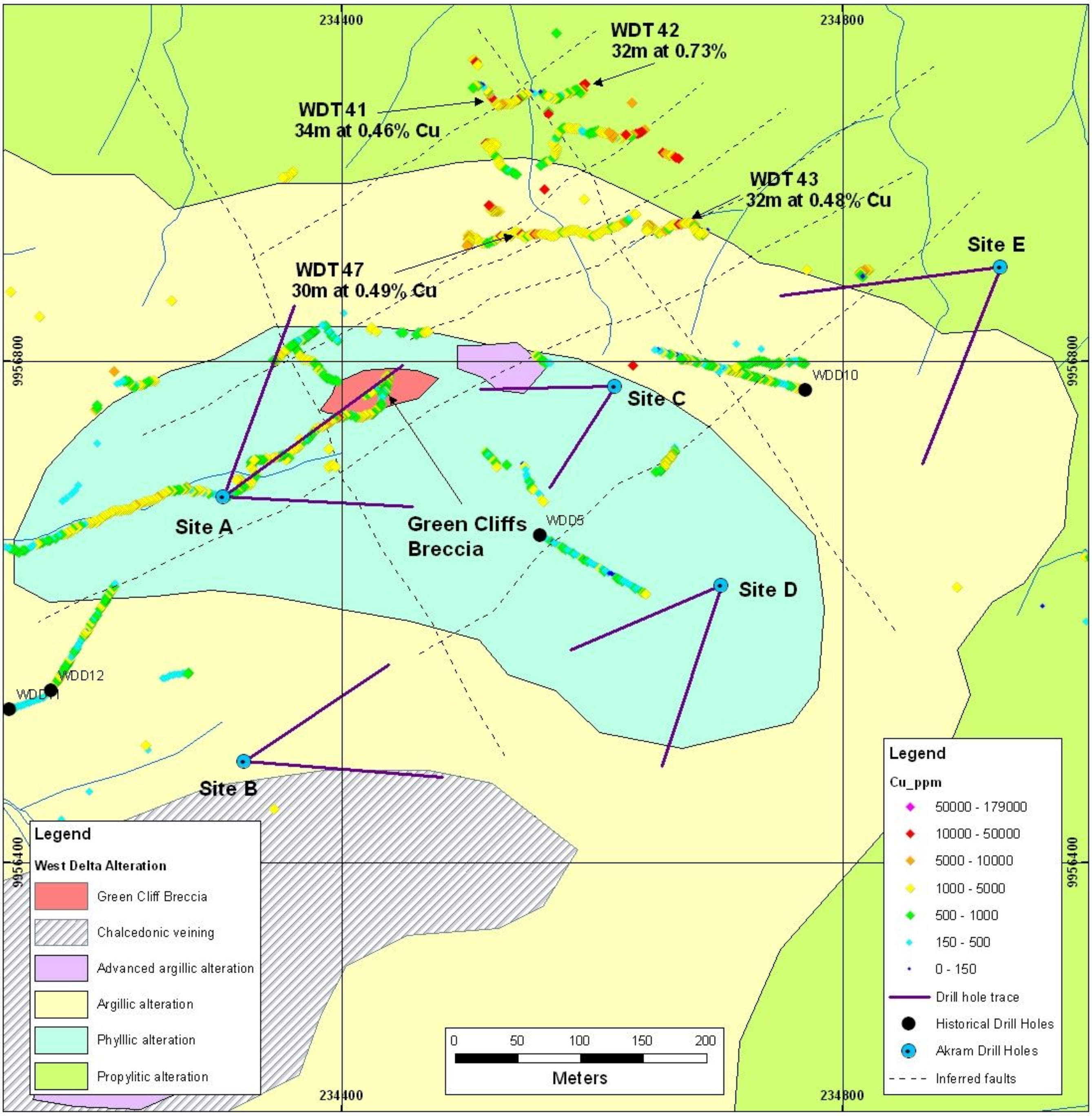
The most significant event during this reporting Quarter period has been the granting of an Izin Pinjam Pakai from the Department of Forestry.

The Pinjam Pakai grants Akram Resources the right to undertake drilling activities, under certain conditions, within a specified area of limited production forest.

This process has taken approximately 1 year to complete but now clears the way to commence drill testing of the West Delta porphyry copper-gold target, and preparations are now well underway.

Geological mapping, surface channel and rock chip sampling continued this Quarter within the West Delta prospect area, focusing on extending coverage to the South over the Rak Rak and Southern Porphyry target areas.

PLATE 9: WEST DELTA AREA PLANNED DRILLING



Next Steps – Bird's Head

With grant of Pinjam Pakai, drilling equipment is currently being mobilised to site to commence drill testing of the West delta target. Drilling will commence this coming quarter, testing porphyry targets to depths of up to 800m within an initial program of 5,000m.

INTERMET RESOURCES LIMITED (ASX: ITT)
(Hillgrove 84.8% Shareholding)

Hillgrove's 84.8% shareholding in InterMet remains under review. There was no exploration activity within InterMet during the quarter.

HILLGROVE CORPORATE

Cash and Investments

The impact of the overrun and delay to scheduled commissioning of the Kanmantoo Copper Mines Processing Plant were overcome through several initiatives. Firstly, a negotiated settlement with the contractor meant that approximately $11 million in overrun monies will be deferred and paid on a monthly basis from April 2012 from operating cash flow at Kanmantoo. Secondly, we negotiated and drew down on a $10 million Mezzanine Finance Facility from Macquarie bank, one of our Project lenders. Thirdly, we agreed a reduction from $10 to $5 million in the minimum permitted balance in the Kanmantoo Proceeds account.

Macquarie and Barclays have been very supportive of management and your company.

January saw the generation of first revenue from concentrate sales. Under the terms of our off-take agreement with JP Morgan Metals & Concentrates LLC (JPMMC), we can claim 'early payment' of 75% of the value of the copper, gold and silver in our concentrate delivered to Port Adelaide, in minimum lots of 2,500 tonnes. The first early payment was received on the 19 January, making it the first sale of copper concentrate and first revenue for the project. A subsequent payment in January brought total funds invoiced for the quarter to $7.3 million.

Board Changes

Mr Douglas Snedden was appointed to the Board of Directors from the 1 January 2012 as an independent non-executive director, following the retirement of Ronald Belz at the end of 2011.

Cash and Investments

Cash on hand as at 31 January 2012 was AUD 22.5 million.

Debt as at 31 January 2012 was AUD 40.0 million.

The market value of Hillgrove's listed investment portfolio as at 31 January 2012 was approximately AUD 1.25 million.

ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its Indonesian and Australian 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 Mines, located less than 55km from Adelaide in South Australia. With completion of construction targeted for November 2011, Kanmantoo will be an open-cut mine with an initial throughput of 2.4Mt per annum, producing approximately 80,000 tonnes of concentrate per annum.

The Project currently hosts a Mineral Resource of:

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**

and Reserves of:

Category	Tonnes Mt	Cu %	Au g/t	Ag g/t
Proved	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

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

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.

For more information contact:

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Russell Middleton
Company Secretary
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APPENDIX

FIGURE 1. KANMANTOO COPPER MINE PROPOSED PIT DESIGNS

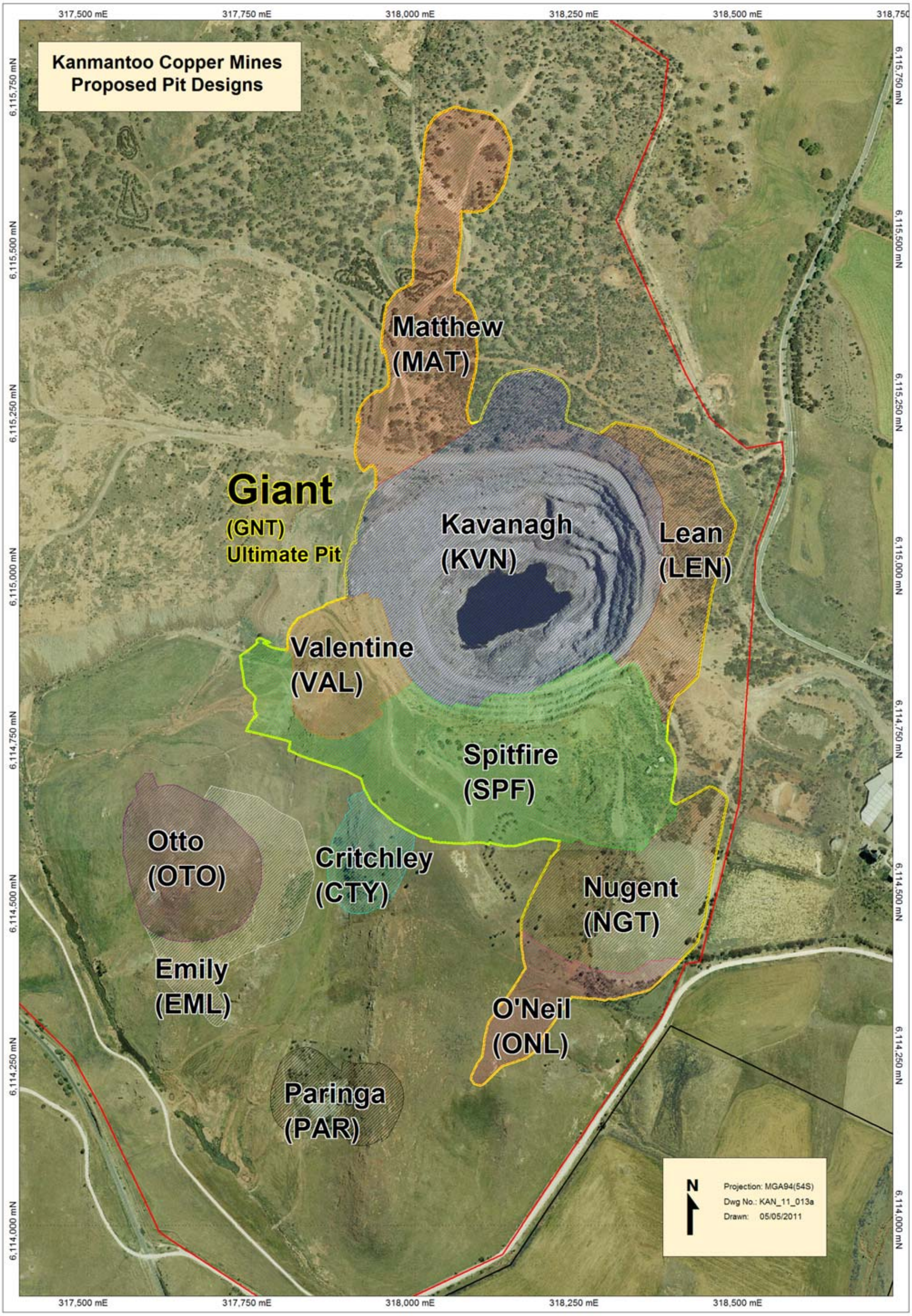

TABLE 5. RC DRILL HOLE INTERCEPTS 2011-2012

Hole ID	Zone	From (m)	To (m)	Width (m)	Copper (%)	Cu m x %	Gold (g/t)	Comments
2011								
KTRC789	Emily Star	**128.00**	**150.00**	**22.00**	**1.21**	**27**	**0.12**	
		171.00	180.00	9.00	0.70	6	0.02	
KTRC790	Emily Star	**56.00**	**62.00**	**6.00**	**1.24**	**7**	**0.03**	
KTRC791	Emily Star	**118.00**	**133.00**	**15.00**	**1.10**	**17**	**0.16**	
		170.00	172.00	2.00	0.95	2	0.12	
		181.00	187.00	6.00	0.59	4	0.04	
KTRC792	Emily Star	44.00	58.00	14.00	0.48	7	0.04	
		62.00	73.00	11.00	0.83	9	0.12	
	including	**66.00**	**69.00**	**3.00**	**1.81**	**5**	**0.17**	
		148.00	152.00	4.00	0.75	3	0.13	
KTRC793	Emily Star	21.00	44.00	23.00	0.80	18	0.03	
	including	**28.00**	**42.00**	**14.00**	**1.02**	**14**	**0.02**	
		83.00	**85.00**	**2.00**	**1.62**	**3**	**0.02**	
KTRC794	Emily Star	**91.00**	**105.00**	**14.00**	**1.56**	**22**	**0.20**	
		148.00	163.00	15.00	0.72	11	0.04	
	including	**156.00**	**161.00**	**5.00**	**1.06**	**5**	**0.06**	
		167.00	172.00	5.00	0.67	3	0.08	
KTRC795	Emily Star	172.00	181.00	9.00	0.57	5	0.05	
		185.00	**192.00**	**7.00**	**1.43**	**10**	**0.09**	
KTRC796	Emily Star	12.00	28.00	16.00	0.57	9	0.03	
KTRC797	Emily Star	74.00	77.00	3.00	0.43	1	0.02	
KTRC798	Emily Star	97.00	106.00	9.00	0.80	7	0.03	
		131.00	132.00	1.00	0.59	1	0.01	
		146.00	169.00	23.00	0.34	8	0.07	
	including	**157.00**	**158.00**	**1.00**	**2.12**	**2**	**0.25**	
		176.00	179.00	3.00	0.40	1	0.15	
KTRC799	Emily Star	55.00	56.00	1.00	0.58	1	0.09	
		62.00	**65.00**	**3.00**	**2.90**	**9**	**0.64**	
		88.00	94.00	6.00	0.54	3	0.02	
KTRC800	Emily Star	**53.00**	**55.00**	**2.00**	**2.61**	**5**	**0.29**	
		78.00	**80.00**	**2.00**	**1.13**	**2**	**0.07**	
KTRC801	Emily Star	55.00	84.00	29.00	0.44	13	0.10	
	including	60.00	70.00	10.00	0.74	7	0.16	
		157.00	158.00	1.00	0.50	1	0.02	
		169.00	170.00	1.00	0.84	1	0.05	
KTRC802	Emily Star	**42.00**	**45.00**	**3.00**	**2.41**	**7**	**0.26**	
		181.00	197.00	16.00	0.83	13	0.04	
	including	**181.00**	**191.00**	**10.00**	**1.21**	**12**	**0.06**	
KTRC803	Emily Star	161.00	163.00	2.00	0.73	1	0.09	
KTRC804	Emily Star							*NSI - Closed off*
KTRC805	Emily Star							*NSI - Closed off*
KTRC806	Emily Star							*NSI - Closed off*
KTRC807	Emily Star							*NSI - Closed off*
KTRC808	Emily Star							*NSI - Closed off*
KTRC809	Emily Star	**79.00**	**87.00**	**8.00**	**1.27**	**10**	**0.34**	*Hole Abandoned - lost hammer*
KTRC810	Emily Star							*NSI - Closed off*
KTRC811	Emily Star							*NSI - Closed off*
KTRC812	Emily Star							*NSI - Closed off*
KTRC813	Emily Star							*NSI - Closed off*
KTRC814	Emily Star	**32.00**	**33.00**	**1.00**	**2.35**	**2**	**0.06**	
		45.00	**53.00**	**8.00**	**1.47**	**12**	**0.26**	
KTRC815	Emily Star	55.00	60.00	5.00	0.54	3	0.03	
KTRC816	Critchley	**0.00**	**1.00**	**1.00**	**1.11**	**1**	**0.22**	
		50.00	51.00	1.00	0.51	1	0.04	
		59.00	75.00	16.00	0.49	8	0.07	
KTRC817	Critchley	113.00	126.00	13.00	0.73	9	0.10	

Hole ID	Zone	From (m)	To (m)	Width (m)	Copper (%)	Cu m x %	Gold (g/t)	Comments
KTRC818	Emily Star	53.00	65.00	12.00	0.61	7	0.06	
	including	**60.00**	**65.00**	**5.00**	**1.16**	**6**	**0.12**	
		115.00	**122.00**	**7.00**	**1.25**	**9**	**0.13**	
		132.00	141.00	9.00	0.60	5	0.11	
		144.00	145.00	1.00	0.52	1	0.15	
		154.00	158.00	4.00	0.45	2	0.05	
KTRC819	Emily Star	**62.00**	**71.00**	**9.00**	**1.43**	**13**	**0.11**	
		135.00	**173.00**	**38.00**	**1.04**	**40**	**0.14**	
KTRC820	Emily Star	**91.00**	**99.00**	**8.00**	**1.97**	**16**	**0.17**	
		155.00	157.00	2.00	0.45	1	0.03	
		183.00	192.00	9.00	0.44	4	0.19	
		197.00	199.00	2.00	0.61	1	0.10	
KTRC821	Emily Star	**21.00**	**22.00**	**1.00**	**3.77**	**4**	**0.60**	
		42.00	**47.00**	**5.00**	**1.22**	**6**	**0.14**	
KTRC822	Emily Star	24.00	28.00	4.00	0.74	3	NA	*4m composite sample*
		48.00	**54.00**	**6.00**	**1.12**	**7**	**0.08**	
		158.00	160.00	2.00	0.56	1	0.01	
		166.00	**175.00**	**9.00**	**1.37**	**12**	**0.10**	
KTRC823	Emily Star	28.00	32.00	4.00	0.33	1	NA	*4m composite sample*
		57.00	**60.00**	**3.00**	**2.70**	**8**	**0.20**	
		177.00	191.00	14.00	0.48	7	0.03	
KTRC824	Nth Kavanagh	104.00	111.00	7.00				*7m @ 1.48% Zn*
		115.00	119.00	4.00	0.38	2	0.20	
KTRC825	Nth Kavanagh	**76.00**	**85.00**	**9.00**	**1.13**	**10**	**0.14**	
		94.00	100.00	6.00	0.49	3	0.10	
KTRC826	Nth Kavanagh	95.00	100.00	5.00	0.84	4	0.13	
		107.00	118.00	11.00	0.76	8	0.15	
	including	**112.00**	**117.00**	**5.00**	**1.09**	**5**	**0.24**	
		124.00	**128.00**	**4.00**	**1.69**	**7**	**0.37**	
KTRC827	Nth Kavanagh							*NSI - To be extended*
KTRC828	Nth Kavanagh	22.00	29.00	7.00	0.38	3	0.07	
KTRC829	Nth Kavanagh							*NSI*
KTRC830	Nth Kavanagh	**138.00**	**145.00**	**7.00**	**1.03**	**7**	**0.26**	
KTRC831	Emily Star	**44.00**	**46.00**	**2.00**	**1.85**	**4**	**0.37**	
KTRC832	Emily Star	**116.00**	**119.00**	**3.00**	**1.24**	**4**	**0.04**	
		126.00	129.00	3.00	0.45	1	0.02	
		156.00	**161.00**	**5.00**	**1.27**	**6**	**0.12**	
		181.00	**182.00**	**1.00**	**1.41**	**1**	**0.05**	
KTRC833	Emily Star	**81.00**	**93.00**	**12.00**	**1.88**	**23**	**0.16**	
KTRC834	Emily Star	107.00	113.00	6.00	0.59	4	0.01	
		120.00	**126.00**	**6.00**	**2.18**	**13**	**0.13**	
		165.00	192.00	27.00	0.35	9	0.03	
KTRC835	Emily Star	107.00	116.00	9.00	0.89	8	0.09	
	including	**107.00**	**114.00**	**7.00**	**1.06**	**7**	**0.11**	
		166.00	176.00	10.00	0.28	3	0.01	
		202.00	203.00	1.00	0.24	0	0.08	*End of Hole - Limit of rig*
KTRC836	Emily Star	**82.00**	**84.00**	**2.00**	**1.53**	**3**	**0.17**	
KTRC837	Emily Star	102.00	105.00	3.00	0.68	2	0.03	
KTRC838	Emily Star	84.00	89.00	5.00	0.95	5	0.13	
		115.00	118.00	3.00	0.50	2	0.05	
		172.00	**173.00**	**1.00**	**1.13**	**1**	**0.15**	
		184.00	189.00	5.00	0.47	2	0.02	
KTRC839	Critchley	46.00	48.00	2.00	0.46	1	0.08	
		66.00	76.00	10.00	0.41	4	0.06	
		103.00	104.00	1.00	0.50	1	0.04	
		107.00	110.00	3.00	0.47	1	0.52	
		198.00	200.00	2.00	0.43	1	0.01	
KTRC840	Critchley	91.00	97.00	6.00	0.77	5	0.08	

Hole ID	Zone	From (m)	To (m)	Width (m)	Copper (%)	Cu m x %	Gold (g/t)	Comments
		112.00	119.00	7.00	0.41	3	0.16	
KTRC841	Critchley	**109.00**	**118.00**	**9.00**	**1.01**	**9**	**0.04**	
		130.00	131.00	1.00	0.59	1	0.05	
KTRC842	Critchley	23.00	24.00	1.00	0.60	1	0.02	
		70.00	72.00	2.00	0.92	2	0.02	
		138.00	149.00	11.00	0.41	5	0.06	
KTRC843	Emily Star	**192.00**	**203.00**	**11.00**	**1.80**	**20**	**0.15**	*End of Hole - Limit of rig*
KTRC844	Critchley	79.00	104.00	25.00	0.37	9	0.06	
KTRC845	Critchley	131.00	152.00	21.00	0.38	8	0.08	
KTRC846	Critchley	86.00	87.00	1.00	0.96	1	0.25	
		98.00	99.00	1.00	0.54	1	0.18	
		103.00	111.00	8.00	0.41	3	0.06	
		135.00	140.00	5.00	0.66	3	0.36	
KTRC847	Critchley	136.00	160.00	24.00	0.35	8	0.04	
		172.00	173.00	1.00	0.62	1	BDL	
KTRC848	Critchley	32.00	34.00	2.00	0.74	1	0.17	
		49.00	52.00	3.00	0.86	3	0.45	
		61.00	69.00	8.00	0.68	5	0.17	
		80.00	93.00	13.00	0.35	5	0.37	
		162.00	167.00	5.00	0.78	4	0.06	
KTRC849	Critchley	**68.00**	**70.00**	**2.00**	**1.82**	**4**	**0.18**	
		87.00	108.00	21.00	0.59	12	0.10	
KTRC850	Critchley	**114.00**	**130.00**	**16.00**	**1.40**	**22**	**0.32**	*Duplicate check pending 114-*
		135.00	138.00	3.00	0.47	1	0.03	*115m*
KTRC851	Critchley	13.00	18.00	5.00	0.49	2	0.13	
		123.00	**124.00**	**1.00**	**2.01**	**2**	**0.77**	
KTRC852	Auberts							*NSI*
KTRC853	Auberts							*NSI*
KTRC854	Auberts							*NSI*
KTRC855	Auberts			0.00		0		*Assays pending*
KTRC856	Spitfire	136.00	166.00	30.00	0.40	12	0.22	
KTRC857	Spitfire	**119.00**	**121.00**	**2.00**	**1.57**	**3**	**1.66**	
		125.00	129.00	4.00	0.31	1	0.48	
2012								
KTRC858	Emily Star South	103.00	114.00	11.00	0.54	6	0.12	
	including	104.00	106.00	2.00	1.18	2	0.02	
		120.00	126.00	6.00	0.98	6	0.25	
		131.00	139.00	8.00	0.41	3	0.05	
		144.00	146.00	2.00	0.51	1	0.34	
		151.00	159.00	8.00	0.54	4	0.09	
KTRC861	Emily Star South	75.00	111.00	36.00	0.81	29	0.12	
	including	79.00	100.00	21.00	1.22	26	0.19	
		117.00	119.00	2.00	0.62	1	0.14	
		126.00	129.00	3.00	0.96	3	0.53	

Note:

1. All intercepts length weighted & represent downhole widths.
2. Lower cutoff 0.2% copper, no upper cut applied.
3. Minimum intercept width of 1m.
4. Minimum reported intercept equivalent to 1m% copper.
5. Maximum internal dilution of 3m.
6. Duplicate & original sample analyses have been averaged.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Hillgrove Resources Limited

ABN: 73 004 297 116

Quarter ended ("current quarter"): 31 January 2012

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	7,037	8,757
1.2	Payments for (a) exploration & evaluation	(2,843)	(8,749)
	(b) development	(9,359)	(125,280)
	(c) production	(15,379)	(16,261)
	(d) administration	(1,265)	(5,778)
1.3	Dividends received	0	4,500
1.4	Interest and other items of a similar nature received	234	3,624
1.5	Interest and other costs of finance paid	(527)	(527)
1.6	Income taxes paid	0	0
1.7	Other (Refunds for GST and fuel tax rebate)	3,656	9,437
	Net Operating Cash Flows	(18,446)	(130,277)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments	(0)	(225)
	(c) other fixed assets	(3,133)	(4,380)
1.9	Proceeds from sale of: (a) prospects	0	0
	(b) equity investments	0	381
	(c) other fixed assets	0	10
1.10	Loans to other entities	(80)	(246)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(3,213)	(4,460)
1.13	Total operating and investing cash flows (carried forward)	(21,659)	(134,737)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(21,659)	(134,737)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	0	0
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	9,750	39,750
1.17	Repayment of borrowings	0	0
1.18	Dividends paid		
1.19	Other (Fees paid)	0	(130)
	Net financing cash flows	9,750	39,620
	Net increase (decrease) in cash held	(11,909)	(95,117)
1.20	Cash at beginning of quarter/year to date	34,460	117,668
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	22,551	22,551

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	278
1.24	Aggregate amount of loans to the parties included in item 1.10	1,986

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

+ See chapter 19 for defined terms.

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	0	0

Estimated cash outflows for next quarter

	$A'000
4.1 Exploration and evaluation	3,000
4.2 Development	0
4.3 Production	27,000
4.4 Administration	1,500
Total	**31,500**

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	18,713	32,713
5.2 Deposits at call	3,838	1,747
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	22,551	34,460

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**	793,698,575	793,698,575		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
		ESOP ExSOP	200,000	$0.40	22/5/2012
		ESOP ExSOP	500,000	$0.575	28/6/2012
		ESOP ExSOP	320,000	$0.38	16/8/2012
		ESOP ExSOP	1,500,000	$0.26	22/1/2013
		ESOP ExSOP	200,000	$0.34	28/4/2013
		ESOP ExSOP	147,685	$0.00	1/7/2014
		EOPR	4,640,000	$0.00	24/9/2013
		EOPR	4,550,000	$0.00	30/6/2014
		Total	12,057,685		
7.8	Issued during quarter	Unlisted	27,777,777	$0.27	19/12/2014
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.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: (Company Secretary) Date: 29 February 2012

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.

+ See chapter 19 for defined terms.