

Thursday, 11 April 2013

KANMANTOO INCREASES THROUGHPUT TO 2.8MT

- **The new primary crusher circuit replacement project at Kanmantoo Copper Mine has been successfully completed**
- **All underperforming elements of the crusher circuit have been replaced**
- **Estimated monthly operational cost reduction of \$400k to be realised as a result of surplus equipment removal and changeover to the new circuit**
- **Ore processing throughput has increased from 2.4Mt to 2.8Mt per annum**
- **Increased throughput combined with higher ore grades being mined will have a significant positive impact on total copper produced from Kanmantoo**

Hillgrove Resources Limited (ASX:HGO) is pleased to advise that the installation and commissioning of the new primary crusher circuit for the Kanmantoo Copper Mine has been completed, and the circuit is now operating in line with expected performance.

Replacement of the previous circuit was required following an assessment by Hillgrove that the crusher circuit failed to perform to expected levels during ramp-up of the processing plant in 2012. The circuit arrangement constrained overall performance at the mine and required temporary work-around solutions to maintain throughput levels.

The new crusher has enabled throughput to increase from 2.4M to above 2.8M tonnes per annum, in order to produce approximately 80,000 dry metric tonnes of copper concentrate per annum.



Greg Hall, CEO and Managing Director, commented that “The new crusher has already demonstrated its capacity to crush at rates of 2.8M tonnes per annum which has enabled production to be increased by managing direct ore feed and stockpiles on the ROM. With Kanmantoo now achieving the targeted annual production levels for the mine and the resulting revenue, the project is right on track.”



“Combine that with the project progressing steadily towards its goal of extending the estimated period of operation from 6.5 to more than 10 years, and there is a substantial increase in project value long term. The new Life of Mine plan, along with the improvement of copper feed grade to the mill from the focus on the main Kavanagh pit, with lower cost achieved through process simplification will establish Kanmantoo’s positive cash generation.”

NEW CRUSHER INSTALLED SUCCESSFULLY

The four week programme managed by Global Crushers and Spares Pty Ltd, with their sub-contractors’ and Hillgrove’s maintenance and electrical teams, progressed successfully with the project delivered injury free, on time and on budget.



With all replacement materials stored on site and the new crusher having arrived from the United States in late February, the old crusher circuit was shutdown in early March for demolition and installation of the new circuit. During the change out additional equipment was required on the ROM pad to facilitate temporary crushing arrangements, in addition to a large stockpile of crushed ore which had been built up to ensure crushed ore continuity to the mill during the outage.

With the new crusher installed it has allowed ancillary equipment and the auxiliary crusher, the mobile Lippmann 3252, to be removed from the ROM area and readied for sale. The removal of the surplus equipment will have an immediate impact on operations, as the ore crushing will be processed by both direct tipping and stockpile feed that will reduce dust and noise, and will result in substantial monthly operating cost reductions, estimated to be approximately \$400k per month. Along with this, the new system allows a more consistent product size into the mill, resulting in improved milling performance.

NEW LOM PLAN

With Kanmantoo now achieving increased annual production levels for the mine, the new LOM plan, along with the improving copper feed grade to the mill, will consolidate and increase Kanmantoo’s positive cash generation, over the expected 10 year period of operation.

The new LOM plan announced on 20 February 2013 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 currently finalising updates to its Mineral Resources and Ore Reserves based on the exploration drilling completed during 2012. An updated JORC compliant Mineral Resources estimate will be released during Q2 2013 and an updated JORC compliant Ore Reserves estimate is anticipated to be released during Q3 2013.

For more information contact:

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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 completed in late 2011, Kanmantoo is an open-cut mine which has now ramped up to a throughput of 2.8Mtpa, to produce approximately 80,000 dry metric tonnes of concentrate per annum.

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 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 Reserves	14.8	0.85	0.17	3.1

Hillgrove has a 31 January financial year end and therefore quarter references are February to April for Q1, May to July for Q2, August to October for Q3 and Q4 runs from November to January.

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)'.

HILLGROVE RESOURCES LIMITED

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.