

Wednesday, 20 February 2013

SIGNIFICANT INCREASE IN KANMANTOO LIFE OF MINE AND TARGETED PROCESSING THROUGHPUT INCREASE

- The Kanmantoo Copper Mine's Indicative Life of Mine (LOM) anticipated to extend to 2023.
- Life of Mine Production Target of 30-32Mt @ 0.7-0.8% Cu containing approximately 190k tonnes of recoverable copper (based on Ore Reserves, Mineral Resources & Exploration Targets).
- Ore processing throughput targeted to increase from 2.4Mtpa to 2.8Mtpa during Q2 2013.

Hillgrove has current stated Mineral Resources and Ore Reserves of:

Mineral Resources (March 2012)

	JORC Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Bi (g/t)	Cu Metal (kt)
In Situ Resources	Measured	4.2	0.85	0.13	2.26	173	35.3
	Indicated	20.5	0.87	0.16	2.34	129	178.3
	Inferred	6.5	0.66	0.15	1.73	114	43.0
Long Term Stockpiles	Measured	1.1	0.46	N/A	N/A	N/A	5.0
	Indicated	0.5	0.18	N/A	N/A	N/A	0.9
	Total	32.8	0.80	0.15	2.20	132	262.6

Note: Estimation of Bi is based on limited sampling data. Bi is recognised as a potential penalty element at Kanmantoo. 2012 In Situ Resources > 0.25% Cu. Long Term Stockpiles > 0.15% Cu. Au, Ag and Bi assays are not available.

Ore Reserves (April 2010)

Category	Tonnage	Cu	Au	Ag
	Mt	(%)	(g/t)	(g/t)
Proved	2.3	0.87	0.13	3.2
Probable	12.5	0.84	0.18	3.1
Ore Reserves	14.8	0.85	0.17	3.1

Hillgrove Resources Limited (ASX:HGO) is pleased to advise that an updated Life of Mine Plan (LOM) for the Kanmantoo Copper Mine has been completed, as part of recent submissions to the financing banks for the project.

Since this submission, further work has been undertaken which is based on both the current Mineral Resources released in May 2012 and on near mine Exploration Targets which are outlined below. These were combined together to form a planning inventory, which was used as the basis for generating a series of planning scenarios.



Two Exploration Targets have been incorporated into the planning inventory.

The first Exploration Target of 2.0-3.0Mt at 0.6-0.8% Cu, is based on exploration drilling conducted during 2012 in the North Kavanagh and Paringa areas, which is being modelled and assessed and the results of this drilling are anticipated to be reported in Q2 2013. 7,019m of drilling in 49 drillholes have been completed using Reverse Circulation and 901m of drilling in 6 drillholes have been completed using diamond drilling. This drilling has extended mineralisation beyond defined resources along strike and down dip of North Kavanagh and Paringa, as well as identifying new lenses in Paringa. It must be recognised that the potential tonnage and grade estimated is, as yet, conceptual in nature as resource modelling of this area has not been completed. It is however, based on similar levels of drilling information as defined Mineral Resources.

A second Exploration Target of 5.0-7.0Mt at 0.7-0.8% Cu is estimated from areas of near mine exploration in close proximity to existing resources. Areas identified for exploration development include down dip extensions of Matthew, O'Neil and further North Kavanagh zones. Extensions and further delineation based on recent encouraging intercepts include Emily Star South, north east of the Main Pit area and Coopers Find. This second Exploration Target is based on the assumption of a 50% conversion rate of the 2012 exploration drilling program on known near mine targets but is subject to future drilling success. It must be recognised that the potential tonnage and grade estimated is conceptual in nature as the target has not been drilled. It is uncertain whether further information will result in the estimation of Mineral Resources.

As part of this new LOM scenario planning, a long-term pit optimisation was carried out which Hillgrove considers provides a reasonable basis for indicative future planning, and which has resulted in a likely extension of mine life to 2023. Note whilst economic analysis has been done, this program requires further work and testing to progress to Ore Reserves status.

The new LOM plan contains a total life of mine Production Target of 30-32Mt @ 0.7-0.8% Cu for approximately 190k tonnes of recoverable copper. This is comprised of estimates of tonnage and grade from the following sources:

- 12.0Mt at 0.85% Cu of Proved and Probable Ore Reserves (after depletion of 2.8Mt @ 0.85% Cu since publication of the Ore Reserves);
- 5.0Mt at 0.7% Cu of primary, transition and oxide ore in the Measured and Indicated Mineral Resources categories;
- 4.0Mt at 0.6% Cu of primary, transition and oxide material in the Inferred Mineral Resources category;
- 1.6Mt at 0.4% Cu of stockpiled ore;
- The first Exploration Target of 2.0-3.0Mt at 0.6-0.8% Cu of primary, transition and oxide material identified in 2012 drilling (detailed Mineral Resource modelling currently underway); and
- The second Exploration Target of 5.0-7.0Mt at 0.7-0.8% Cu in near mine exploration targets of unclassified copper ore resources adjacent to the Kanmantoo mine areas Matthew and North Kavanagh, as well as additional exploration areas.

Hillgrove is reporting a Production Target that is based on a portion of Inferred Mineral Resources and/or an Exploration Target in addition to Ore Reserves and/or Measured and Indicated Mineral Resources. Hillgrove considers that the respective proportions of Inferred Mineral Resources and the Exploration Target are not the determining factors in project viability. In addition, the Inferred Mineral Resources and Exploration Target do not feature as a significant proportion early in the mine plan.

Over the first half of the year Hillgrove will be finalising an update to its Mineral Resources and Ore Reserves based on the near mine exploration drilling completed during 2012. An updated JORC compliant Mineral Resources estimate is anticipated to be released in Q2 2013 and an updated JORC

compliant Ore Reserves estimate including these areas is anticipated to be released in during Q3 2013.

Hillgrove Resources Chief Financial Officer, Russell Middleton said, “The extension of the LOM is a significant development for Hillgrove, with the update extending the estimated period of operation up from 6.5 to 10 years.”

“Not only do we have an extended life of mine potential through to 2023, but we also now have an improved understanding of the Resources and have increased confidence about the mine production profile in terms of total mining movements over this period. In addition, the outlook for regional exploration around Kanmantoo continues to be stronger than ever,” Mr Middleton said.

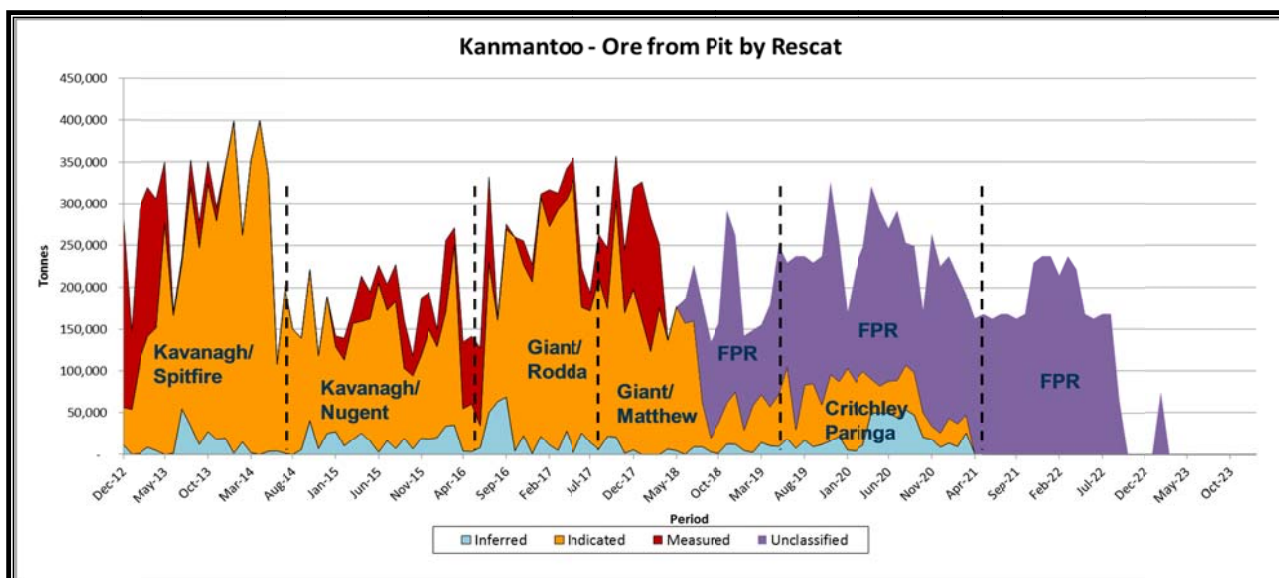
Mr Middleton also advised the ore processing throughput is forecast to increase to 2.8Mtpa during Q2 2013, as a result of the installation of a new primary jaw crusher scheduled to be commissioned during April. Consequently, the increased throughput and extended life of mine is set to have a positive impact on Kanmantoo’s cash generation and overall value.

“Over the past quarters, the Company has focused intensely on growing cash-flow, managing expenses and consolidating operational gains at Kanmantoo to achieve the targeted annual production levels projected for the mine and resulting revenue. To be able to deliver an extended life of mine for Kanmantoo in this context is particularly rewarding for the board and management, and good news for all shareholders,” Mr Middleton said.

The new LOM includes a total Production Target of 30-32Mt at 0.7-0.8% Cu, producing approximately 190k tonnes of recoverable copper. In 2013, approximately 2.0 to 3.0Mt of unclassified resource material is expected to be converted into Ore Reserves.

Figure 1 illustrates the ore presentation schedule in the planning inventory by confidence level (Mineral Resources category – Measured, Indicated, Inferred and Unclassified).

FIGURE 1. KANMANTOO LOM ORE PRESENTATION SCHEDULE BY RESOURCES CATEGORY (MEASURED, INDICATED, INFERRED AND UNCLASSIFIED AS AT THE END OF NOVEMBER 2012)



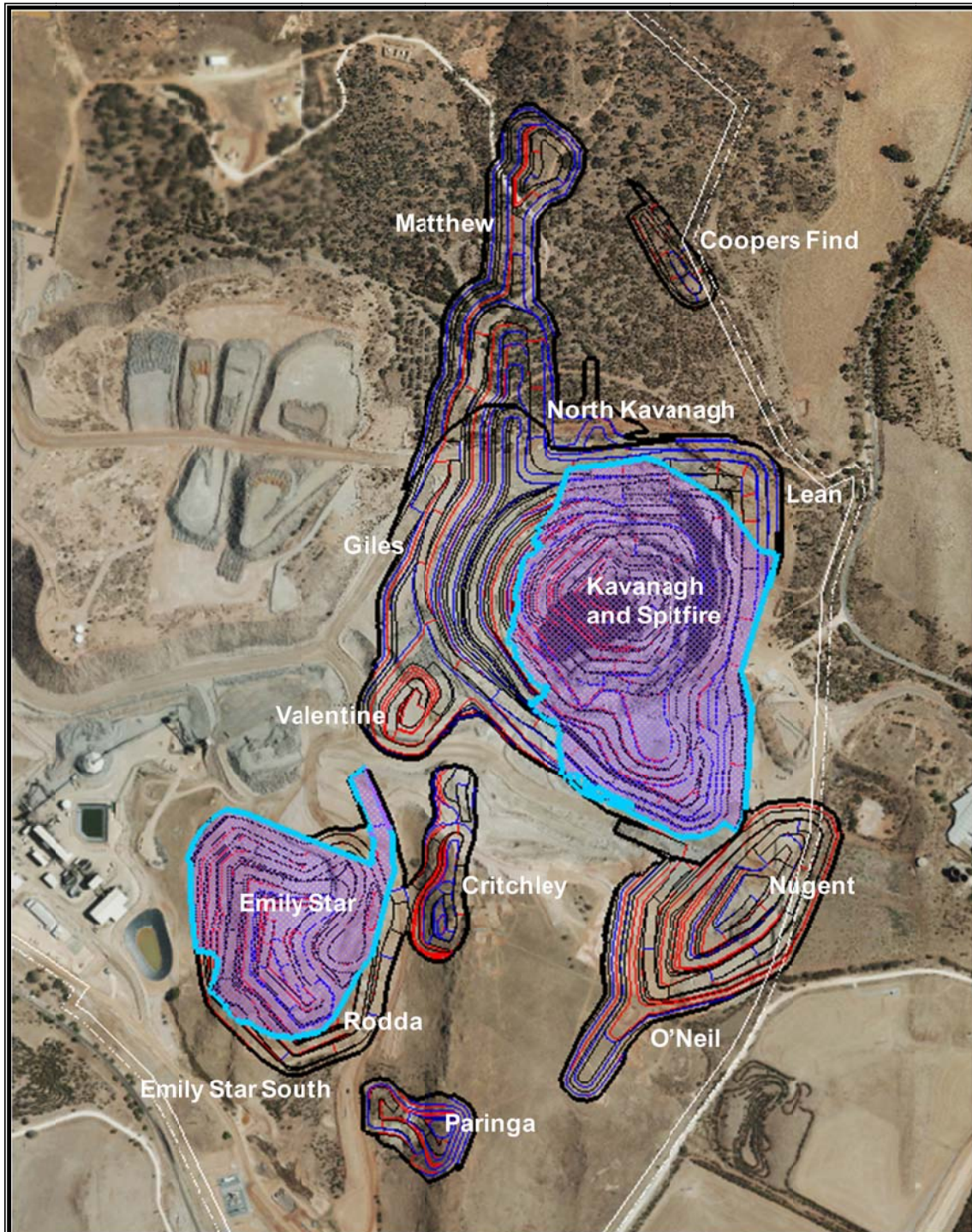
The new LOM pit design includes the new satellite areas of Paringa and Critchley plus extensions into Nugent and North Kavanagh that will provide significant increases to planned ore to be mined, when combined with the original Main and Emily Star pits. This has enabled the LOM strip ratio of waste to ore to be reduced from 5.0 to 4.5, whilst maintaining an average diluted Cu head grade of between 0.7-0.8%.

Note: HGO has a 31 January Year End, therefore quarter references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Oct and Q4 Nov-Jan.

All optimisation work undertaken to develop the LOM plan and designs is aligned with the current inputs and assumptions for the development of Ore Reserves and the long term plan at Kanmantoo. Primary ore is processed using sulphide flotation methods and oxide and transition ore are to be processed using sulphidisation (oxide flotation methods).

Figure 2 illustrates the Kanmantoo LOM pit designs. Areas identified for development include down dip extensions of Matthew, North Kavanagh and O'Neil zones. Extensions and further delineation based on recent encouraging intercepts include Emily Star South, North East of the Main Pit area and Coopers Find.

FIGURE 2. KANMANTOO INTERIM PLANNING INVENTORY DESIGNS



Note: HGO has a 31 January Year End, therefore quarter references are Q1 Feb-Apr, Q2 May-Jul, Q3 Aug-Oct and Q4 Nov-Jan.

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ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on the operation of the Kanmantoo Copper Mine in South Australia, and exploration on its Indonesian tenements, where the Company is targeting the discovery of world class epithermal gold and porphyry copper/gold.

The Kanmantoo Copper Mine is located less than 55km from Adelaide in South Australia. With construction now completed, Kanmantoo is an open-cut mine, which has ramped up to an initial throughput of 2.4Mtpa, and is now targeting throughput of 2.8Mtpa, to produce approximately 80,000 dry metric tonnes of concentrate per annum.

Competent Person's Statements

The information in this release that relates to Exploration Targets is based upon information compiled by Mr Steven McClare, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr McClare is a full-time employee of Hillgrove Resources Limited and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration 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 (JORC Code)'.

The Competent Person has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

The information in this release that relates to Mineral Resources and Ore Reserves is based on previously released reports:

- 1. 2012 Resource Statement by AMC Consultants Pty Ltd compiled by Mr Aaron Meakin as released to the ASX on 31 May 2012;*
- 2. 2010 Ore Reserve estimates by Mining and Cost Engineering Pty Ltd compiled by Mr Geoff Davidson as released to the ASX on 4 May 2010.*

Hillgrove Resources Limited confirms in this announcement that it is not aware of any new information or data that materially affects the information included in the previously released reports. In the case of estimates of Mineral Resources or Ore Reserves, the company confirms that all material assumptions and technical parameters underpinning the estimates in the previously released reports continue to apply and have not materially changed.