

Wednesday, 4 June 2012

KANMANTOO UPDATE – 30 JUNE 2012

Hillgrove Resources Limited (ASX: HGO) is pleased to provide shareholders with the following update for operations at the Kanmantoo Copper Mine for the month of June 2012.

- The Kanmantoo plant throughput has now settled at its design capacity and achieved steady state operations, with crushing and milling achieving design parameters and recoveries consistently above those expected for the grade of ore presenting to the mill.
- The concentrate shipment in June was 11,062 wmt.
- Revenue received during the month increased 5.4% from May to USD11.8m, whilst future copper prices to be realised remain underpinned by the strong copper hedging program.

The operating performance for June was again pleasing, confirming that the design throughput rates are now being achieved on a consistent basis. Despite the exceptional weather conditions at site (rainfall recorded at the nearby Mt Barker weather station for the month of June was 170% of the long term average¹), mill throughput was able to be maintained due to the ability to utilise stockpiled ore when conditions in the pit prevented hauling. Whilst this resulted in a lower than planned feed grade and copper concentrate production for the month, stockpiles of fresh ore were replenished during the month providing a buffer should the mine encounter further adverse weather conditions in the near future.

- A total of USD11.8m of revenue was received during the month. This was comprised of USD8.1m in early payments for 5,401 dry metric tonnes (dmt) of copper concentrate; and USD3.7m of provisional payments relating to Hillgrove's second and third shipments.
- 191k dmt crushed, representing 95.5% of design annual throughput rate of 200k dmt per month.
- Average crushing rate achieved when operating was 402 dry metric tonnes per hour (dmtph), representing 100.8% of target of 399 dmtph.
- 194k dmt milled, representing 97% of annual throughput rate of 200k dmt per month.
- Average milling rate achieved was 299 dmtph, representing 99.7% of design throughput of 300 dmtph.
- 4,201 dmt of copper concentrate was produced, grading 26.5% Cu, 2.6 g/t Au and 70.9 g/t Ag.
- Feed grade averaged 0.64% Cu for the month which was below plan due to the need to process low grade material.
- Copper recovery through the plant averaged 90.3%, which was in line with targets, and above the expected recovery for the feed grade of the ore presenting to the mill.

¹ Australian Government Bureau of Meteorology



- The third concentrate shipment, of 11,062 wmt, departed from Port Adelaide on 16 June 2012.
- The fourth concentrate shipment of approximately 11,000 wmt is planned for the first half of August 2012.

The information in the monthly reports to date has been intended to highlight progress at the mine during the first months of operation. Now that steady state throughput has been achieved, future operational performance will be reported through the quarterly reports and regular corporate presentations which will be posted on the company's website.

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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, and is ramping up to an initial throughput of 2.4Mt per annum in 2012, to produce approximately 80,000 tonnes of concentrate per annum.

Global Mineral Resource (March 2012)

	JORC Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Bi (g/t)	Cu Metal (kt)
In Situ Resource	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: The estimation of Bi is based on limited sampling data. Bi is recognised as a potential penalty element at Kanmantoo. As at end of March 2012.

2012 In Situ Resource > 0.25% Cu.

Long Term Stockpiles > 0.15% Cu. Au, Ag and Bi assays are not available.

Ore Reserve (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 Reserve	14.8	0.85	0.17	3.1

Competent Person's Statements

The information in this report that relates to Kanmantoo Exploration Results, Exploration Targets and Stockpiles is based on information compiled by Mr Pat Manouge, who is a Member of The Australian Institute of Geoscientists. Mr Manouge is the Kanmantoo Copper Mine Exploration Manager for Hillgrove Resources 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 information in this report that relates to in situ Mineral Resource estimates is based on information compiled by Mr Aaron Meakin, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Meakin is a full-time employee of AMC Consultants Pty Ltd 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 information in this report that relates to Ore Reserve estimates is based on information compiled by Mr Geoff Davidson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Davidson is a Principal Consultant and Director of Mining and Cost Engineering Pty Ltd 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 (JORC Code)'.

The Competent Persons have consented to the inclusion in the report of the matters based on their information in the form and context in which it appears.