



## Special Pre-feasibility Edition

**Hillgrove Resources** advised the Australian Stock Exchange (ASX) on 28 March 2006 that it will be expanding its studies of the exploration project at the Kanmantoo Mine by commissioning a 'pre-feasibility' evaluation by an outside consultant. It is important for Hillgrove, even at this early stage, to understand what the results of the exploration it has done to date might mean commercially. This edition of *Kanmantoo Project Update* is focused on explaining what this means.

### What is pre-feasibility?



A pre-feasibility study is a preliminary engineering study that looks at the broad options and viability of the project if it were to proceed to development. It must be remembered that this is a keep going/stop decision point and sometimes the answer is stop. The study typically requires intensive investigative test-work and further geological drilling. The objective is to broadly confirm potential project viability and to optimise project methodologies, identify possible fatal flaws and areas of project risk/uncertainty. Initial estimates of project capital and operating costs will be included, with recommendations for further investigations. The principal strategic decisions such as production rate, mining and processing and general site arrangements are normally defined by this study. If this study returns a positive result then a full feasibility study, which would more precisely define the potential viability of re-developing the mine with closer tolerances, would then be considered.

### What does it mean to local people?

This study will mean there will be additional activity on site. As the overall exploration enters its new phase, there will also be an increase in drilling, perhaps involving another drill rig being located on site. However, this should not mean that there will be any significant increase in noise, dust or other inconvenience. Generalised exploration in the region of the mine will largely remain unchanged. Local residents are already aware of the recently completed 'aeromag' survey flown by helicopter which is part of this wider exploration program.

### What does it mean to the likelihood of a working mine being started?

Every step forward is a step closer to a decision to re-establish the mine. But, as Hillgrove has always been very careful to explain, there are a lot of decisions still to be made and a lot of research, studies and community input between the current exploration phase and the re-establishment of a mine at Kanmantoo. Hillgrove believes, on current knowledge, Kanmantoo may be economically viable and the pre-feasibility work is one more step toward proving that. Whether mining will be re-established at Kanmantoo is also very dependent on things Hillgrove has no control over such as the price of copper and gold, the value of the Australian dollar and the overall cost environment for mining in Australia. At present the price of copper and gold and the value of the Australian dollar are favourable, although there is some concern in the mining community about how mining costs are increasing.

## Project Time Line

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The tentative time line for the project from this point is very much results dependant, with a positive result required at the end of each phase of work. The time frames are guides and may change a little depending on the results of each study and any additional work requirements.

Typically, a time frame from the current position could be as follows:

### Second Quarter 2006

- Current resource base is 18.37Mt at 1.1% copper and 0.2g/t gold.
- Announce revised resource calculation and complete any additional drilling required.
- Commencement of pre-feasibility study, which is a preliminary look at whether a development may be viable.
- Pre-feasibility study is expected to take 6-9 months.
- If study is positive a full bankable feasibility study would be considered.

### First Quarter 2007

- Target for commencement of full bankable feasibility study.
- This study looks at all the parameters to determine whether a development is economically viable in great detail.
- Full bankable feasibility study is expected to take 6-9 months.
- If this study is positive then a development decision would be considered.

### First Quarter 2009

- 12-18 month construction period completed.
- Target date for commencement of production.
- Subject to project financing, approvals and licensing.

## Environmental Report

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A new report entitled '*Kanmantoo Marked Site Report #1*' has been produced, giving great detail of significant vegetation areas within the Kanmantoo exploration area. The report was written by members of the local Landcare group (Harry Seager and Ben Symonds) and, while it does not purport to be an exhaustive list of all vegetation in the site, it does provide an indication of the species, which may be found in the areas indicated. The report notes that, "Although individual species have been noted for each site, the areas containing the species are significant as vegetation associations as a whole".

The areas covered by the report include the Emily Star site, the southern and eastern sides of the existing pit, the western slope, the NW-SE facing slope and a number of woodland areas. This report together with a botanical study carried out by Roger Playfair, have formed an important part of developing Hillgrove's site operation policies.



*Drilling at Emily Star*

## Rehabilitation – Before and After

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Rehabilitation is one of the most important processes in exploration and mining by restoring an exploration or mine site to as close as practical to the same condition it was in before the work started. There are many different techniques used to achieve this, depending on the type of flora and fauna in the area, the soil type, landscape and nature of the work that was undertaken.

Hillgrove sets a very high environmental standard and meets and often exceeds PIRSA's requirements. Hillgrove works very closely with the local land care group, the Department of Environment and Heritage and PIRSA who regularly visit the site to provide important input into our programs and policies.

As an example of 'before' and 'after', these photos were taken on a Hillgrove Resources' drill site at Emily Star which is located on Paringa Farm about 500m south of the old open pit.



*Before*

*and*

*after  
drilling at  
Emily Star*



## Current Work Programme

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Work during March has focused on drilling around and to the north and south of the old Kanmantoo open pit. Work has been largely completed by a small track mounted rig no larger than the average family car (used in steep areas), as well as a larger truck mounted rig. A detailed review of all the past data has also been completed which has led to the decision to commence the pre-feasibility study.

Work during April will again focus on drilling around the old pit and to the north and south. This work will form part of the resource definition program as part of the pre-feasibility program. Further environmental work will also be conducted to fully assess the state of the old mine site. It is highly likely that during April that a third truck mounted drill rig will be mobilised to site to help with the geological drilling investigations for the pre-feasibility study. Whilst this work is being carried out drill rigs will be visible from time to time from the Old Mine road.

Full details of the April-May work program are available on Hillgrove's website: [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au) which is always kept up to date with the latest news and releases to the ASX.

## Consulting With Relevant Parties

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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 and effectively.

## Focus Group

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The next Focus Group meeting will be held on the **6 April at 7.30pm in the Callington Community Hall**. There will be a presentation on the pre-feasibility study, with plenty of opportunity to ask questions.

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 questions are 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; pre-feasibility study
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**

**Next meeting (1<sup>st</sup> June) and close**



## Local Community

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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.



## How To Contact Us

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If you have any queries or would like further information please contact Hillgrove's Landholder Liaison Officer, John Popow, on **0427 131 018** or [johnp@hillgroveresources.com.au](mailto:johnp@hillgroveresources.com.au), or Exploration Manager Dale Ferguson on **(08) 9322 6377** or [dalef@hillgroveresources.com.au](mailto:dalef@hillgroveresources.com.au)

There is a community section on our website (see below) and a landholder information section is being developed and will be continually added to over time: [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au)

To contact Primary Industry and Resources South Australia (PIRSA), 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](mailto:Hopton.Ian@saugov.sa.gov.au) or Rob Shaw on **(08) 8463 3129**, email [Shaw.Rob@saugov.sa.gov.au](mailto:Shaw.Rob@saugov.sa.gov.au)

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