

30 January 2019

KANAPPA CU-AU DRILLING RESULTS

HIGHLIGHTS

The diamond drilling at Kanappa intersected a wide sequence of chlorite, potassic, magnetite, and pyrrhotite altered and veined sediments, monzonites and diorites that is at least 250m wide and open to the east, within which are a number of smaller copper and gold mineralised zones.

After logging a suite of samples from the first drill hole, internationally respected petrologist, Dr Roger Taylor, states "the paragenesis records a classic magmatic related down temperature sequence, often recorded in porphyry copper gold systems and in several iron oxide copper gold systems."

The best copper intersection was intersected in drill hole KPDD003 where;

A chlorite, sericite, K-feldspar, magnetite, pyrrhotite vein and alteration zone extending from 12.55m downhole to end of hole at 208.7m and open to east, within which is;

- 45m @ 0.2% Cu, from 47m downhole, including two higher grade zones
 - 5.5m @ 0.47% Cu from 69.5m downhole, and
 - 4.5m @ 0.65% Cu from 85.0m downhole.

Whilst the copper intersections are low grade, the geology of these drill holes confirm the Company's view that the Kanappa area is prospective for large scale magmatic related copper-gold mineral deposits.

Further work is in progress to confirm these observations and their implication for the next drilling program.

Kanappa Drill Program

Hillgrove Resources Limited (ASX:HGO) advises that the Company has completed three diamond drill holes along the Kanappa Cu-Au mineralised zone. The Kanappa Cu-Au mineralisation is located approximately 65km east-north-east of Adelaide, South Australia on Exploration Lease 5628 held 100% by Hillgrove, and approximately 45kms north-east of the Kanmantoo Copper Mine. Figure 1 shows the location of the Kanappa area on a plan of Hillgrove's tenements. Figure 2 shows the location of the drill holes on a Tilt image of heli-borne magnetics.

Figure 1 Plan view of the location of the Kanappa project

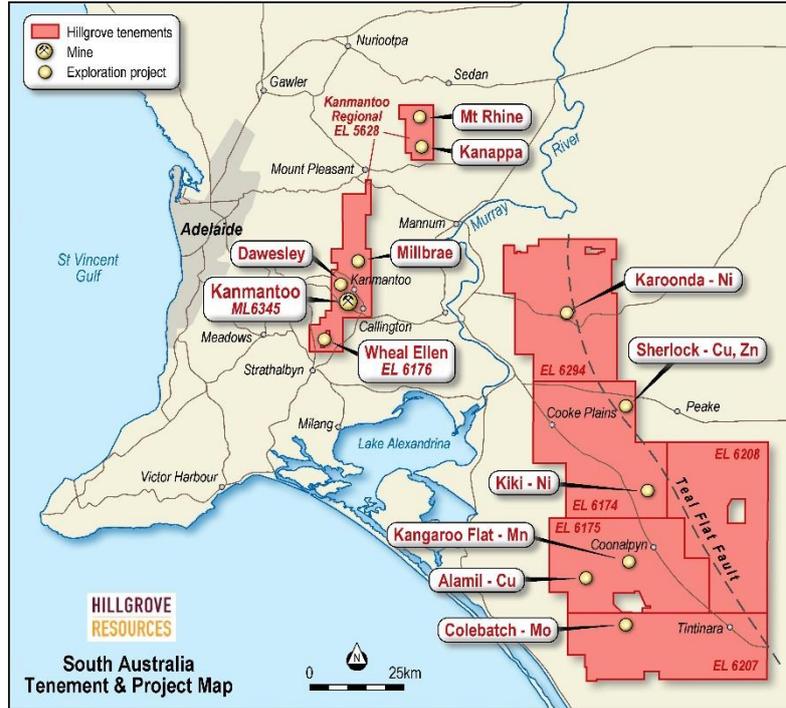
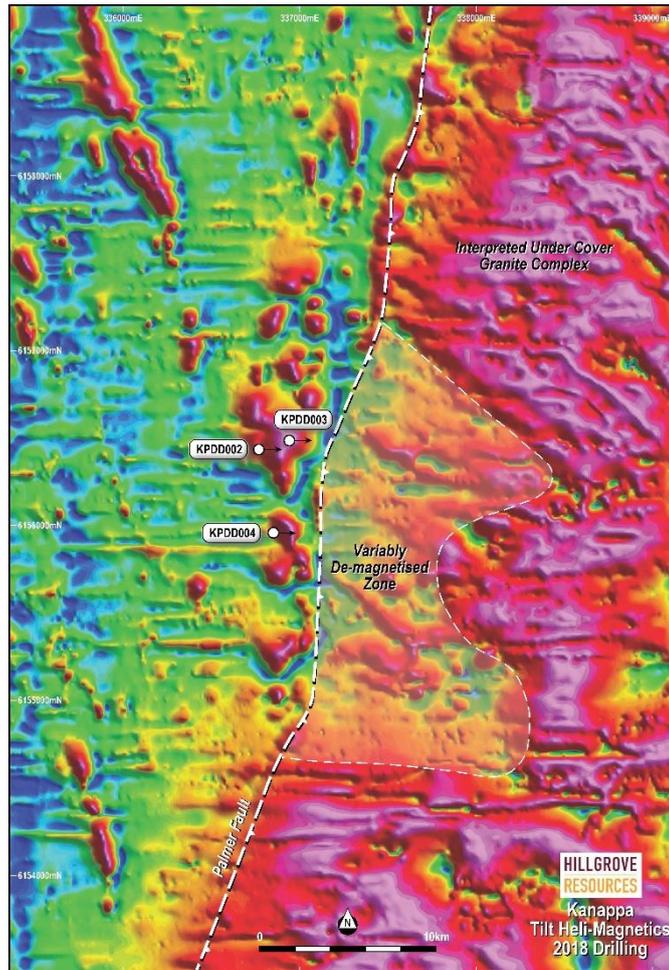


Figure 2 Plan view of the location of the drill holes on the heli-magnetics (Tilt image)



The drilling program at Kanappa was terminated after three holes due to encountering excessively broken ground (see Figure 3 for an example of broken ground conditions from KPDD002), which resulted in two of the three drill holes not being able to reach planned depth, low penetration rates, high water consumption and higher costs. Three magnetic-geochemical targets that had been planned to be drilled in this program remain undrilled. Table 1 presents the drill hole collar locations and final depths.

Results from all holes are as follows and are also presented in Figures 4 and 5.

KPDD002

A chlorite, sericite, K-feldspar, magnetite, pyrrhotite vein and alteration zone extending from 49.5m downhole to the end of the drill hole at 367.0m and open to east, within which is;

- 7m @ 0.4% Cu, from 230.5 downhole
- 2m @ 1.3g/t Au from 358m downhole

KPDD003

A chlorite, sericite, K-feldspar, magnetite, pyrrhotite vein and alteration zone extending from 12.55m downhole to the end of the drill hole at 208.7m and open to east, within which is;

- 45m @ 0.2% Cu, from 47m downhole, including two higher grade zones
 - 5.5m @ 0.47% Cu from 69.5m downhole, and
 - 4.5m @ 0.65% Cu from 85.0m downhole.

KPDD004

A less intense chlorite, sericite, K-feldspar, magnetite, pyrrhotite vein and alteration zone extending from 67.5m to 130.18m downhole, within which is;

- 1.0m @ 0.2% Cu, from 100m downhole

Figure 3 An example of broken drill core from KPDD002



Table 1 Drilling co-ordinates and collar survey data

Hole_ID	Grid	East	North	RL	Dip	Azimuth (True)	EOH Depth
KPDD002	MGA94_54	336771	6156461	274	-65	94	367
KPDD003	MGA94_54	336925	6156489	255	-70	91	208.7
KPDD004	MGA94_54	336847	6155952	236	-62	99	247.5

Figure 4 Cross section of KPDD002 and KPDD003

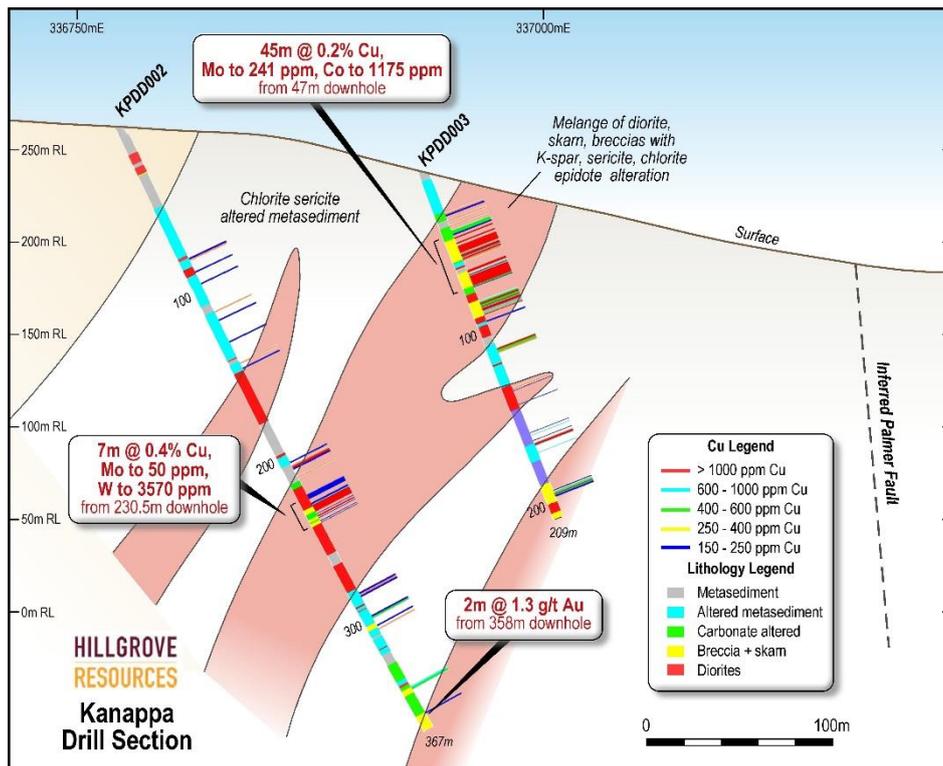
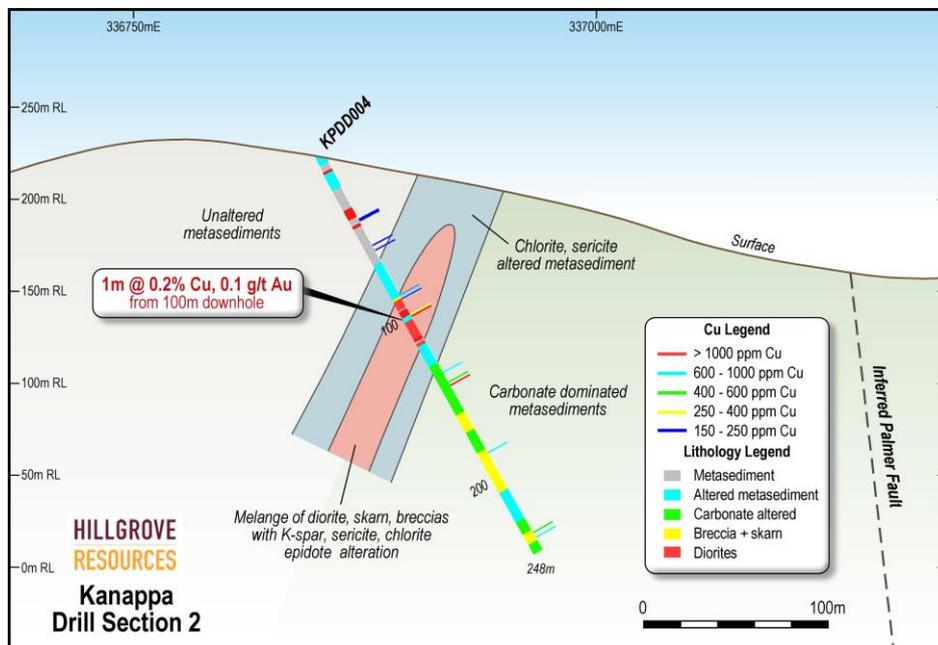


Figure 5 Cross section of KPDD004



Kanappa Geology

Preliminary results of the petrology of a suite of 15 samples from KPDD002 by Dr Roger Taylor has revealed a wide sequence of chlorite and potassic altered metasediments and intrusives hosting vein and disseminated pyrite, pyrrhotite, chalcopyrite, molybdenite and magnetite.

Assaying of half drill core using a 4-acid digest and ICP-MS analysis has identified strong anomalism in gold (Au to 2.47g/t), tungsten (W to 3570ppm), molybdenum (Mo to 241ppm), cobalt (Co to 1175ppm), and zinc (Zn to 3340ppm). The tenor of this elemental suite is different to that at Kanmantoo,

The alteration and geochemical patterns within KPDD002 suggest that the, “paragenesis records a classic magmatic related down-temperature sequence, often recorded in porphyry copper-gold systems and in several iron oxide copper gold systems”, says Dr Taylor.

Further Exploration

Further analysis of the petrology and geochemistry of the drill core is in progress to affirm the style of mineralisation and vectors to Cu-Au mineralisation. The previously identified magnetic-geochemical drill targets that were not drilled, will also be re-evaluated and follow-up geophysical and drilling programs will be evaluated.

Figure 6 Photo of mineralised drill core from 230.5m in KPDD002



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 mineral exploration in the south-east of South Australia. The Kanmantoo Copper Mine is located less than 55 kilometres from Adelaide in South Australia. With construction completed in late 2011, Kanmantoo is an open-cut mine with a throughput of 3.0 - 3.5Mt p.a., to produce up to 100,000 dry metric tonnes of copper concentrate per annum, containing approximately 20,000t copper and associated gold and silver per annum over the current life of mine.

Mineral Resource Estimate for All Deposits at 31 December 2017

Mine	JORC 2012 Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu Metal (kt)
Kanmantoo	Measured	9.5	0.6	0.1	1.2	59
Copper Mine,	Indicated	10.1	0.6	0.1	1.5	62
All Deposits	Inferred	12.3	0.6	0.1	1.0	67
	Total	31.8	0.6	0.1	1.2	188

Note: Resource $\geq 0.20\%$ Cu

Competent Person's Statement

The information in this release that relates to the Exploration Results and to the 2017 Mineral Resource is based upon information compiled by Mr Peter Rolley, who is a Member of The Australian Institute of Geoscientists. Mr Rolley 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'. Mr Rolley has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

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APPENDIX A – JORC Table 1

Section 1 Sampling Techniques and Data

Criteria	Commentary
<i>Sampling techniques</i>	<ul style="list-style-type: none"> • Diamond drill hole (DDH) core samples collected by Hillgrove Resources personnel have been used for the geological interpretation. • The 2018 DDH sampling was conducted as per the Hillgrove Resources procedures and QAQC protocols. <ul style="list-style-type: none"> • 0.5m samples through visibly mineralised zones and 1.0m samples elsewhere were collected from half drill core, with the drill core sawn in half with a diamond core saw. • Samples were prepared by ALS Adelaide with each sample being wholly pulverised to >85% passing <75µm
<i>Drilling techniques</i>	<ul style="list-style-type: none"> • Diamond drilling undertaken by external RC drilling contractor. HQ drilling from surface to 50-60m and thence NQ3 diamond drilling to end of hole.
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> • Recovered drill core metres were measured and compared to length of drill hole advance to calculate core recovery for every core run. On average sample recovery was >80%. There is no correlation between sample recovery and copper grades in this DDH drill program.
<i>Logging</i>	<ul style="list-style-type: none"> • All drill core was logged for lithology, alteration, weathering and mineralisation by Hillgrove geologists in accordance with Hillgrove's Core Logging Procedure. Colour and any additional qualitative comments were also recorded. • High quality photographs of all drill core before being sampled were taken under controlled light at the DEM Tonsley core library facility. • All drill core is stored at Hillgrove's Kanmantoo core yard facility. • All geological logging is recorded in the field manually using a paper-based system and then manually entered into Excel spread sheet templates and visually validated before being imported into the Hillgrove drill hole database. Additional validation is conducted automatically on import.
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> • The core was sawn in half and the half core despatched to ALS for each 0.5m or 1.0m sample interval and the entire sample then crushed and pulverised. A sub-split of 200 grams was then split by ALS and retained and the reject pulverised material returned to Hillgrove. From the 200gram sub-split a 2gram aliquot was scooped and weighed by ALS for acid digestion. • Hillgrove have detailed sampling and QAQC procedures in place to ensure sample collection is carried out to maximise representivity of the samples and minimise contamination, and maintain sample numbering integrity.
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none"> • All samples were submitted to ALS for analysis. ALS code ME-MS61 using a 4-acid digest with determination by Mass Spectrometry. If the copper result was greater than 1%, the analysis was repeated using a modified acid digestion technique. • The QAQC of sample preparation and analysis processes were via the following samples: <ul style="list-style-type: none"> • Certified reference materials (CRMS) inserted into the sample sequence at a frequency of one in 20. • Blanks inserted at a rate of one in every 20 samples. • Laboratory QAQC samples were inserted with a minimum of two standards and one blank for every batch of 40 samples.

Criteria	Commentary
	<ul style="list-style-type: none"> Hillgrove's Quality policy is that at a minimum of 5% of all samples are CRM's, and 5% of samples submitted are blanks thus ensuring that as a minimum, 10% of all samples submitted for analysis are Hillgrove QAQC samples. Results from all returned QAQC samples provide reasonable confidence as to the accuracy of the assay results used in the estimation. Field duplicates show a good correlation with original sample results and the CRM results all fall within the expected ranges.
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none"> Primary sample data is captured in the field onto paper templates and then entered electronically into Excel templates and stored on the Hillgrove server. The Excel templates were then imported into the SQL database using data entry procedures and database import tools. Data was visually checked by the Geologist prior to import and additional validation was carried out by the database upon import. Copper results were reported in ppm units from the laboratories and then converted to a % value within the database.
<i>Location of data points</i>	<ul style="list-style-type: none"> The map projection of Map Grid of Australia 1994 - Zone 54, (MGA94-54) was used all work undertaken for this drilling. All drill hole collars were surveyed with a hand held Garmin 64 by onsite Hillgrove geologists. The accuracy of this instrument is 0.5m in the horizontal plane and 2.0m in the vertical. All pick-ups were reported in MGA94-54 coordinate system. Downhole surveys were determined using a gyro survey instrument at 30m intervals. All holes were repeat surveyed for verification.
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> See Figure 2 for drill hole locations.
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> The majority of holes are angled drill holes, dipping at -62 to -70deg towards 091 to 099deg (true). This is approximately normal to the observed strike of the mineralisation from surface mapping, The holes were oriented at -62 to -70deg to the east which is assumed to be a high angle to the observed dip of the mineralisation of -70deg to the west.
<i>Sample security</i>	<ul style="list-style-type: none"> A Hillgrove employee is present for the collection of core trays from the DDH rig and is also responsible for collecting and organising the samples ready for assay. Hillgrove has a detailed sample collection/submission procedure in place to ensure sample security. Drill core is transported in covered trays from the drill site to Hillgrove's core yard at Kanmantoo in Hillgrove vehicles under the supervision of Hillgrove staff. Transport of the half-sawn drill core samples is by dedicated road transport to the Adelaide sample preparation facility. All samples are transported in sealed plastic bags and are accompanied by (either paper form or by email) a detailed sample submission form On receiving a batch of samples, the receiving laboratory checks received samples against a sample dispatch sheet supplied by Hillgrove personnel. On completion of this check a sample reconciliation report is provided for each batch received.
<i>Audits or reviews</i>	<ul style="list-style-type: none"> There has not been an external review of this DDH drilling program. Previous audits of the Hillgrove sampling methods were reviewed by independent consultant in 2008 and were considered to be of a very high standard.

Section 2 Reporting of Exploration Results

Criteria	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> The Kanappa copper gold project is situated 55kms south-east of Adelaide on Exploration Licence (EL5628) and is owned 100% by Hillgrove Resources Limited (HGO). EL5628 overlies freehold land for which Hillgrove has negotiated access agreements with the landowner.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> Previous exploration has been summarised in the 25/05/2017, 20/10/2017, 8/05/2018 ASX releases by Hillgrove Hillgrove Resources commenced exploration drilling in 2006 and since then has completed a number of exploration sampling and mapping campaigns which have resulted in defining the drill targets.
<i>Geology</i>	<ul style="list-style-type: none"> Mineralisation occurs as a complex system of structurally controlled veins and disseminations of chalcopyrite, pyrrhotite, pyrite, magnetite, within a quartz + biotite + andalusite ± garnet ± chlorite +/- sericite +/- K-feldspar schist host rock or undeformed potassic altered intrusive. Petrology shows the intrusives to be of two types – an intermediate suite of diorites and a felsic suite of quartz monzonites. Structural studies suggest the mineralisation is within brittle structures that have been multiply re-activated.
<i>Drill hole Information</i>	<ul style="list-style-type: none"> Drill collars, surveys, intercepts are reported in the body of this release.
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> Intercepts tabulated in the body of the report are amalgamated over a minimum down hole length of 1m > 0.1% Cu with a maximum of 4m internal dilution < 0.1% Cu. No assays were cut before amalgamating for the intercept calculation. No metal equivalent values have been reported.
<i>Mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> Table of downhole mineralised intercepts is reported in the body of this release.
<i>Diagrams</i>	<ul style="list-style-type: none"> Diagrams that are relevant to this release have been included in the body of the release.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> All drill holes completed in 2018 have been reported.
<i>Other exploration data</i>	<ul style="list-style-type: none"> In this drilling program, all core was scanned by the HyLogger equipment at the Tonsley Core Library under the supervision of Dr Alan Mauger All drill holes were geophysically logged down hole by an external consultant for hole deviation, natural gamma, density, magnetic susceptibility and conductivity. Due to broken ground, Hole KPDD002 was only downhole logged to 52.5m, KPDD003 only logged to 162.5m and KPDD004 logged to 207.5m
<i>Further work</i>	<ul style="list-style-type: none"> Petrological examination of the drill core will continue.