



KANMANTOO PROJECT UPDATE – FEBRUARY 2006

Focus Group

The next Focus Group meeting will be held on the 6th April 2006 at 7.30pm at the Callington Community Hall. The agenda for the meeting is presented below. The minutes from the meeting held on the 2nd February are attached.

The focus group is made up of a broad base of different interest groups, so most questions can be answered on the night. Anyone with a question is encouraged to attend this meeting.

Kanmantoo-Callington Focus Group Meeting Agenda

1. Welcome members and new introductions

Attendance and apologies
Designated Champions and Gallery

2. Notes of previous meeting

Follow up of action list

3. New business

Presentation / update of the project

4. Standing items

Reports from champions

- Communication package- Dale Ferguson
- Newsletter – Lyn Stokes / John Popow
- Environmental issues – Harry Seager / Andrew Crompton / Ben Simons/ Kevin Keller/ Greg Sarre
- Landowners directly affected – Alex Wells
- Wider community – Peter McCormack
- Heritage and history- Katherine Roberts / Ray Warren
- Regional Development – Bob Goreing
- Local / State Government – Greg Sarre/Lyn Stokes

5. Any other business

6. Next meeting (1 June 2006) and close



ASX Release 13th February 2006

Hillgrove Resources recently announced further assay results from the Kanmantoo project to the ASX, with the highlight being the intersection of a good zone of copper mineralisation with gold credits.

The statement said that drilling targeting the O'Neil Zone has intersected 24m at 1.84% copper and 0.50g/t gold, including 19m at 2.22% copper and 0.55g/t gold in KTRC 161.

This discovery is important, as it could help to join up any potential operations at the O'Neil and South Eastern Zones. The results highlight the potential for a possible increase in the global resource at Kanmantoo from new mineralisation outlined in the O'Neil Zone. Further drilling to extend this mineralisation to depth and along strike is currently being planned.

A new discovery at Wheal Fortune was also announced, where drilling has intersected a 35m wide zone of weak copper mineralisation, providing further evidence that an extensive mineralised system is present at Kanmantoo. Further work is currently underway to assess these results and more drilling will then be planned.

Environmental Report

Care for the local environment and conservation of flora and fauna are key considerations of the Kanmantoo project.

The next edition of *Kanmantoo Project Update* will carry the first of a series of what will become regular articles looking at various aspects of the environment programme.

Current Work Programme

February Work Program

Work during February focused mainly on continued Reverse Circulation (RC) and Diamond drilling around the old Kanmantoo pit and south near the intersection of Mines Road and Back Callington Road. The current drilling targeting a number of untested zones along a 1500m strike length of the main mine sequence is nearing completion.

Assay results from the work completed during January's work program are beginning to come in. These results will then be interpreted and accessed to determine whether any further work is required in these areas.



March Work Program

Reverse Circulation and Diamond drilling programs will be ongoing, with a new program recently commissioned. This new drilling program is aimed at verifying and extending the current resource base and will test the nature and potential size of the new discoveries made to date. A total of 51 drill holes for 3,380m of RC and 2,840m of diamond drilling have been proposed. This program is expected to take 2-3 months to complete. Whilst this work is being completed rigs will be visible from time to time on the old mine road.

Full details of the program are available in our press releases on Hillgrove's website: www.hillgroveresources.com.au which is always kept up to date with the latest news and statements to the ASX.

Consulting With Relevant Parties

Hillgrove is mindful of landowner and other stakeholder concerns, and every effort is being made to consult and liaise with all relevant parties before any work programs commence.

All our exploration activities will be conducted in accordance with PIRSA guidelines and we continue to make every effort to ensure the small areas where we do work are rehabilitated very rapidly.

Local Community

Hillgrove has been assisting the local economy for some time through the employment of five local field staff and we utilise Hahndorf-based John Nitschke Drilling Pty Ltd for all our exploration drilling. We anticipate that further staff will be required over the coming months and local people will be given priority for these positions.

New Team Member

An employment ad was placed in *The Advertiser* on Saturday March 18 to find a Site Manager for the Kanmantoo project following a restructure within Hillgrove. This new member of the team will manage the exploration program and the development of the project if it goes forward, in line with planning and strategies already released by the company.

It is a proactive step so that Hillgrove can find the best person with the best skills and experience and is another step towards further improving the company's ability to react to local needs and interests.

The advertisement does not change any timeframes which have previously been announced and Hillgrove will introduce the new appointee to the local community once they have been appointed.



How To Contact Us

If you have any queries or would like further information on our work program please contact Hillgrove's Landholder Liaison Officer, John Popow, by calling **0427 131 018** or via email to johnp@hillgroveresources.com.au, or alternatively our Exploration Manager, Dale Ferguson, on **(08) 9322 6377** or email to dalef@hillgroveresources.com.au.

We have added a community section to our website which provides an outline of our activities in the area. A landholder information section is now being developed and will be continually added to over time: www.hillgroveresources.com.au.

If you wish to contact Primary Industry and Resources South Australia (PIRSA), who are the government body who regulate mining and exploration in South Australia, please call Ian Hopton on **(08) 8463 3182** or email Hopton.Ian@saugov.sa.gov.au. If you have any queries on regulation issues try Rob Shaw on **(08) 8463 3129** or by email to Shaw.Rob@saugov.sa.gov.au.

If you would prefer to have an emailed copy of the newsletter please go to the website and fill in your details under Project News which is part of the Kanmantoo Community sections. The direct link is www.hillgroveresources.com.au/Kanmantoo/KanmantooProjectNews.

NOTES TO THE MEETING

Kanmantoo-Callington Focus Group Meeting

7.30pm, Thursday 2 February 2006

1. Welcome and new introductions

Attendance and apologies

Designated Champions:

Bob Goreing, Adelaide Hills Regional Development, CEO (Chair)
Dale Ferguson, Hillgrove Resources, Exploration Manager
John Popow, Hillgrove Resources, Land Owner Liaison Officer
Daniel Radulovic, Dept/Environment Heritage, Environment Officer
Greg Sarre, Mt Barker Council, Environment Officer
Lyn Stokes, Mt Barker Council, Councilor
Steve Sickerdick, SAMR Mining, Director
Bill Filmer, Kanmantoo Resident
Katherine Roberts Kanmantoo Resident
Harry Seager, Kanmantoo-Callington Land Care Group
Peter McCormack, Kanmantoo Resident

Gallery:

A gallery of about 10 people was present including:
Peter & Valerie Carmen
Kevin Keller
Tessa Thomas
Peter Roberts
Fiona Challam
Sam Walker, PIRSA
Hans Bailiht, PIRSA
Dr Ted Tyne, PIRSA
Mark Goldsworthy- local Member of (SA) Parliament

Apologies:

Ian Hopton, Rob Shaw, Alex Wells.

2. Notes of previous meeting:

Notes of the previous meeting were confirmed without alteration.

Action items

Reports on some action items that were still outstanding from two meetings ago were provided.

All actions had been completed with some continuing work on the following:

1. Case studies of good practice had not yet been developed. It was agreed that some good practice in environmental practice currently being documented by Hillgrove with the help of Daniel Radulovic, (Dept/Environment Heritage) should be the first examples;
2. A community project aimed at cleaning up a local historical mining site was still progressing. An engineer from within PIRSA had been identified and a site visit had been conducted. John Popov agreed to continue to monitor this project and report to the next meeting on progress;

The following action items identified at the last meeting were reported on:

Action 2 – a process is now in place for a letter to be sent to landowners in advance of any operations to alleviate any confusion;

Action 3 – Peter Roberts was not available to comment on the overall effectiveness of communications and this item was carried over to next meeting;

3. New business

Presentation / update of the project

Dale Ferguson gave an update of the exploration program.

He said that the next phase of drilling was planned for the area in the immediate vicinity of the pit as well as north, and east of the pit but within the mine site.

Other drilling targets would be determined by the results of previous work.

Where required on restricted access sites, a special small diamond rig would be used.

4. Standing items

Reports from champions:

Communication package- Dale Ferguson

Some items were covered earlier on the agenda.

Newsletter – Lyn Stokes / John Popow

An e mail option for newsletter distribution was now available.

Environmental issues – Harry Seager / Andrew Crompton / Ben Simons/ Kevin Keller/ Greg Sarre

An initial site visit was conducted of the area covered by the Declaration of Environmental Factors (DEF).

Special plants, animal and trees species were identified and reports were commenced that may be incorporated into future environmental reports. The importance of a fauna study was raised.

A recommendation was made to publish some information about the plant (and animal) species in the newsletter.

Jenny Dale (Land Care group) had been invited to inspect rehabilitation and access procedures through a site visit of the DEF area.

It was pointed out that there are a large number of government agencies with an interest in environmental issues as this project progresses. A suggestion was made that the work done to date may be useful to help advance the government processes by beginning to engage with these agencies at an early stage.

It was noted that a site visit had been conducted recently by the Dept/Environment Heritage (Daniel).

Landowners directly affected – Alex Wells

It was reported that things had been relatively quiet on site over the Christmas / New Year period. The aero-mag survey had proceeded without a lot of comment.

Wider community – Peter McCormack

Nothing to report.

Heritage and history- Katherine Roberts / Ray Warren

There is currently no register of mining relics but it was suggested that a public notice could be run to try to identify the extent and whereabouts of some artifacts.

The issue of the preservation of the old town of Stauton was raised. PIRSA reported the historical significance of the old town would be taken into account. It was noted that information on the town should be contained in the work done by local government on the draft Heritage PAR.

Greg Sarre was asked to follow up this matter from the Council's point of view and report to the next meeting.

It was suggested that Greg Drew at PIRSA could provide further information on this topic. John Popow was asked to follow up with Greg at PIRSA.

Regional Development – Bob Goreing

The Adelaide Hills Regional Development Board is keen to establish a project team with the local Council to assist significant investors with issues such as planning, employment, environment, infrastructure etc before they progress to the Development Application stage. This may be a useful group in the future if the project progresses to future stages.

5. Any other business

Identifying potential future land use:

The issue was raised as to whether potential mining or other land uses were able to be identified when land was being purchased.

PIRSA has an existing data base of historic mine sites and other resource information. PIRSA already works with Planning SA and other agencies to identify strategic land use priorities for the state.

Ted Tyne offered to prepare a brief (single page) paper on this matter for the next meeting.

6. Next meeting and close

7.30pm, Thursday 6 April 2006.