

Monday, 29 September 2008

InterMet Elects to Maintain 49% Interest in Watson Uranium Project

Hillgrove Resources Limited (ASX:ITT) advises that Uranium Equities (ASX:UEQ) has earned a 51% interest in the Watson Uranium Project by spending \$500,000 on exploration and that InterMet (Hillgrove 85%) has elected to maintain a 49% joint venture interest in the Project. The Watson Uranium Project totals 2,391km² and is located 210km northwest of Ceduna in the far west of South Australia.

Mr David Archer, the Managing Director of Hillgrove said today “the Joint Venture is targeting Beverley/Four Mile style mineralisation within the Watson tenement area which is regarded as being highly prospective for sandstone hosted, ‘roll-front’ uranium mineralisation in the large Tertiary palaeochannel. The Watson Uranium Project is an outstanding opportunity as it has many of the hallmarks for ‘roll-front’ mineralisation – a large paleochannel system, nearby uraniferous source rocks, potential host sands which are oxidised and reduced near the channel margin”.

“Around six holes are planned to be drilled in the next quarter within the paleochannel by another company and these holes will be wireline logged. Further follow up drilling is planned by the Joint Venture in the second quarter of 2009”.

“We are delighted to be working with UEQ as Operator of the Joint Venture. UEQ’s exploration professionals have an outstanding track record for discovering major Australian uranium deposits”.

By way of background, South Australia’s major paleochannel hosted uranium deposits (see Figure 1) include the Beverley Uranium Mine which is 530km north-north-east of Adelaide and 100km east of Leigh Creek. Beverley is owned by Heathgate Resources Pty. Limited. It is Australia’s third operating uranium mine with a resource of 21,000 tonnes of contained uranium oxide and is Australia’s only in situ recovery mine. The advanced Four Mile Uranium Project (Quasar Resources Pty Ltd 75% and Alliance Resources Ltd 25%), is 8km from the Beverley Uranium Mine and has an initial resource at Four Mile West of 3.9 million tonnes at 0.37% uranium oxide containing 15,000 tonnes (32 million lb) of uranium oxide.

About Hillgrove

Hillgrove is an Australian resources company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its South Australian base and precious metals projects. The Company has an exploration portfolio of over 970km² within the Kanmantoo Trough and the Gawler Craton which are recognised as being amongst Australia's most prospective regions for copper and gold.

Hillgrove's key asset is the Kanmantoo Copper Gold Project, located less than 60km from Adelaide. Kanmantoo currently hosts a Mineral Resource of 31.8MT (21.4MT Indicated and 10.4MT Inferred) grading 0.9% copper and 0.20g/t gold, containing 290,700 tonnes of copper, 189,300 ounces of gold and 3,218,400 ounces of silver. With production targeted for the second half of 2009, Kanmantoo will be a 2MT p.a. open-cut mine producing approximately 17,000 tonnes copper in concentrate and 8,000 ounces of gold per annum.

Hillgrove also holds a portfolio of strategic positions in emerging energy and resources companies. These include a fully diluted direct 22.6% shareholding in coal seam gas company Eastern Star Gas Limited (ASX:ESG) and a direct 84.8% shareholding in Queensland and South Australian-focussed minerals explorer InterMet Resources Limited (ASX:ITT).

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 Director – 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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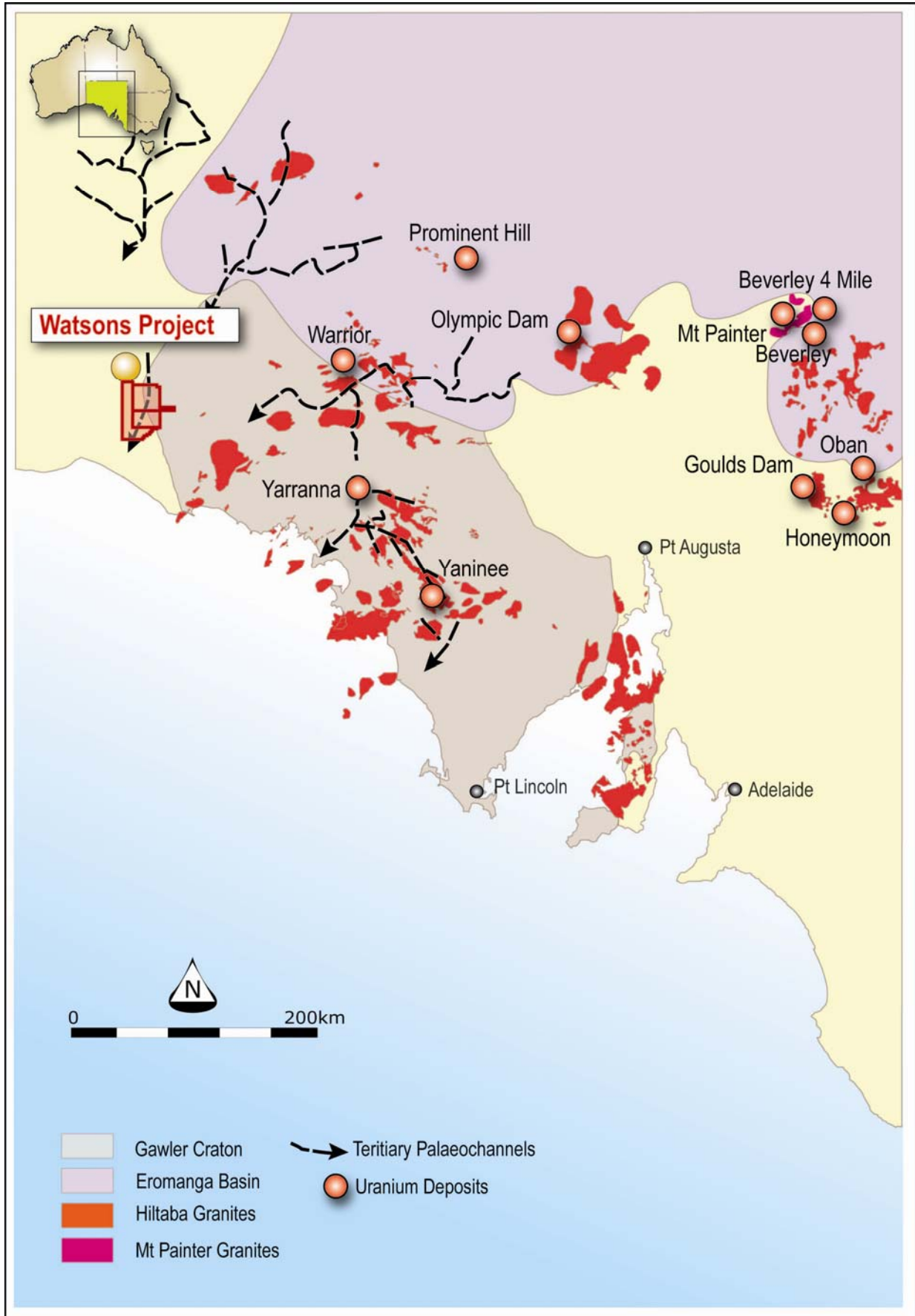


Figure 1. South Australian Uranium Deposits and the Watson Project