

Wednesday, 28 March 2012

## KANMANTOO MARCH PRODUCTION IMPACTED BY SECONDARY CRUSHER

Hillgrove Resources Limited (ASX: HGO) advises shareholders that the ramp-up at the Kanmantoo Copper Mine is generally on schedule with the overall performance of the processing plant running around design capacity. However, during March, production will be reduced to about 160kt (80% design) by a recent failure of the crown gear in the secondary cone crusher – a very unusual event.

It is envisaged that concentrate production will be correspondingly affected. Kanmantoo is 4 months into a 4-6 month ramp-up, and otherwise remains on track. The loss of production for March is of marginal concern in the context of projected annual throughput at full capacity.

The Company remains pleased with overall progress as it works towards achieving ultimate throughput capacity of the plant. Full plant throughput of 200kt is expected in April.

Due to the nature of the failure, sourcing critical spares has taken longer than expected. The secondary crusher is a Metso HP500 machine and was brand new at installation at Kanmantoo. The cause of the failure is yet to be determined, and the company is in consultation with the original equipment manufacturers and the crushing circuit designer/contractor.

The company purchased a Lippmann 3252 mobile crushing plant in mid-March, with greater size-handling and throughput capacity than the current fixed jaw, and this equipment was, and is, expected to address the overall performance of the crusher circuit in the short to medium term.



By reducing the jaw opening of the Lippmann crusher and by-passing the existing crushing circuit to direct-feed the mill, plant feed has been maintained, although the larger than normal size-fraction feed has resulted in reduced mill throughput.

Managing Director, Drew Simonsen, said Hillgrove is managing the ramp-up with the continuing de-bottle-necking of the various processing areas and the processing plant is now capable of running at, or above, design capacity. In the overall scheme of things, a 40kt setback in March is not material to the 2012/13 budget, and is expected to be more than recovered over the remainder of the financial year.

“While the performance of the crushing circuit has been disappointing this month, there are no long-term unfixable issues. Fragmentation and productivity in the pit is improving, and the purchase of the mobile crushing plant has already proven to be a wise decision, enabling continuity of production, albeit at a reduced rate, during the secondary crusher down-time.”

Mr Simonsen continued “with the secondary crusher back on-line, crushing circuit improvements underway, and with the help of the mobile crusher and improved fragmentation, we will be targeting 100% of design throughput, or 200kt, though the mill for April, our 5th operating month, which is within our guidance of overall ramp-up to full production within 4-6 months. The 90 day Bank Completion Test is also expected to commence in April 2012.”

“We will be releasing the March production update next week, following finalisation of end-of-month figures.”

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**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 construction now completed, Kanmantoo is an open-cut mine, and will ramp up over the first half of 2012 to 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
<b>Total</b>	<b>32,192</b>	<b>0.9</b>	<b>0.2</b>	<b>3.2</b>	<b>292,200</b>	<b>191,100</b>	<b>3,313,600</b>

and Reserves of:

Category	Tonnes	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
<b>Ore Reserve</b>	<b>14.8</b>	<b>0.85</b>	<b>0.17</b>	<b>3.1</b>

*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’.*

*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’.*

*The information in this Ore Reserve statement 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’.*

*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.*