

The Board of Directors of Hillgrove Resources Limited (Hillgrove)
(ASX: HGO) reports for the quarter ended 30 April 2010

HIGHLIGHTS

REPORTED NET PROFIT AFTER TAX FOR YEAR ENDED 31 JANUARY 2010 OF \$55.6 MILLION (2009: \$11.1M) AND NET ASSETS OF \$163.8 MILLION (2009: \$84.2M) OR 32 CENTS PER SHARE (DILUTED).

FULL MARP APPROVAL BY PIRSA FOR KANMANTOO COPPER MINE PROJECT.

INCREASE IN KANMANTOO ORE RESERVE BY 34.2% TO 14.8MT @ 0.85% CU, 0.17G/T AU AND 3.1G/T AG.

21.3% INCREASE IN RESERVES OF CONTAINED COPPER TO 125K TONNES, AND AN INCREASE IN CONTAINED GOLD BY 14.1% TO 81K OUNCES AND CONTAINED SILVER BY 25% TO 1.5M OUNCES.

PROJECTED KANMANTOO ORE PROCESSING RATE INCREASED BY 20% TO 2.4MTPA.

HIGH GRADE ROCK CHIPS (OKAJARA BEST 35.75G/T GOLD, 28.1G/T SILVER AND KANJILU BEST 8.55G/T GOLD, 12.6G/T SILVER) UNDERSCORE PROSPECTIVITY OF THE REGION FOR CLASSIC EPITHERMAL GOLD SILVER MINERALISATION

DRILLING COMMENCED AT PAHANDANJAL PROSPECT ON SUMBA WITH FIRST SET OF ASSAY RESULTS EXPECTED IN JUNE.

3D INVERSION MODELLING OF HISTORICAL AIR MAGNETIC DATA AT WEST DELTA (BIRD'S HEAD PROJECT) REVEALS DEEP SEATED MAGNETIC ANOMALY ADJACENT TO KNOWN COPPER ANOMALISM AT SURFACE.

PILLARA PLANT PARTLY DISASSEMBLED AND TRANSPORTED WITH EPCM ACTIVITIES UNDERWAY.

CASH AND INVESTMENT PORTFOLIO TOTALLED \$106.3 MILLION AT THE END OF THE QUARTER.

KANMANTOO COPPER PROJECT, SOUTH AUSTRALIA

MINING LEASES 5776 AND 6345; EXPLORATION LICENSE 3277

(Hillgrove 100%)

Activities during the quarter mainly centred around preparation of documentation for submission to potential project finance banks and the closing off of final items preliminary to the Board meeting to consider making a Final Investment Decision (FID). Production and sales of copper cement were above budget. On ground activities mainly involved the dismantling and transport of the Pillara plant and infrastructure to Kanmantoo. At the same time, exploration and resource drilling recommenced at the Project.

Government Approvals

The Mining and Rehabilitation Program (MARP) for the Kanmantoo Mine Project was fully approved by the Department of Primary Industries and Resources SA (PIRSA) on 7 April. An Environment Protection Authority Permit to construct has been granted in anticipation of mine development activities. This completes the licensing for the Project's development stage.

KANMANTOO MINE PROJECT, SOUTH AUSTRALIA CONT...

Increase in Kanmantoo Ore Reserve

Hillgrove announced on May 4 an updated Ore Reserve for the Kanmantoo Copper Mine Project had been completed as part of the Life of Mine (LOM) Plan in preparation for financing and a Final Investment Decision (FID).

The new Ore Reserve shows an increase in both the reserve confidence and contained metal when compared to the December 2007 Ore Reserve reported which was generated as an output from the 2007 Definitive Feasibility Study. The total Ore Reserve now stands at 14.8Mt at 0.85% copper, 1.7g/t gold and 3.1g/t silver for contained metal of 125k tonnes of copper, 81k ounces of gold (increase of 14.1%) and 1.5M ounces of silver (increase of 25.0%). *(For further details please refer to the release made to the ASX on 4 May 2010).*

KANMANTOO ORE RESERVE – APRIL 2010

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

A key objective of Hillgrove is to continue to add to the Ore Reserve, so adding to the Mine's life, with further potential discoveries from continuing exploration within the extensive tenement area.

Ore Throughput Rates

With the increase in the Ore Reserve, Hillgrove has increased the LOM plan processing rate from 2.0 to 2.4MTPA which will improve the projected economics of the project whilst maintaining mine life at approximately six and a half years. This is achievable with Kanmantoo ore with the addition of secondary crushing at the front end of the plant.

Resource Extension Drilling

A 5,224 metre drilling programme to define further mineralisation at the Kanmantoo Mine was undertaken in March and April.

The first component of the programme comprised drill testing of areas of potential mineralisation that might be captured in expanded pit shells of subsequent optimisations, thereby adding to the Resource inventory and mine plan. Eleven diamond



holes targeted deeper areas of potential mineralisation beneath the base of the proposed pit and 17 reverse circulation (RC, pictured) holes targeted potential shallow mineralisation adjacent to, but outside of current pit shells.

The program was completed with all but one of the diamond holes drilled to target depth. The hole was abandoned due to being collared in broken ground at the base of the historic open cut mine. All holes have been logged and final check assays are nearing completion. Gyroscopic down-hole surveys scheduled to be completed in June are the final outstanding requirement for commencement of a possible resource update calculation.

A second component of the programme was the testing of two potential satellite mineralisation targets in the Southern Mine Corridor akin to Hillgrove's original Emily Star discovery. The program comprised 14 RC holes for a total of 1,688 metres. Eleven holes targeted historical workings at Emily Star South and a further three holes targeted historical Wheal Fortune workings. The Emily Star South targets were selected on the basis of their proximity to the Kanmantoo Mine, the presence of garnet-andalusite

KANMANTOO MINE PROJECT, SOUTH AUSTRALIA CONT...

biotite schist (identical to the mineralised Main Zone schist), a coincident IP and soil anomaly. Gold rock chips up to 16g/t, with a strike extent up to 480m, make this a key target. The Wheel Fortune target was selected on the basis of the historic workings, outcropping copper oxide mineralisation as well as coincident soil and IP anomaly. The target had not previously been drill tested. Assay results are still to be finalised and will be released once available.

Engineering Procurement and Construction

Civil works were commenced during the quarter around site access, earthworks and lay down areas for the receipt of the Pillara plant. The contract was awarded to Exact Mining. Tenders for the process plant civils have been issued. Process plant detailed design and procurement is underway and is being undertaken by Abesque Engineering. This will build on the front end engineering design already completed and is aimed at allowing plant re-assembly to start as soon as possible after a FID is made.

The dismantling of the decommissioned Pillara Mine's process plant facility in Western Australia is progressing according to plan with about 70% completed:

- Crusher area – dismantled with crusher now ready to move;
- Stockpile, reclaim and conveyors – dismantling completed apart from the reclaim tunnel;
- Mill & cyclone tower – completely dismantled. SAG mill and ball mill liners removed and peripheral components all dismantled ready for the mills themselves to be removed;
- Flotation building – the last pieces of structural steel are being dismantled (Plate 1);
- Reagents sheds, reagent storage buildings and explosives magazine – fully dismantled;
- Laboratory and sample prep sheds – dismantled;
- Thickeners – pumps and piping, electrical and MCC now removed. Zinc thickener has been cut into sections and transported to Kanmantoo;
- Filter building – dismantling has commenced;
- Concentrate storage building – cladding has been removed;
- Packing of workshop spares, motors and equipment into containers is now complete – these are being transported;
- Workshop stores building – dismantling has commenced.

The plant components are being transported by truck from the Pillara site across Australia to Kanmantoo. This will involve a total of 250-260 trucks (of between 1-3 trailers each) with the first arriving at Kanmantoo in April and will continue into July.



Plate 1. Flotation building roof ready for dismantling at Pillara

KANMANTOO MINE PROJECT, SOUTH AUSTRALIA CONT...

Sales of surplus equipment is underway.

Ground works have been undertaken by Exact Mining on a section of the Kanmantoo site to clear an area where the Pillara plant and infrastructure elements are being laid out in sections prior to their reassembly. Wilson's Security has been appointed to provide 24 hour coverage of all the work and lay-down areas.

Mine Access Road

Community feedback received during the extensive consultation process for the Kanmantoo Project's Mining Lease Proposal, contributed to a decision to construct an access road to run between the existing Mine Entrance on Éclair Mine Road to the Princes Highway – thus directly addressing community concerns regarding additional truck movements through the township of Kanmantoo on the existing B-double route.

Construction of the road commenced in the second week of April and initial works were finished by mid-May. Hillgrove received approval to commence use of the road at this point in its construction for the transfer of plant and equipment from Pillara in WA. Further works to complete the road will be undertaken following the FID, including the junction with the Princes Highway.



Plate 2. Aerial View of Kanmantoo Copper Project and Private Access Road

Water

The final District Council of Mount Barker/Hillgrove Resources Water Supply Agreement documents went before the DCMB Council meeting on the 17 May and are in the final stages of execution.

The arrangement is for the use of treated waste water to be piped from Mount Barker for the operation of the Kanmantoo Mine. Hillgrove will fund and build the infrastructure, including the 13km pipeline and pump stations from the Laratinga Waste Water Treatment Plant in Mount Barker, then vest these assets to the Council in exchange for Hillgrove being able to buy a reliable, long term supply of class "A" recycled water.

With the assistance of the Adelaide Hills Regional Development Board, the District Council of Mount Barker secured funding support from the State Government to also enable a pipeline extension from the Kanmantoo Mine to the township of Callington. These arrangements are an important milestone for the development of the Kanmantoo Project and highlight the innovative approach to the sourcing of process water for the mine, which also provides significant environmental, economic and local infrastructure benefits to the community.

Staffing

Senior hires, including a group Human Resources Manager and a Senior Safety Advisor, have been made in anticipation of a positive final investment decision. The main phase of the recruitment programme is expected to ramp up in the second half of 2010.



KANMANTOO MINE PROJECT, SOUTH AUSTRALIA CONT...

Copper Heap Leach

Production and sales of copper cement continue routinely and above budget.



Plate 3. Heap Leach Pads, Lay Down Area (behind neighbours storage tanks), and Mine Access Road (top right)

RESULTS OF QUARTERLY OXIDE ORE OPERATIONS

	FEBRUARY	MARCH	APRIL	TOTAL YTD
	\$	\$	\$	\$
Sales Revenue	333,546	270,181	280,692	884,419
Copper Sales (tonnes)	51.5	40.3	44.4	136.2
Sales Revenue per tonne	6,481	6,698	6,322	6,493
Sales Revenue per lb	2.94	3.04	2.87	2.95
Oxide Ore Processed	8,000	10,000	8,000	26,000
Cu Grade	0.9%	0.9%	0.9%	0.9%
Cu Contained Tonnes	72	90	72	234
Cu Recovered	50.0	56.6	45.1	151.7
Recovery	69.5%	62.9%	62.6%	64.8%
Cash Cost	144,565	165,582	132,030	442,177
Cash Cost per tonne	2,890	2,927	2,927	2,915
Cash Cost per lb	1.31	1.33	1.33	1.32

Project Financing

Hillgrove is in advanced discussions with several banks regarding securing a project finance facility to assist with the funding of the development of the Kanmantoo Copper Project. The original target of concluding the financing in May (*as advised in the previous Quarterly Report*) was extended while the Independent Technical Expert Report was being finalised.

A major change in the scope is a 20% increase in the processing rate to 2.4MTPA following the recent increase in the Ore Reserve. This new element had to be incorporated in the independent technical review of the Project, which is provided to the potential project financiers. The financing process is continuing with site due diligence visits by the banks during early June. Receipt of a binding letter of offer is targeted to be received prior to the Board meeting to discuss a potential Final Investment Decision (FID) by the Board in late June.

WHEEL ELLEN, SOUTH AUSTRALIA

EXPLORATION LICENSE 3232

(Hillgrove 100%)

The Wheel Ellen Project (EL 3232) is located 40km east south east of Adelaide, 8km north of Strathalbyn and 7km to the north of Terramin's Angus silver-lead-zinc mine. It is named after the historical silver-lead-zinc mine at the centre of the tenement which was worked primarily in the 1850's and produced an estimated 75,000 tonnes at an overall grade of 25% zinc, 20% lead and 12oz/t silver.

The magnitude and persistence of the Kanmantoo Trough mineralising system is such that mineralisation is likely to extend to considerable depths, as demonstrated by Angus drill intersections to 450m and Kanmantoo drill intersections to 600m. Drill testing of the Wheel Ellen resource extends to only 150m depth (one diamond hole) leaving significant potential for the discovery of further significant mineralisation down dip for the entire strike extent of the exploration license.

A new round of drill testing of the plunge extent of mineralisation is now being planned.

INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

Hillgrove has two major projects in Indonesia and is currently looking at other opportunities in the country for a range of commodities. The bulk of the exploration work to date has occurred on Sumba where Hillgrove's primary target is low sulphidation epithermal gold mineralisation. Hillgrove currently has one diamond drill rig operating here and has plans to bring in a larger drill rig in the next quarter.

Hillgrove's other major project is located in West Papua in a region that is renowned for its mineral wealth. The Bird's Head Project is in an extremely remote location which can only be reached by helicopter or boat. This Project has significant gold and base metal anomalism and is considered highly prospective for copper-gold porphyry style mineralisation and epithermal gold mineralisation. Hillgrove's progress in advancing this project has been slower than planned due to seasonal weather patterns, topography and social issues.

Hillgrove has a substantial budget allocated for its Indonesian exploration activities (>\$10 million) and is looking to expand its pipeline of growth projects within the country.



Plate 4. Exploration Project Locations in Indonesia (image from Google Earth)

SUMBA GOLD PROJECT, INDONESIA

IUP 322/KEP/HK/2009

(Hillgrove 80%, PT Fathi Resources 20%)

In consideration of the grant of an 80% economic interest, Hillgrove will fully fund and undertake exploration work, and feasibility studies if justified, until a decision to mine is made in relation to the exploration tenement held by Hillgrove's Indonesian partner PT Fathi Resources.

PT Fathi Resources was granted an Exploration Mining Business License (IUP Eksplorasi) under the newly implemented mining laws to replace the pre-existing KP. The IUP has a term of six years and covers the maximum allowable area of 999km² (Plate 5).

The main focus of activities in the quarter has been to prepare for and commence drill testing at the Pahandanjaj Prospect within the Masu Project in south east Sumba.

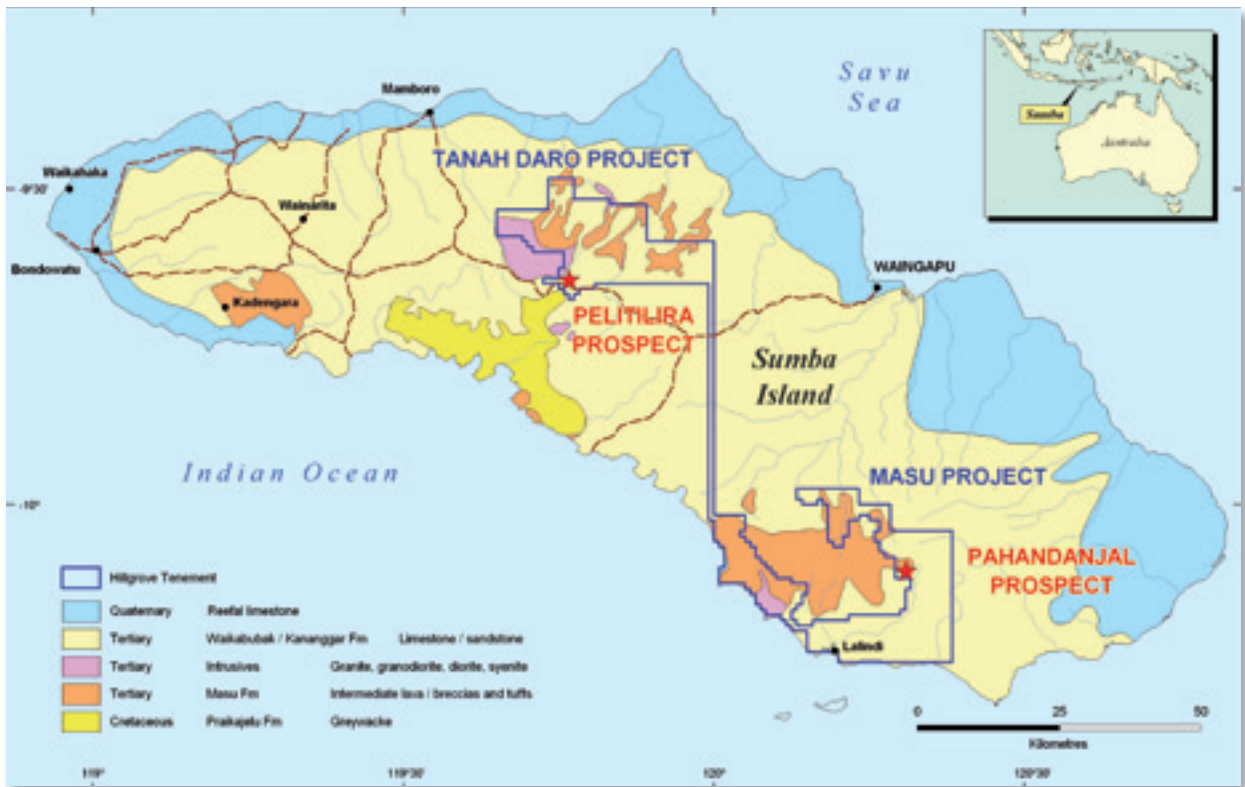


Plate 5. Map Showing Basic Geology and IUP Boundary for Sumba

MASU PROJECT

Soil Sampling

Soil sampling for the Masu Project has been ongoing since the last quarter and has focused mainly within the Okajara Valley where gold anomalism has been found over 3km and remains open to the North West (see Figure 1).

The mineralisation styles within the Okajara Valley are similar to those of Pahanadanjal, consisting of narrow high grade veins and broader brecciated zones; however it has become apparent that gold grades in soil sampling spike dramatically at Kanjilu Prospect (up to 17g/t Gold) and this is probably an indication of the presence of coarse gold.

The overall trend for mineralisation at Masu tends to be both North and North West and this can be seen in the soil data. The North West trend is also readily apparent in the topography where ridges and creeks tend to follow this direction.

The current theory is that the intersection points between the main structural trends are the areas where lode grades are likely to increase.

Rock Chip Sampling

While trenching activities ceased over the quarter with the local labour being used predominantly for drill pad construction, work continued on reconnaissance rock chip sampling.

Notable results were achieved over most of the new prospect areas (Okajara Valley best 35.75g/t gold, 28.1g/t silver; Kanjilu best 8.55g/t gold and 12.6g/t silver) and North Pahanadanjal in particular returned numerous moderate to high grade gold assays (best 33.40g/t gold and 30.6g/t silver). This prospect will be the focus of trenching activities next month.

Significant rock chip assays for the quarter are shown in Table 1.

Drilling

Drill testing of Pahandanjal Prospect commenced on the 23 April utilising a small man portable diamond drill rig capable of drilling to 150m with NQ diameter core. The rig was specifically selected as a scout rig to conduct initial drilling beneath the best trench results.

A second larger drill rig will be brought in next month to test areas that require deeper drilling or require HQ diameter core (better recovery through breccia zones).

An initial program of 5,000m was planned to test both narrow high grade silica lodes and the broader low grade breccia zones which have been identified within the andesitic hot rock in the Western and Eastern Vein Areas at Pahandanjal (see Figure 2 and 3).

The original plan was to systematically drill the Western Vein first but the rig had to be shifted to flatter ground in the Eastern Vein Area due to torrential rains* and safety concerns. While this has meant a reshuffling of the order of drilling it has had no major affect on production, and the first set of drilling results is still expected in early June.

*The dry season in Sumba normally commences in March but this year rains have persisted through to May.

TANAH DARO PROJECT

A base camp has now been established for the Tanah Daro Project in Central Sumba and this will be used as a base of operations to commence exploration at the Pelitilira Prospect.

Planned Exploration

Drill testing will be ongoing at Pahandanjal Prospect and preparations will be made to support an extra drill rig and to generate new targets for the small scout rig.

This will involve trench sampling at North Pahandanjal initially and then within the Okajara valley.

Initial soil sampling and rock chip programs will also commence at Pelitilira Prospect and the aim is to have this area ready for drill testing towards the end of 2010.



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

IUP40/2010

(Hillgrove 80%, PT Akram Resources 20%)

In consideration of the grant of an 80% economic interest, Hillgrove will fully fund and undertake exploration work, and feasibility studies if justified, until a decision to mine is made in relation to the exploration tenement (IUP Eksplorasi) held by Hillgrove's Indonesian partner PT Akram Resources.

The IUP (in Indonesian, an Izin Usaha Pertambangan or "IUP") Eksplorasi is a follow on title from the original Kuasa Penambangan (KP) No 254 2008 and has a term of seven years. The IUP covers an area of 99,230 hectares or 992.3km².

The Bird's Head Project is located in north-western West Papua in the Indonesian province of Papua Barat (Plate 6). The IUP covers a number of mineralised areas explored between 1986 and early 1993 which are prospective for both epithermal gold and copper-gold porphyry style mineralisation.

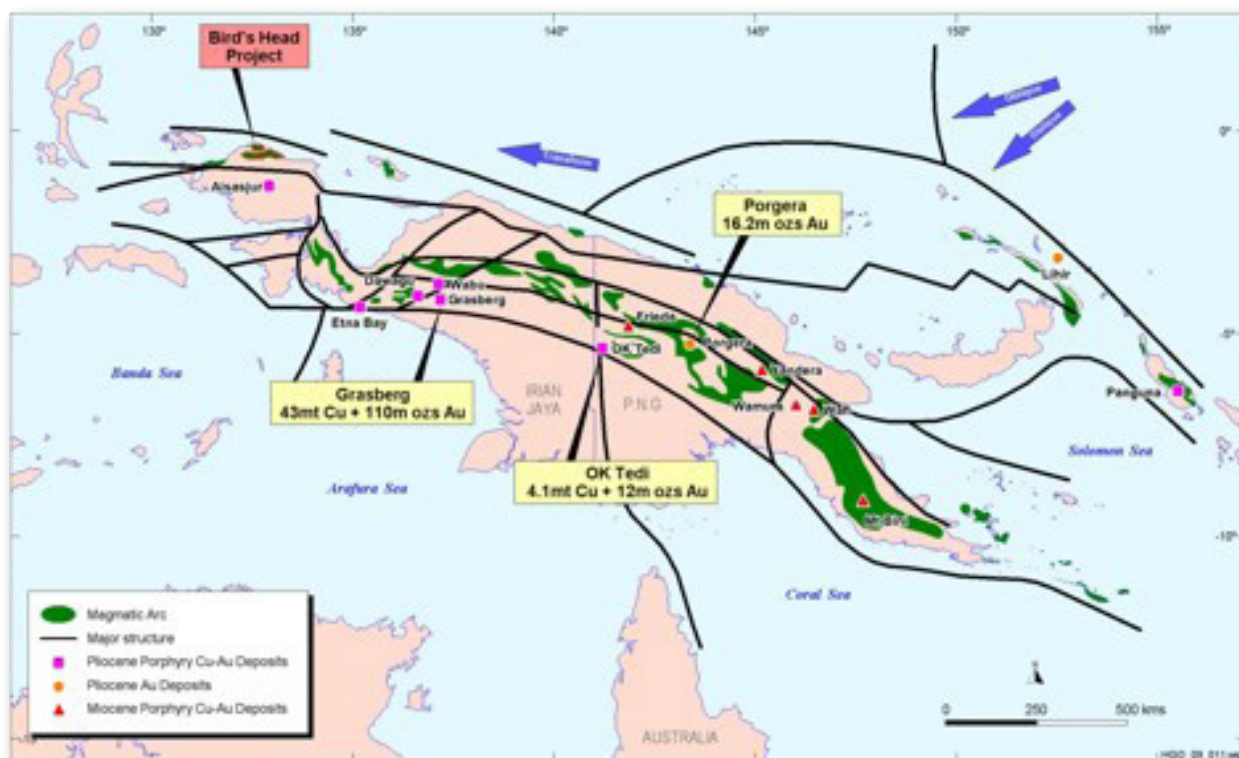


Plate 6. Bird's Head Project in West Papua, Indonesia

Exploration Update

Trench sampling was planned for the Kali Sute Structural Corridor and West Delta (*Quarterly Report ended 31 October 2009*) as it had proven to be a highly effective sampling method for Hillgrove in Sumba. It soon became apparent though that trench sampling was not suitable for the rugged terrane of West Delta and posed serious safety concerns on the steep slopes and areas of deep scree cover. The decision was made to conduct channel sampling instead which also involves collecting a continuous sample similar to a drill hole but without any excavation. All significant results were disclosed in our ASX release dated 11 February 2010.

The main focus of work for the current quarter has been channel sampling and mapping around the Green Cliff's area at West Delta. There were enough rock exposures in this area to piece together about 140m of close spaced channel samples in clay altered monzonite. The average copper grade over the 140m was 2,150ppm and while this does not strictly represent a continuous sample, the density of sampling is such that it is a good indication of the anomalous levels of copper which appears to be distributed over a significant area of altered monzonite (see Plate 7).

Given the dominant alteration for this area is argillic the current interpretation is that there remains potential for a higher grade potassic core to be present either adjacent to this area and/or at greater depth.

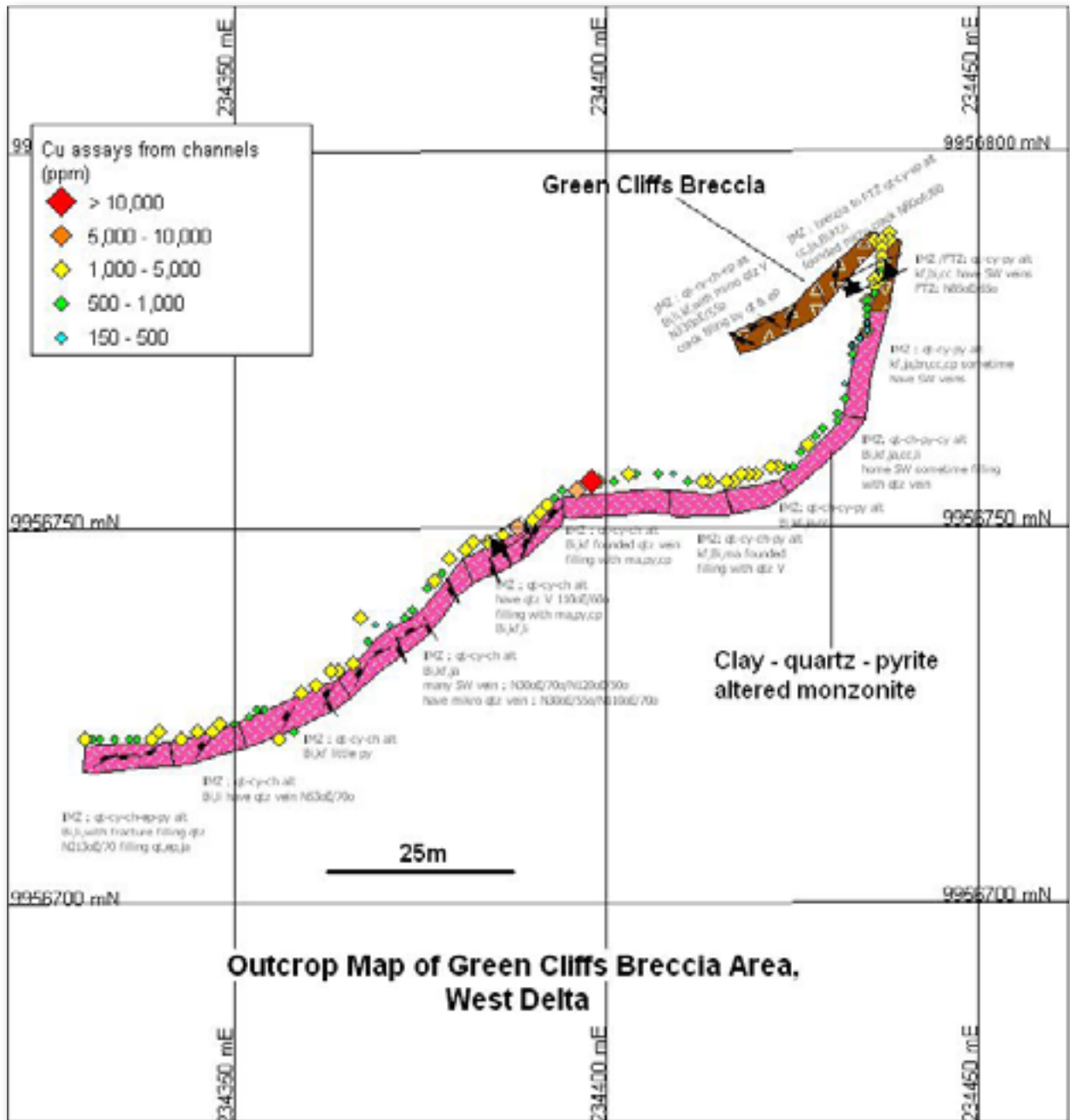


Plate 7. Outcrop Map of the Green Cliffs Breccia Area with Channel Samples by Copper ppm

The focus of future work will be to continue with the mapping and geochemical sampling activities in this area with the aid of recently remodelled historical air magnetic data (see Plate 8).

The historical air magnetic data was recently used to create a 3D inversion model and from this it appears that a significant deep seated magnetic anomaly occurs adjacent to the copper anomalism at the surface. While this may be a coincidence, one theory is that the hollow core to the magnetic anomaly represents a hydrothermal channel that has been demagnetised by alteration and that mineralisation has dispersed along various structures close to surface.

Further work is now required to investigate the overlying geology of the magnetic anomaly.



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

Planned Exploration

At the moment exploration at Bird's Head has been temporarily halted due to a land ownership dispute amongst local villagers. When this has been resolved the exploration team will be mobilised back to the Green Cliff's area at West Delta and will extend mapping and sampling activities over the magnetic anomaly.

Hillgrove is also evaluating tenders received for an air magnetics survey to complement the existing coverage over the West Delta area.

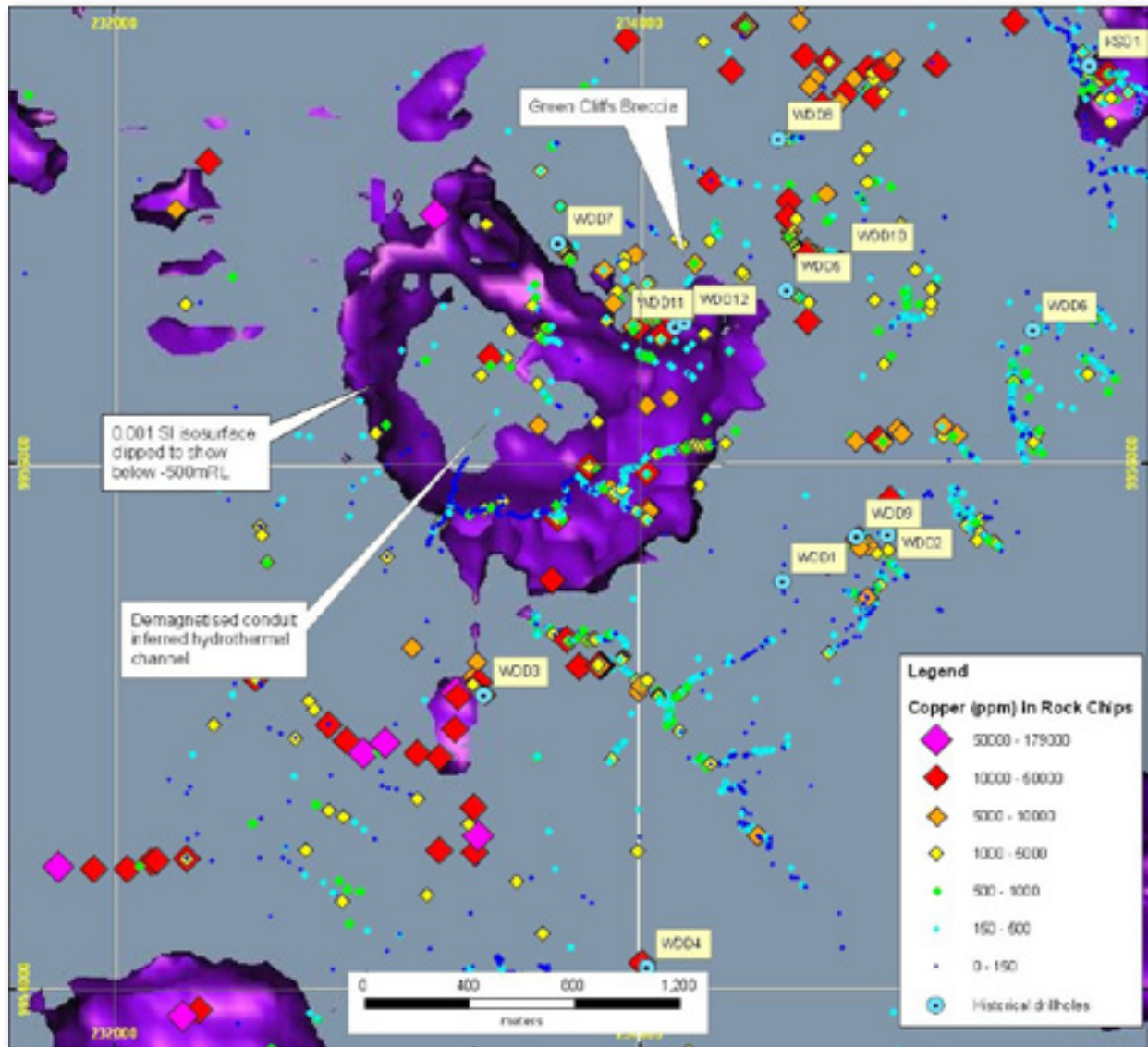


Plate 8. Plan View of a 3D Inversion Model clipped at -500mRL and overlaid by historical rock chip samples and drilling

KHARTOUM PROJECT, QUEENSLAND

EPM14797

(80% of copper, lead, zinc, nickel and 50% of gold-silver deposits discovered with Auzex)

In January Hillgrove entered into a farm-in with Auzex Resources Limited whereby it may earn up to 80% of all copper, lead, zinc, nickel deposits, and 50% of gold-silver deposits discovered within EPM14797 which is located 20km northwest of the mining centre of Mount Garnet.

Within EPM14797 is a small mining lease application, MLA20424 which Hillgrove’s subsidiary, InterMet Resources has an option agreement over. This lease contains known base metal mineralisation and is in the final stages of being granted.

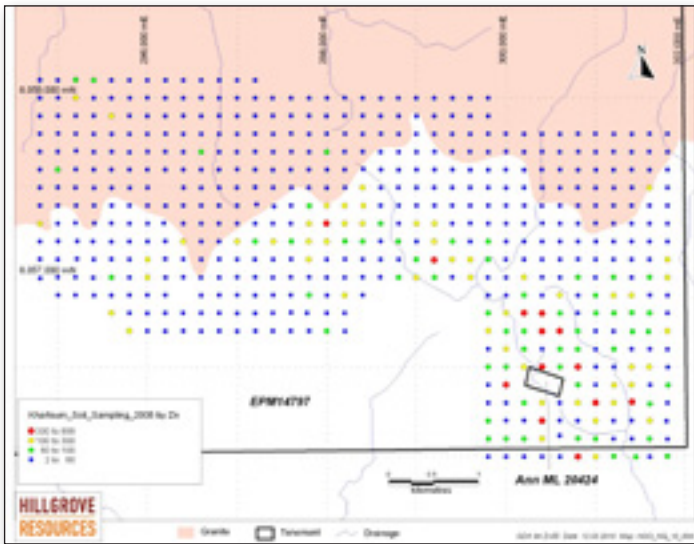


Plate 9. Soil Samples by Zinc (ppm) for Khartoum Project

Soil Sampling

Hillgrove had submitted 709 soil samples (including standards) from the Auzex 2008 program last quarter and results have now been received.

The soil samples were obtained by Auzex Resources in 2008 on a very broad 200m x 200m grid. The relative level of anomalism on this EPM appears to be low although some areas of interest have been generated. In particular base metal anomalism seems to be well dispersed around Ann ML20424 which is held by InterMet Resources (see Plate 9).

In addition to the Auzex sampling, Hillgrove also submitted an additional 250 soil samples as part of an infill program.

Current soil sample locations are shown in Plate 10.

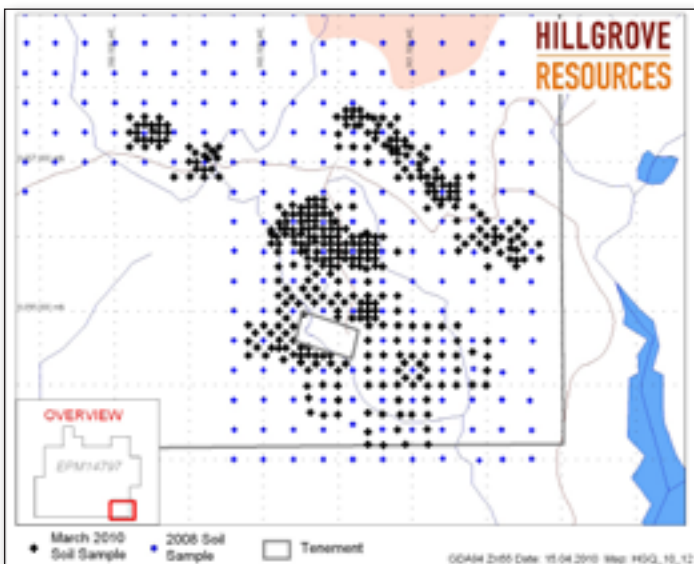


Plate 10. Current Soil Sample Locations for Khartoum Project

Mapping

Reconnaissance work conducted on the soil anomalies and known workings has shown that mineralisation appears to be ‘poddy’ in nature and has limited strike or dip extent. Dilational zones are likely to be related to regional folding, as noted in previous work in the northern Hodginkson Basin. In general, the greywacke units encountered appear to be ‘tight’ in nature, thus limiting the transport and concentration of mineralizing fluids.

Numerous iron rich gossans anomalous in zinc have been mapped in the Anne area, but no particular orientation or strike extent has been identified that relates to economic style mineralisation. The gossanous outcrops appear to cross stratigraphic units and are probably related to small scale shearing or faulting. Mineralising fluids are likely to have originated in the nearby granites and have been transported via narrow faults/structures to dilation zones whose characteristics are yet to be defined.

Planned Exploration

At this stage exploration has mainly concentrated in the south east corner of the tenement. The focus will now shift to other areas and particularly those that host Chillagoe Formation sediments.

INTERMET RESOURCES LIMITED

(Hillgrove 84.8% Shareholding)

Highlights from the InterMet Resources Quarterly Report follow:

MUNDERRA PROJECT

(EPM 15481, ML 3945 and 20428 - InterMet 100%)

Copper, Gold and Base Metals

During the reporting period work continued on geochemical sampling programs and mapping activities. The work highlighted several new low to moderate grade anomalies within the Mt Cardwell area, including the copper anomalies at Henry's Find and Mt Cardwell North, and a zinc anomaly at Mt Cardwell West.

Additional sampling and mapping was also conducted within the Jean Prospect area where work to date has delineated several base metal and gold anomalies. Previous drilling by InterMet has confirmed the presence of low grade mineralisation within this area and the company is currently evaluating the need for further drilling.

ANN PROJECT

ML 20424 – Option Agreement

Copper, Gold and Base Metals

During the reporting period detailed mapping was conducted on this project along with some rock chip sampling. There are two main base metal occurrences within the project area. The first is a flat lying massive sulphide lode, 1.8m thick and 30m wide, which outcrops in a steep ravine. The second is a 1.5m thick disseminated lode which dips 75 degrees. Both areas are of limited extent and systematic sampling failed to obtain high enough base metal grades to warrant drill testing.

TENEMENTS

The Mining Lease for Mount Lucy Project (ML20488) was granted on 27 April 2010. InterMet has an option to acquire this lease and also has a purchase agreement to sell the lease to Australian Jinhua Mining International Group Pty Ltd.

The renewal for EL4003 (Adelaide Fold Belt Project) reported in the last quarterly, which is under joint venture with Flinders Mines, has now been withdrawn after written notification was received from Flinders indicating their intention to withdraw from the joint venture.

EL3314 (Coulta Project - Coffin Bay) has expired.

CORPORATE

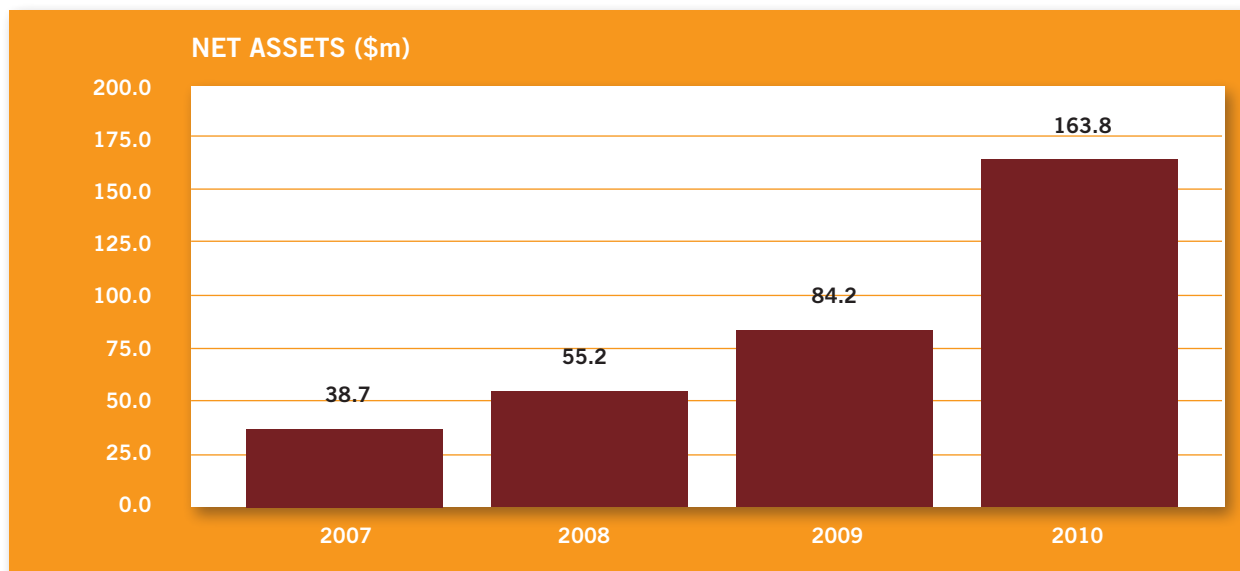
Following the alignment of InterMet's financial reporting to that of its parent company, and changing its balance date to 31 January, this is the first full Quarter report being from 1 February to 30 April. The full InterMet Resources report can be viewed on the ASX:ITT website



HILLGROVE CORPORATE

On the 12 April Hillgrove announced a 399% increase in Net Profit After Tax of \$55.6 million for the financial year ended 31 January 2010. This is the Company's third profit in four years, and provides a solid platform for the development and construction of the Kanmantoo Copper / Gold Mine Project and its exploration portfolio.

A 110% increase in revenue and other income to \$98.2 million and the increase in Net Assets of the company by 94.5% to \$163.8 million or 32 cents per share on a fully diluted basis was also reported.



The strong overall financial result reflects the realisation of Hillgrove's share and option holdings in Eastern Star Gas Limited (ASX: ESG) for \$172 million cash in July 2009.

A Notice of Meeting and Annual Report, for those who elected to receive one, were mailed to all shareholders on the 20 May 2010. The Annual General Meeting will be held in Adelaide at 10:30am on Tuesday, 22 June 2010 at the Hindmarsh 4 Room, Level 15, Crown Plaza Hotel, 16 Hindmarsh Square, Adelaide.

Cash and Investments

Cash on hand as at 30 April 2010 was \$101 million.

In April the final payment of \$10.5 million (excl. GST) was made to acquire the Pillara Processing Plant. The Company also entered into a commodity swaption transaction during the quarter for AUD8.7 million. This provides the option to enter into 15,000 tonnes of AUD copper forwards at AUD8,500 per tonne in the period from 2012 to 2014.

The market value of Hillgrove's investment portfolio as at 30 April 2010 was approximately \$5.3 million.



ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its Indonesian, South Australian and Queensland 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 Gold Project, located less than 60km from Adelaide in South Australia. Kanmantoo currently hosts a Mineral Resource of 32.2Mt (2.3MT Measured, 22.5MT Indicated and 7.4MT Inferred) grading 0.9% copper and 0.20g/t gold, containing 292,200 tonnes of copper, 191,100 ounces of gold and 3,313,600 ounces of silver. With production targeted for the first quarter of 2011, Kanmantoo will be a 2Mt p.a. open-cut mine producing approximately 17,000 tonnes of copper in concentrate and 8,000 ounces of gold per annum.

The information in this report that relates to Exploration Results is based on information compiled by Mr. Adam Freeman, who is a Member of The Australasian Institute of Geoscientists. Mr. Freeman is a Geology manager 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. Freeman 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 Paul Payne, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne 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 Payne 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:

David Archer
Managing Director
Mob: +61 (0)414 737 767

Russell Middleton
Company Secretary
Tel: +61 (0)2 8221 0404



Table 1. Significant Rock Chip Assays for Masu Project

PROJECT	PROSPECT	NO.	SAMPLE TYPE	UTM E	UTM N	GOLD	SILVER PPM	COPPER PPM	LEAD PPM	ZINC PPM
Masu	Okajara	3370	rock chip	203587	8885902	35.75	28.1	705	2040	2830
Masu	North Pahandanjal	3109	subcrop	204257	8882470	33.40	30.6	77	1110	436
Masu	North Pahandanjal	4428	rock chip	204174	8882518	31.45	26.6	1200	644	920
Masu	North Pahandanjal	2626	rock chip	204234	8881699	27.17	14.6	313	1580	211
Masu	North Pahandanjal	3104	grab sample (~4m lode)	204090	8882557	10.80	17.4	42	450	117
Masu	South Pahandanjal	3101	float	203553	8880622	10.30	16.3	263	367	630
Masu	Okajara	3150	rock chip	203477	8886089	9.55	6.8	143	606	111
Masu	Kanjilu	3748	rock chip	202612	8887000	8.55	12.6	13	561	12
Masu	Okajara	3138	rock chip	203599	884382	7.41	4.3	60	31	81
Masu	South Okajara	1592	rock chip	203575	8884300	6.65	1.7	21	33	11
Masu	North Pahandanjal	3126	rock chip	204124	8881910	5.88	13.2	440	892	998
Masu	Okajara	3170	rock chip	204197	8884692	4.06	6.9	38	122	23
Masu	Pandanjara	1582	rock chip	205818	8883775	3.96	1.6	12	46	52
Masu	North Pahandanjal	3132	rock chip	204253	8882467	3.29	28.1	54	929	72
Masu	North Pahandanjal	3108	rock chip	204269	8882496	3.20	5.6	101	1550	203
Masu	Kanjilu	3747	rock chip	202700	8886802	3.13	13	219	1990	165
Masu	Pandanjara	1581	float	205779	8883742	3.13	1.1	86	21	53
Masu	Pandanjara	2255	rock chip	205269	8883273	3.03	0.1	112	108	64
Masu	East Vein East	1589	float	204229	8881042	2.67	12.6	479	4080	3810
Masu	Kanjilu	3580	rock chip	202588	8887909	2.67	1.2	34	16	39
Masu	North Pahandanjal	3140	rock chip	204175	8882403	2.62	47.3	117	1080	87
Masu	North Pahandanjal	3124	rock chip	204133	8881835	2.6	7.5	29	840	63
Masu	Pahandanjal Western Vein	1576	float	203558	8880700	2.18	94.1	388	1330	3180
Masu	Okajara	3134	rock chip	203570	8884304	2.11	1.9	28	1770	46
Masu	East Vein East	1587	rock chip	204188	8881037	2.08	5.1	102	759	145
Masu	East Vein	3696	rock chip	204137	8881282	1.92	34	1110	2.58%	5920
Masu	Okajara	3159	rock chip	203328	8885429	1.92	1.7	42	88	367
Masu	Kanjilu	3784	rock chip	202536	8887617	1.71	2.6	105	188	461
Masu	Okajara	3178	rock chip	203938	8884505	1.62	0.4	61	48	49
Masu	East Vein Far East	1591	float/subcrop	204414	8881202	1.61	16.5	46	145	27
Masu	North Pahandanjal	3131	rock chip	204271	8882499	1.56	0.7	29	447	57
Masu	East Vein East	1586	subcrop	203994	8880963	1.55	7.5	64	1400	42
Masu	Okajara	3158	rock chip	203485	8885410	1.5	3.5	29	85	111
Masu	East Vein	3120	rock chip	204160	8881235	1.42	11.3	217	1190	534
Masu	East Vein	3697	rock chip	204152	8881276	1.32	63.6	885	1.47%	1.06%



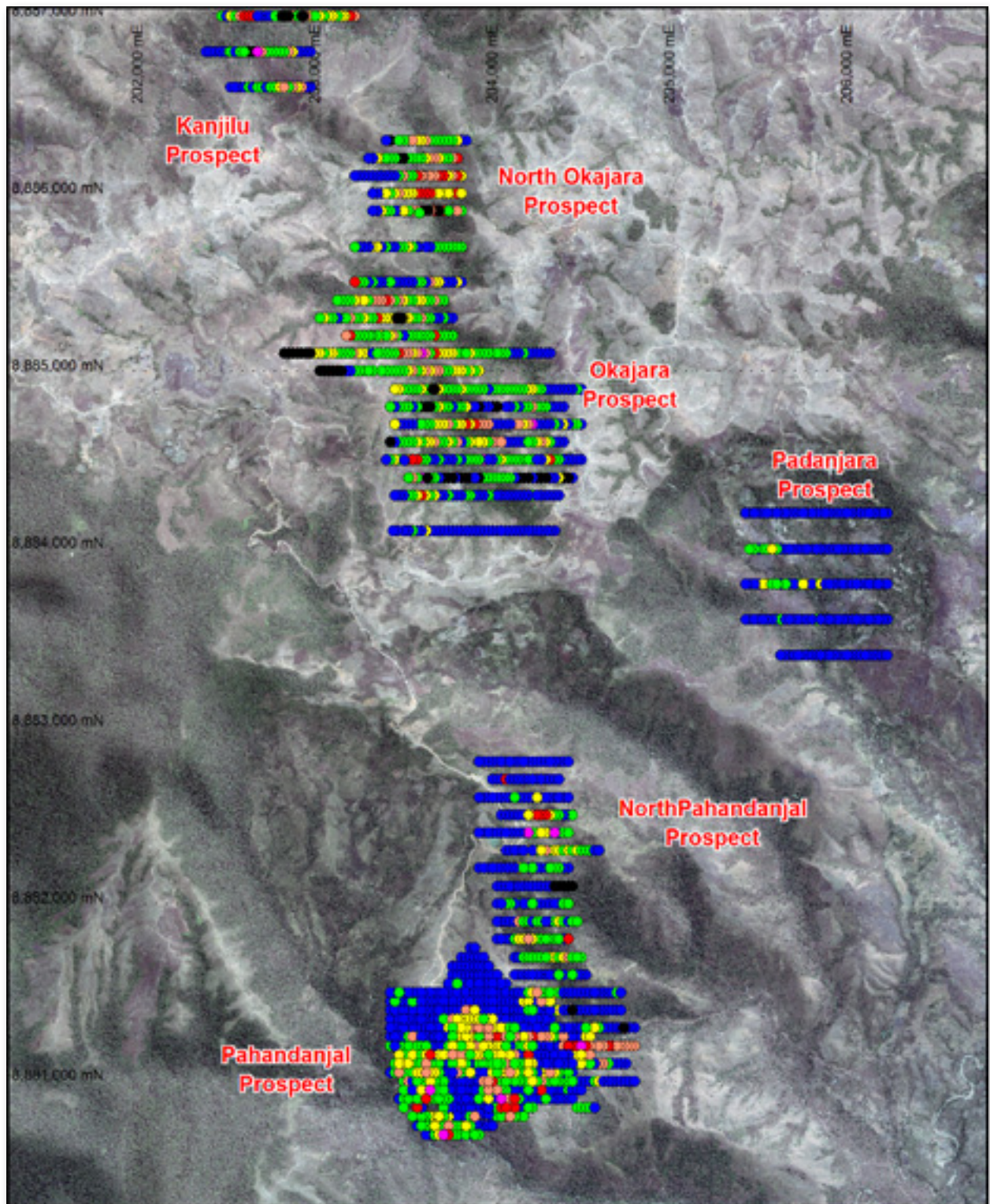
Table 1. Significant Rock Chip Assays for Masu Project Cont...

PROJECT	PROSPECT	NO.	SAMPLE TYPE	UTM E	UTM N	GOLD	SILVER PPM	COPPER PPM	LEAD PPM	ZINC PPM
Masu	East Vein East	1588	rock chip	204246	8881036	1.32	16.6	105	1340	61
Masu	Okajara	3154	rock chip	203656	8885821	1.31	1.1	73	137	145
Masu	East Vein East	1599	rock chip	204211	8881040	1.30	3.3	56	697	79
Masu	Okajara	2868	rock chip	203504	8884506	1.26	16.3	268	370	524
Masu	East Vein	3116	rock chip	204167	8881270	1.17	2.6	31	734	1160
Masu	Okajara	4423	subcrop	204307	8884488	1.01	1	34	14	14
Masu	Okajara	4424	float	204261	8884586	1.21	9	53	206	104
Masu	Okajara	3146	rock chip	203858	8886146	1.14	0.5	21	69	38
Masu	Okajara	3147	rock chip	203589	8886099	1.09	3.1	52	82	96
Masu	Okajara	3168	rock chip	204273	8884494	1.02	5.2	65	38	91
Masu	Okajara	3135	rock chip	203571	8884305	1.0	0.2	11	60	28
Masu	Okajara	2800	rock chip	203697	8884712	0.68	15.3	1200	1.35%	2.31%

Note: Gold values are derived from an average of up to 5 repeats using fire assay method.
 Silver, lead, copper and zinc values are derived from a multi element sweep using ICP method.
 Datum used for East Sumba is WGS 84 Zone 51.



Figure 1. Map Showing Soil Geochemistry by Gold (ppm) for Masu Project



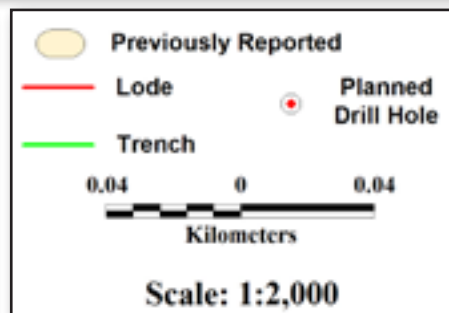
Soils by Gold ppm

- 0.5 to 20
- 0.2 to 0.5
- 0.1 to 0.2
- 0.05 to 0.1
- 0.02 to 0.05
- 0.01 to 0.02
- 0 to 0.01

HILLGROVE RESOURCES LTD	
MASU PROJECT Soil Geochemistry by Gold g/t	
Author:	Date:
Drawn:	Revised:
Dwg No. HGO_99_004	Report No.:
Projection WGS84 ZS1	Scale 1:30,000



Figure 2. Map Showing Planned Drill Holes for the Western Lode Area



HILLGROVE RESOURCES LTD	
Pahandanjal Prospect Western Lode Planned Drill Holes	
Author: AF	Date:
Drawn:	Revised:
Dwg No.: HGO_09_078d	Report No.:
Projection: WGS84 Z51	Scale: 1:2,000

Figure 3. Map Showing Planned Drill Holes for the Eastern Lode Area



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

HILLGROVE RESOURCES LIMITED

ABN

73 004 297 116

Quarter ended ("current quarter")

30 April 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date: 3.months \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,159	1,159
1.2 Payments for(a)exploration and evaluation	(2,089)	(2,089)
(b) development	(15,344)	(15,344)
(c) production	(497)	(497)
(d) administration	(3,106)	(3,106)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1,192	1,192
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	(8,707)	(8,707)
Net Operating Cash Flows	(27,392)	(27,392)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b) equity investments	(391)	(391)
(c) other fixed assets		
1.9 Proceeds from sale of(a)prospects		
(b) equity investments	24	24
(c) other fixed assets		
1.10 Loans to other entities	(210)	(210)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(577)	(577)
1.13 Total operating and investing cash flows (carried forward)	(27,969)	(27,969)

1.13	Total operating and investing cash flows (brought forward)	(27,969)	(27,969)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,158	1,158
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(2,500)	(2,500)
1.18	Dividends paid	(63)	(63)
1.19	Other (provide details if material)		
Net financing cash flows		(1,405)	(1,405)
Net increase (decrease) in cash held		(29,374)	(29,374)
1.20	Cash at beginning of quarter/year to date	130,354	130,354
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	100,980	100,980

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	231
1.24	Aggregate amount of loans to the parties included in item 1.10	1,125

1.25 Explanation necessary for an understanding of the transactions

The Company entered in to a commodity swaption transaction during the quarter which provides the option to enter into 15,000 tonnes of AUD copper forwards at AUD8,500 per tonne in the period from 2012 to 2014.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		

3.2	Credit standby arrangements		
-----	-----------------------------	--	--

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,500
4.2	Development	6,000
Total		7,500

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	100,742	130,116
5.2	Deposits at call	238	238
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		100,980	130,354

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			

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 <i>(description)</i>			


Appendix 5B
Mining exploration entity quarterly report

7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	481,137,223	481,137,223		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,893,750 416,667	2,893,750 416,667	40c per share Zero exercise price	40c per share Zero exercise price
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)			<i>Exercise price</i>	<i>Expiry date</i>
	Unlisted – ESOP ExSOP	1,000,000		\$0.16	8/02/2011
	Unlisted – ESOP ExSOP	200,000		\$0.40	22/5/2012
	Unlisted – ESOP ExSOP	300,000		\$0.55	13/6/2012
	Unlisted – ESOP ExSOP	500,000		\$0.575	27/6/2012
	Unlisted – ESOP ExSOP	890,000		\$0.38	15/8/2012
	Unlisted – ESOP ExSOP	1,500,000		\$0.26	22/1/2013
	Unlisted – ESOP ExSOP	200,000		\$0.34	28/04/2013
	Unlisted – ESOP ExSOP	130,000		\$0.145	10/2/2014
	Unlisted – ZEPO's	416,667		\$0.00	21/2/2011
	Unlisted – ZEPO's	295,370		\$0.00	1/7/2014
	Unlisted	5,000,000		\$0.30	30/06/2010
	Unlisted	10,000,000		\$0.30	24/10/2011
	Unlisted	8,000,000		\$0.40	30/9/2010
	Unlisted	2,500,000		\$0.70	30/06/2010
7.8	Issued during quarter				
7.9	Exercised during quarter	Unlisted – ZEPO's	416,667	\$0.00	21/2/2011
7.10	Expired during quarter				

7.11 Debentures <i>(totals only)</i>			
7.12 Unsecured notes <i>(totals only)</i>			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 28 May 2010
Company secretary

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.

== == == == ==