

Special Edition – Positive Pre-Feasibility Study

The much-anticipated results of the Pre-Feasibility Study (PFS) for the Kanmantoo Project were released to the ASX on the 18th October. The outcome was positive in that it confirmed there is potential for an economic mine re-development at Kanmantoo. Hillgrove will now proceed to the next stage of the project, the Definitive Feasibility Study. This will take another 6-9 months, after which time the Board will meet and make a decision on whether to reopen the mine or not.

This special edition of the newsletter is devoted entirely to the PFS.

In keeping with an undertaking made at the last meeting of the Focus Group, a special meeting for the Focus Group and all interested members of the public has been called to discuss the PFS and its implications for the project and the district. David Archer, Managing Director of Hillgrove Resources, will address this meeting and answer your questions, so anyone with any is encouraged to attend.

Meeting details are:

Date: Tuesday 24th October 2006

Time: 7.30pm

Venue: Callington Hall

Kanmantoo-Callington Focus Group Special Meeting Agenda

1. Welcome members and new introductions

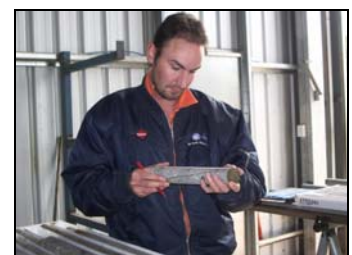
Attendance and apologies
Designated Champions and Gallery

2. Notes of previous meeting

Follow up of action list

3. Special business

Standing item "report from champions" will be suspended for this meeting.
Presentation: Results of the Pre-Feasibility Study and its Implications – David Archer, Managing Director, Hillgrove Resources; Dale Ferguson, General Manager - Exploration Operations, Hillgrove Resources



Reviewing samples

4. PIRSA Presentation

Community and Stake Holder Consultation Process – Ted Tyne, Director, Mineral Resources, PIRSA

5. Future Role of Focus Group

Discussion on what the future role of the Focus Group may be – Bob Goreing, Focus Group and Adelaide Hills Regional Development Board Chairman

6. Any other business

7. Next meeting (date to be advised) and close.

From Hillgrove's Managing Director

Hillgrove made a stock exchange release on the 18th October stating that the pre-feasibility study into the viability of re-opening the old Kanmantoo mine has returned a positive result.

The pre-feasibility study found that there is potential for a commercially viable two million tonne per annum open-cut mining operation at Kanmantoo and that a Definitive Feasibility Study (a more detailed evaluation, defined below) is justified. The Board of Hillgrove has resolved to go ahead and commission a full Definitive Feasibility Study, which is likely to take a further 6-9 months. This is a complex process, which is expected to commence in November. Once this work is completed the Hillgrove Board will use the findings, together with the Government licensing conditions, to consider whether or not it is viable to re-open the old mine.



David Archer

The pre-feasibility study was commissioned by Hillgrove and has been prepared by a group of leading independent consultants including Parsons Brinckerhoff, REM, Henry Walker Eltin, and coordinated by Roche Mining JR as the overall study manager. The study took over six months to compile. It was written by a team of scientists, engineers and other professionals including; environmental scientists, botanists, a zoologist, metallurgists, process engineers, hydrologists, geologists, and mining engineers.

Moving on from here during the course of the Definitive Feasibility Study we will have an extensive community, land owner and stake holder consultation process. This will be undertaken in conjunction with the Mineral Resources division of PIRSA, the independent regulators responsible for all aspects of the South Australian Mining Act 1971. During this consultation period Hillgrove will be actively seeking the views and opinions of all interested parties. This will include local residents, land holders, local Government and others.

Submissions can be made in writing and full details of how this will operate will be widely circulated. The views of interested parties will all be taken into consideration by PIRSA and Hillgrove as an integral part of determining the future of the project.

The Government, through PIRSA, regards community consultation as an important part of the process of considering any future Mining Lease. Hillgrove intends to exceed the legal requirements in the thoroughness of its consultation process.

It is very important to Hillgrove that the goodwill which has developed through the work of the Focus Group over the past 18 months or so is further developed and continued.

In light of the decision to proceed with the Definitive Feasibility Study the role of the Focus Group and our Landholder Liaison Officer, John Popow, will become even more important in helping Hillgrove and the community stay in contact.

For this reason, when the Focus Group meets next we will consider meeting more frequently perhaps every month or even more regularly if required, instead of every two months. This is just one of the ways of ensuring that all interested parties are kept up to date with developments in the Kanmantoo project.

Hillgrove is also interested in increasing the circulation of this Newsletter – which already goes to some 300 individuals and organisations. As a first step in this process, can I ask that you let us know the contact details (preferably email) of any person or group who should be added to our database?

In the meantime, please note that there will be no real change in activity levels or inconvenience between the pre-feasibility and definitive feasibility studies. Between two and four drill rigs will continue to operate in and around the old Kanmantoo mine, with numerous consultants visiting the site to conduct scientific studies.

David Archer, Managing Director

Glossary of Terms

Definitive Feasibility Study: This study focuses on the detailed engineering design and costing, environmental studies, and gaining of 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%.

Pre-feasibility Study: A preliminary engineering study that looks at the broad options and viability of a project if it were to proceed to development. The study typically requires intensive investigative test-work and further geological drilling. The objective is to broadly confirm potential project viability and to optimise methodologies, identify possible fatal flaws and areas of project risk/uncertainty. Initial estimates of project capital and operating costs are 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.

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