

KANMANTOO PROJECT UPDATE – AUGUST 2006

Focus Group

The next Focus Group meeting will be on a date to be set, as soon as practicable after the release of the result, one way or the other, of the Pre-Feasibility Study.

As this is a special meeting it will be advertised in the Mount Barker Courier and the Murray Valley Standard. Hillgrove will contact all Focus Group members individually to inform them of the meeting details.

As always, that meeting will be at 7.30pm in the Callington Hall.

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 any questions is encouraged to attend this meeting.

Kanmantoo-Callington Focus Group Special 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. Special business**
The standing item "report from champions" will be suspended for this meeting.
Presentation: Results of the Pre-Feasibility Study and its Implications – Dale Ferguson, Hillgrove
- 4. Any other business**
- 5. Next meeting (date to be advised) and close.**



Reviewing samples

From Hillgrove's Chairman

This is an exciting time for Hillgrove and for the people of Kanmantoo, Callington and surrounding areas as we all wait for the release of the Pre-feasibility Study (PFS). I know how much you are anticipating this and how frustrating it can be, not knowing whether the Kanmantoo project will go to its next stage. I feel the same way, but soon we will all know the outcome and whether Hillgrove will move to the next stage: a Bankable Feasibility Study which would look at the economics of the proposal in even greater

detail. This would take another 6-9 months, at which time we will be in a position to decide whether to proceed to mining. Saying this does not in any way pre-empt the findings of the PFS and I am as anxious as you are to know the outcome.

I also want to pay tribute to the Focus Group – and the loyal band of gallery members – for their input over the past 12 months. As Bob Goreing has pointed out, August was the Focus Group's last meeting of the current type. If the PFS is unfavourable the Group may decide to continue with a new focus; if Hillgrove moves on to the next stage the Group will take on an even more important role in terms of community engagement and helping Hillgrove and the community maintain the very positive relationship we currently enjoy.

Either way, as Bob so rightly pointed out, the Focus Group has a tremendous record of success. Among its many achievements – and there are too many to list them all – it has produced and distributed landowner guidelines, environmental papers and a regular newsletter; arranged site visits; worked on school and sporting sponsorships; contributed to the preservation of local history; provided a link to State and Local governments and ensured that the independent regulator (PIRSA) was represented at open forums on a regular basis to provide answers to issues and concerns. All this and more, in just 12 months!

Hillgrove's relationships with the community through the work that John Popow does, the Focus Group, our sponsorships and our involvement with projects, such as the Callington Primary School environmental group, are very important to us. We will continue to place great emphasis on these relationships and will be relying more heavily on the Focus Group to help us if the PFS is positive.

The Board of Directors and I thank each of you for the tremendous interest and involvement you have shown so far and hope you will continue to work with us into the future.

David Archer, Chairman, Hillgrove Resources

Current Work Programme

August Work Program

Work during August will continue to focus on the pre-feasibility drilling program around the old open pit as well as the ongoing PFS. Whilst this work is under way, drill rigs will be visible from time to time from Mine Road and Back Callington road.

This month will also see the first construction of drill pads on the western side of McFarlane Hill (large hill south of the old pit right next to Mines Road). Any disturbance will be kept to a minimum and all work will be conducted in accordance with PIRSA guidelines and with utmost care to minimize any damage to the area. These pads will be constructed using the methods described by Hillgrove at the last focus group meeting.



David Archer

September Work Program

Work around the old Kanmantoo pit during September will largely focus on completing the pre-feasibility drilling program around the old open pit as well as the ongoing PFS. Whilst this work is under way drill rigs will be visible from time to time from Mine Road and Back Callington road.

Weather permitting the first drilling over the old Wheal Ellen workings about 10km north of Strathalbyn will be conducted in late August and early September. A series of shallow RC drill holes have been planned to drill test the old workings in the area.

Profile – Dale Ferguson

Dale Ferguson has been the 'public face' of Hillgrove at Focus Group meetings and around the site for the past 12 months or more. Dale lives in Perth, is married to Tanya and they have two children, Cooper and Ben. Dale is Hillgrove's General Manager – Exploration & Operations and is a qualified geologist. A real frequent flyer, he shares his time between Hillgrove's corporate headquarters in Sydney, the exploration office in Perth, the Kanmantoo site – and his family.

Dale has an extensive industry background developed over 14 years and has been associated with a number of discoveries in Australia. He has played an important role in assisting the development of Hillgrove's exploration project portfolio, securing tenure and the implementation of its exploration and development programmes.



Dale Ferguson

Environment Report

Harry Seager, who has worked tirelessly on the environmental aspects of the proposed project for many months, will now consult to Hillgrove on establishing a nursery, which will keep plants from the site for rehabilitation purposes. Harry will also help students from Callington Primary School with their seed collection and propagation program, which is another aspect of site rehabilitation.



Kanmantoo Mine site

Broad copper hits

Early in July Hillgrove announced to the Australian Stock Exchange (ASX) further successful drilling at Kanmantoo, aimed at increasing the current Indicated and Inferred Resource of 25.4 million tonnes at 1% copper and 0.2 grams/tonne of gold.

The most recent drilling highlighted further mineralisation in the north-east, south-east and eastern zones. The new intersection in the north-east zone was particularly significant, including 11m at 2.6% copper and 0.37 grams/tonne of gold. Drilling is continuing and further results will be released when they come to hand. Hillgrove's announcement made to the ASX can be viewed in full on the company's website at www.hillgroveresources.com.au.

Glossary of Terms

Soil sampling: testing a small sample (100-250 grams) of soil for traces of a mineral deposit.

Ground based geophysics: studying and measuring the physical properties of rock formations on the ground (as opposed to aerial studies from helicopters and fixed-wing aircraft). Typically investigates magnetism, specific gravity, electrical conductivity to help locate and identify mineral deposits.

Rock chip sampling: testing a small but representative sample of rock, usually 2-3kg for any traces of mineralisation which may lead to the identification of a mineral deposit.

How To Contact Us

There are many ways to stay informed about the progress of the program, or seek additional information. Key contacts are:

Landholder Liaison Officer	John Popow	0427 131 018	johnp@hillgroveresources.com.au
Site Manager	Marty Adams	0439 670 045	martya@hillgroveresources.com.au
Exploration Manager, Exploration & Operations	Dale Ferguson	08 9322 6377	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.

Contacts for Primary Industry and Resources South Australia (PIRSA), the government body who regulate mining and exploration in South Australia, are:

Sam Walker	08 8463 3088	walker.sam@saugov.sa.gov.au
Rob Shaw (regulation issues)	08 8463 3129	Shaw.Rob@saugov.sa.gov.au

PIRSA's website is www.pir.sa.gov.au and provides a wealth of useful information including the *Mining Act 1971*, prescribed forms, mines regulation and other detail.

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

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