

KANMANTOO PROJECT UPDATE – SEPTEMBER 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, 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 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.**

From Hillgrove's Chairman

As reported in the last edition of Project Update, the Pre-feasibility Study (PFS) inches forward and is now scheduled for release in October.

Hillgrove has released its Quarterly Activity Report for the July Quarter, which reports that the PFS and exploration drilling confirms the prospectivity of the area and the potential for a mineralisation system of considerable size.

Drilling has increased both the resource tonnage and confidence and, with gaps and possible strike extensions targeted for drilling, there is potential for further copper resource growth in and around the open cut. This drilling is continuing and a further resource upgrade is expected towards the end of September.

As you may also have seen in the press, Hillgrove is in the process of divesting itself of its Gunnedah gas operations in NSW which will enable the company to focus more directly on the Kanmantoo project.

It is my intention to attend the next meeting of the Focus Group to meet with you and discuss the outcomes of the Pre-feasibility Study or PFS.

David Archer, Chairman, Hillgrove Resources



David Archer

Current Work Programme

September Work Program

Exploration work around the old Kanmantoo pit during September largely focused on completing the pre-feasibility drilling program which is now nearing completion. Work continues on the PFS study with a result expected sometime in October assuming all the information for the study is delivered on time.

The first drilling over the old Wheal Ellen workings about 10km north of Strathalbyn has commenced. A series of shallow RC drill holes have been planned to drill test the old workings in the area.



Drilling at Wheal Ellen

October Work Program

With the PFS announcement due in October most of the drilling for this study has now been completed with only one RC and one diamond rig now in operation around the old Kanmantoo pit. Whilst this work is under way drill rigs will be visible from time to time from Mine Road and Back Callington road.

A limited exploration program including geological mapping, soil and rock chip sampling will also be conducted in a number of areas between Harrogate and Kanmantoo.

New Board Member

The Board of Hillgrove Resources Limited is pleased to announce the appointment of the Hon. Dean Brown as a Director of the company. Mr Brown has had a distinguished career in South Australian politics for more than 30 years and served as Premier from December 1993 to November 1996.

In announcing the appointment, Hillgrove's Chairman David Archer said "Mr Brown's vast experience over the past three decades will provide invaluable assistance as we continue to position Kanmantoo as a potential mid-tier copper gold producer".



Hon. Dean Brown

Profile – Kandy Kemp

Kandy Kemp, immediate Past President of the Callington United Eagles Netball Club, is one of those people who hold a community together. Kandy was President of the club for two years and served as Vice-president for a year before that. But over the years she has also been a stalwart of the footy club, the Progress Association and the school council.

With her husband Styx, (occasionally known as David), she has worked behind the bar and in the canteen at the Football Club and has generally been involved in the local community for the past 20 years. And while the four netball teams had mixed fortunes this year, Kandy says “there’s always next year...”



Callington United Eagles Netball Club

Environment Report

Hillgrove’s support for the Callington Primary School’s environmental projects is continuing. The company now uses the school’s paper and cardboard recycling facility, and encourages all other local businesses and people to do the same.

As was reported in the last Project Update, Harry Seager has been consulting to Hillgrove on various issues including a seed bank – watch this space for details on how this will operate and how to get involved.

The Rehabilitation Process

There has been interest at Focus Group meetings in the rehabilitation process which follows at the end of an exploration program – the following outlines what is done to restore the localized environment.

- When drilling of the hole is completed, the drill crew packs up and moves site.
- Field assistants transport the samples contained in the large plastic bags to the sample storage area and core samples to a core logging shed.
- Any excess pulverised rock sample is collected on tarpaulins during drilling and removed to the designated storage area.
- All rubbish is removed and any wheel ruts from vehicles are raked over to return the site to pre-drilling condition.
- The PVC casing for the hole is capped and this is screwed in place to seal.
- Any minor earthworks conducted are rehabilitated using a bobcat or excavator to return the site to the original state before drilling.
- The site is assessed, photographed and remains accessible for further surveying.



Rehabilitation site after 4 months

Glossary of Terms

Assay – a chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained.

Feasibility Study – follows a successful pre-feasibility study and is focused on the detailed engineering design and costing, environmental studies and gaining the necessary development permits. The feasibility study presents the blueprint for construction and should describe all engineering aspects for the proposed mine, plant, equipment, waste disposal and infrastructure and should include relevant plans and engineering drawings together with the mine closure plan. The level of engineering should provide all capital and operating costs to a confidence of +/- 10% and 15%.

Geological mapping – mapping shows the distribution of rocks, minerals, ores, petroleum, water and other valuable subterranean materials.

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
General 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

NOTES TO THE MEETING

Kanmantoo-Callington Focus Group Meeting

7.30pm, Thursday 3 August 2006

1. Welcome and new introductions

Attendance and apologies

Designated Champions:

Bob Goreing, Adelaide Hills Regional Development, CEO (Chair)
Dale Ferguson, Hillgrove Resources, General Manager
John Popow, Hillgrove Resources, Land Owner Liaison Officer
Greg Sarre, Mt Barker Council, Environment Officer
Lynn Stokes, Mt Barker Council, Councilor
Sam Walker, PIRSA
Harry Seager, Kanamntoo-Callington Land Care Group
Alexander Wells, Commercial farmer
Daniel Radulovic, Dept/Environment Heritage, Environment Officer
Peter McCormack, local Business operator

A gallery of about 19 people was present including:

Kevin Keller, Manager Paringa Station
Edward and Tessa Thomas, Local land owners
Peter Roberts, Local land owner
Alan Shultz, Local land owner
Patrick Jones
Dave Powel
Kevin Wills, Flinders Diamonds
Gary Maddox
Amanda and Michael Venier
John Talbot, Business proprietor
Ken Ferguson, Local land owner
Marshall and Chris Hamon, Local land owner
Mrs Grant and Khristina Grant
Stephen Marlow, Media Consultant Hillgrove Resources
Marty Adams, Hillgrove Resources Site Manager

Apologies:

Katherine Roberts, Local land owner
Bill Filmer, Local land owner
Steve Sickerdick, SAMR

2. Notes of previous meeting:

Notes of the previous meeting were confirmed with no alterations.

Action items

Reports on some outstanding action items from the previous meeting were provided:

1. Daniel Radulovic reported that some case studies of environmental good practice had been prepared, with 'before and after' pictures of Hillgrove's exploration work sites. Daniel said that he was continuing to inspect work sites and believed that Hillgrove's practices were of a high standard.

The comment was made that the best practice examples should include benchmarked practices by including examples from other places. Daniel agreed to follow this up with Sam Walker.

2. John Popow said that the proposed clean up project of the old Bremer mine site in Callington had now been submitted to the EPA and he was awaiting a response.
3. Alex Wells reported that he had received information on buffer zones that he had requested at the last meeting, and invited anyone who required this information to contact him directly.

3. Presentation by Bob Goreing

Bob presented a summary of achievements of the Kanmantoo – Callington Community Forum. The presentation covered the status of the group as well as its structure and role.

Bob identified key achievements under each of the topic areas of

- Communications;
- Environment;
- Landowners directly affected;
- Wider community;
- Heritage and history;
- Local government and state government; and
- Regional development.

In considering the future of the Community Forum, Bob reviewed the timetable published in the June 2006 Newsletter in the article from David Archer. In his comments, David says that the findings of the pre-feasibility study were expected in the last quarter of 2006 (September – December 2006), and if they were favourable, a 'definitive feasibility study' would be started soon after.

Bob said that therefore, one way or another, this was likely to be the last of the Community Forums where there was so much uncertainty about the future. If the pre-feasibility study recommended that the project should not proceed, then Hillgrove may abandon the project. If the pre-feasibility was favourable, a 'definitive feasibility study' would be the next step according to David Archer.

Bob pointed out that David Archer had highlighted that if the project proceeded to a 'definitive feasibility study', Hillgrove would undertake 'detailed public consultation, address any environmental and other issues and apply for relevant permits'.

Bob noted that the (SA) Mining Act had mandated public consultation requirements, including notification processes and minimum timelines, when Government considered applications such as proposed Mining Operations Plans.

Whilst there was no requirement in the Mining Act to formally constitute a Consultation Committee, it was seen as good practice to set these structures up. Some current Community Consultation Committees were identified such as the Strathalbyn group and a group in Stawell, Victoria.

Bob asked the meeting what role people felt the Kanmantoo – Callington Community Group could perform in the event that Hillgrove decided to move to a 'definitive feasibility study' later this year.

The meeting strongly believed that the Kanmantoo – Callington Community Forum should form the basis of a Community Consultation Committee in the event that the project moved to the next step later in the year. Bob pointed out that consideration would need to be given to how the group was structured and operated, to ensure, for example, that advice could be provided to the bureaucracy and the Minister that was representative of the Community.

Bob agreed to put together some examples of different structures and terms of reference adopted by Community Consultation Committees for other projects.

It was agreed that the next meeting of the Kanmantoo – Callington Community Forum should be scheduled for after the announcement of the results of the pre-feasibility study.

The group said that, even if Hillgrove decided not to proceed, a final meeting of the Community Forum should be scheduled. If Hillgrove decided to proceed to 'a definitive feasibility study' then the structure and function of the Consultation Committee should be a major item of agenda at this meeting.

4. Presentation by Hillgrove Resources – Project Update

Dale Ferguson presented an update report on behalf of Hillgrove Resources. He said drilling was continuing on schedule, with the pre-feasibility report to be released in the last quarter 2006.

Dale gave a presentation on drill pad construction and rehabilitation, and explained that drilling was a mechanism to test the area for sub-surface mineralogy.

Dale covered the following items in his presentation:

1. Identification of target site;
2. Assessment of site accessibility;
3. Drilling style (reverse circulation or diamond drilling);
4. Earth works required (sumps / level pads);
5. Limited area impact and rubbish removal;
6. Photo record (before and after);
7. PIRSA approvals and special conditions; and
8. Track mounted drill rigs constructed for special needs.

The glossary of terms in the Newsletter was highlighted as a new initiative aimed at assisting people to understand some of the terminology.

5. Reports from Champions

Communications (Lyn Stokes)

John presented the details from the phone survey conducted by Lyn and advised that some of recommendations had already been implemented.

Environment (Harry Seager / Ben Simons)

Harry reported that an Interim Weed Control Strategy for the Kanmantoo Mine Site had been completed. Copies were tabled.

Harry advised the Interim Strategy was developed only for the purposes described in the document and was limited in its scope. It considered issues peculiar to the operations of Hillgrove Resources on the Kanmantoo Mine Site property and should not be considered for any other purpose.

Harry described the document as part of a suite of environmental documents that would be needed to form an environmental plan in the event of any potential future mining operations at the site.

Work on preparing lists of rare and endangered species had been started and was reported at previous meetings. Harry discussed issues related to seed collection and propagation as well as vegetation removal and relocation.

John reported that Harry will be acting as a consultant with regard to plant identification and relocation and nursery establishment.

The nature of baseline studies currently being conducted as part of the pre-feasibility study was discussed. Baseline studies were described as important to provide reference points for the current status of a range of environmental factors. These included physical features such as dust and noise, as well as biological and ecological features such as plant and animal species.

Marty and Dale confirmed that baseline studies utilized desk top research and would be complimented by the work on the ground, conducted by a number of people including Harry, Ben and Daniel.

Wider community (Peter McCormack)

Peter reported that people were now waiting for the pre-feasibility study to be completed and to hear the decision from Hillgrove as to the next steps.

Land owners directly affected (Alexander Wells)

Alexander said this was a time of uncertainty for some landowners as they awaited the Hillgrove decision and were not clear as to how it may affect them. Ed and Tess Thomas agreed with Alexander.

He inquired if the base line studies took into account the old buildings close to the mine and their current state. Alex pointed out that this may be necessary to determine what, if any, effect there may be from blasting or other possible future operations.

Sam Walker distributed information from PIRSA regarding buffer zones and prospecting rights. He invited all to contact him directly with any further questions on these topics.

Sam covered other topics including:

- Provisions for exempt land;
- Waiver of exemptions; and
- The definition of mineral land under the Mining Act.

Heritage and history (Katherine Roberts)

Katherine was an apology to this meeting.

Regional Development (Bob Goreing)

Bob had no items to raise.

Local government (Greg Sarre)

Greg had no items to raise.

Any other business

Dave Powel pointed out that the communities of Kanmantoo and Callington did not have filtered water and asked that this issue be raised with local State and local government representatives. Dave said that the requirements of the mine (if it were to proceed) should be considered in this lobby, but it should not be dependent.

Marty Adams expressed his thanks to the Mt Barker Council for their undertaking to look at improving the condition of Back Callington Road.

6. Next meeting and close

To be advised.