

Monday, 18 January 2010

HILLGROVE COMPLETES \$25M SHARE PLACEMENT AND LAUNCHES SHARE PURCHASE PLAN

Hillgrove Resources Limited (ASX:HGO) advises that it has placed a total of approximately 62.3 million ordinary shares at 40 cents per share to raise \$24.9 million (Placement). In parallel with this, the Company will be launching a Share Purchase Plan (SPP) to raise a maximum of \$10 million at an offer price equivalent to the placement price. The funds raised will be used principally to help finance the development of the Kanmantoo Copper/Gold Project and for general working capital.

The Placement and SPP create additional financial capacity to move the Company's flagship Kanmantoo Copper Gold Project towards production and pursue growth opportunities whilst maintaining the current strong cash position of the Company.

David Archer, the Managing Director of Hillgrove said today "the improved global economic environment matched with very healthy metals prices and the robust outlook for copper has widened the range of financing options for the development of copper/gold projects such as Kanmantoo".



Mr Archer commented that "the placement met with strong interest from Australian and overseas institutional investors and underscores the uniqueness of the Kanmantoo opportunity. There was strong support from institutions for Hillgrove to go it alone with the development of Kanmantoo and thereby keeping 100% of the earnings stream and the upside. As a result we are now not intending to develop the mine with a joint venture partner".

"Following detailed assessment of the alternative funding options, we believe it is in the best interests of our shareholders to move Kanmantoo towards production as a wholly owned project. The Directors believe this approach will ensure that Hillgrove shareholders get the full undiluted benefit of exposure to the strong demand for copper and the positive pricing outlook for the metal and the significant further exploration upside that the Project offers."

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Kanmantoo Project Process Plant

The proceeds of the capital raising and SPP of up to \$35 million, combined with existing pre-tax cash reserves of approximately \$105 million and an anticipated conservative debt/equity ratio project financing for the Kanmantoo project (total project capital expenditure estimated to be AUD \$98 million) will provide the Company with funding flexibility to pursue exploration activities at Kanmantoo, in Indonesia and Queensland, whilst retaining a conservative cash reserve.

Hillgrove has initiated discussions with a number of banks for the provision of project finance for the project and is meeting with solid interest. A final investment decision for the mine's development will be made once a project finance package has been agreed.

The Placement, which was arranged by Evans & Partners, was taken up by a number of Australian and overseas investment institutions and sophisticated investors and closed oversubscribed.

In addition to the Placement, the Company will be offering existing shareholders the opportunity to participate in the Share Purchase Plan (SPP) on essentially the same terms as the Placement. The SPP will provide eligible shareholders with the opportunity to subscribe for a maximum \$15,000 worth (subject to an application for relief from Listing Rule 7.2, Exception 15 which the Company is confident will be forthcoming) of Hillgrove ordinary shares without incurring brokerage or other transaction costs. The SPP is not underwritten. Hillgrove reserves the right to scale back applications if the total demand exceeds \$10.0 million.

"We are pleased to be able to offer existing shareholders this opportunity to support the growth of the company at the same price as institutional and sophisticated investors. Full details of the SPP will be provided to eligible shareholders within the next 10 working days," Mr Archer said.

The SPP will be open to eligible shareholders who are registered as holders of Hillgrove shares at the close of business today, Monday 18 January 2010. In order to be registered as holders by this time investors would have purchased shares on the market by Wednesday 12 January, given the Company was in trading halt this week.

The SPP will open on Monday, 25 January 2010 and is scheduled to close on Friday, 12 February 2010.

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.

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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 completion of construction 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 Dale Ferguson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ferguson is the General Manager – Exploration and Operations of 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 Ferguson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate is based on information compiled by Mr Paul Payne, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is the Principal of Resource Evaluations 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'. 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.

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