

KANMANTOO PROJECT UPDATE – NOVEMBER / DECEMBER 2006

Kanmantoo / Callington Community Consultative Committee (CCC)

The Focus Group is currently undergoing some changes now that Hillgrove has moved from its Pre-Feasibility Study to a Definitive Feasibility Study, with the company, the community and other stake holders working together to develop a Community Consultative Committee.

The changes were outlined at the special meeting of the Forum to examine the results and implications of the Pre-Feasibility Study. This process has been championed by Mr Bob Goreing who is the independent chair of the Focus Group. A submission has been made by both Bob (on behalf of the focus group) and Hillgrove to PIRSA to ask for the group to be formally set up.

The date and agenda for the CCC's first meeting will be finalised once the formalities for new committee have been completed.



From Hillgrove's Managing Director

A lot has happened since the special meeting of the Focus Group in late October – less than a week after Hillgrove released the results of the Pre-Feasibility Study and announced that a Definitive Feasibility Study would be undertaken.

More than 50 people attended that meeting, which was opened by Dr Ted Tyne from PIRSA (the independent regulator) who carried a message of congratulations to the community from Minister Holloway. Dr Tyne outlined the two-step process for mine approval – an application for a lease, followed by a Mining and Rehabilitation Plan (MARP) – and emphasised that public consultation was essential in both stages.

I then spoke about the Pre-Feasibility Study, what will be covered by the Definitive Feasibility Study, and attempted to give a picture of the complexity of the process of putting together a plan to mine. Hillgrove will continue its exploration programs both regionally and around the old Kanmantoo mine with further drilling in the next 12 months, and if the Definitive Feasibility Study is positive we could move to production by 2009.

As we had hoped, there was a robust question and answer session covering a wide range of topics and, as always, we tried to give the fullest possible answers to each of them.

The meeting closed after discussion on how to go about forming a Community Consultative Committee to take over the role which has been performed so well by the Focus Group. Progress in that regard is reported above and I look forward to working with that committee and attending its meetings whenever I am able to do so. Community engagement has always been, and always will be, a very important part of the way we operate.

I want to thank everyone who was involved in any way in the achievements of 2006 and I look forward to working with the community in 2007 and beyond.

David Archer, Managing Director, Hillgrove Resources



David Archer

Hillgrove Announcements

Hillgrove Resources has reported to the Australian Stock Exchange that it has identified high grade polymetallic Broken Hill style mineralisation at the Wheal Ellen prospect at Kanmantoo. A first pass nine hole (569 metre) RC drilling programme intersected mineralised zones up to 10 metres wide. Peak individual (1 metre) drill assays included 13.08% lead, 5.43% zinc, 8.88g/t gold and 258g/t silver.

These initial results are thought to be very significant and suggest there is potential for mineralisation at Wheal Ellen similar in style to that of the nearby Angas deposit.

Planning is now underway for a second round of drilling which has been scheduled to be completed over the coming months.

Murray Darling NRM Group Board Visit

Organised site visits are always welcome with due notice and play an important part in showing interested parties what is being done, and what is planned, at Kanmantoo.

Recently, members of the Murray Darling Basin Natural Resources Management Group were given a tour of the site.



Current Work Programme

December Work Program

Work during November-December has largely focused on drilling around the old Kanmantoo pit and preparative work for the commencement of the Definitive Feasibility Study. Some limited regional geological reconnaissance, rock chip sampling and soil sampling were also conducted between Kanmantoo and Harrogate.

January Work Program

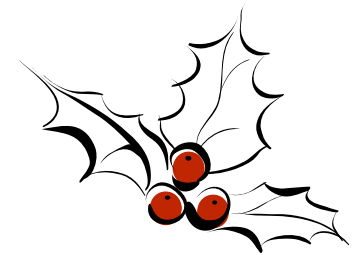
Exploration work during January will be conducted largely in the vicinity of the old Kanmantoo pit. This work will include 2-4 drill rigs operating at any one time which may be visible from time to time from both Mines and Back Callington Road. Work will also be in full swing on the Definitive Feasibility Study with a number of consultants visiting the site to carry out work associated with this study.

Additional regional work is also being planned with further reconnaissance work around the old Wheal Ellen workings which could include some down hole geophysical work on the drilling completed during 2006.

A Big Year

2006 has seen many changes and much progress made at the Kanmantoo Mine Project. With continued successes made in exploration work, we saw the resource estimate increase twice during the year and an associated increase in staff, which has all contributed to significant growth of the Project and the successful completion of the PFS. The appointment of a Project Manager to oversee the project through the various studies and beyond and the establishment of an office and warehouse in Callington have also provided a more tangible aspect to the Project.

Hillgrove and its Board now look forward to continued good news and progress and to working closely with the community again in 2007 to see the Project develop further.



Hillgrove Resources
would like to wish you and yours
a very happy festive season
and a
wonderful New Year and 2007

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 Community Forum

**7.30pm, Tuesday 24 October 2006
at Callington Community Hall**

1. Welcome and new introductions

Attendance and apologies

Bob Goreing, Adelaide Hills Regional Development, CEO (Chair)

Designated Champions:

Dale Ferguson, Hillgrove Resources, General Manager
John Popow, Hillgrove Resources, Land Owner Liason Officer
Greg Sarre, Mount Barker Council, Environment Officer
Lynn Stokes, Mount Barker Council, Councillor
Sam Walker, PIRSA
Harry Seager, Kanmantoo-Callington Land Care Group
Alexander Wells, Commercial Farmer
Katherine Roberts, Local Land Owner

A gallery of about 40 people was present

Bob explained that the context of this Community Forum was the recent announcement by Hillgrove Resources that they had completed the Pre-Feasibility Study of the Kanmantoo Copper Gold Project and 'as a result of the positive findings, the Board (of Hillgrove Resources,) had approved the progression to a fully funded six to nine month Definitive Feasibility Study'.

The standing items of agenda for Community Forums (including the reports from the designated Champions) were suspended in favour of an agenda that included presentations from PIRSA and Hillgrove Resources, questions and comments from the community and a discussion about the process going forward.

2. Community Consultation Process

Dr Ted Tyne Director, Director - Mineral Resources, PIRSA

Ted gave a presentation that included a description of the process to be followed when a company made an application for a mining lease.

Ted highlighted the requirement for public notification under the Mining Act, and the subsequent receipt of written submissions from the public on the mining lease application.

UNCONFIRMED DRAFT NOTES – TO BE CONFIRMED AT THE NEXT MEETING

Ted explained that the applicant was required to respond to the issues raised in the submissions and would subsequently produce a Mining and Rehabilitation Plan.

Ted said that while a specific community consultation model was not prescribed in the legislation, PIRSA encouraged a best practice approach and appreciated that the Kanmantoo Community Forum had been operating for over a year and had been very effective.

3. Pre-feasibility Study Results

David Archer, Managing Director-Hillgrove Resources Limited

David gave a presentation that provided further insight into the Pre-Feasibility Study report. This included a description of the modelling used in the study conducted by Roche Mining.

David went on to describe the scope of the Definitive Feasibility Study that would cost about \$5m and would take about 6 – 9 months to complete.

4. Discussion and questions from the floor

A series of questions and comments were raised by the community on various topics including:

1. Environmental management and how any threatened and endangered vegetation in particular, would be managed in any possible future development;
2. Transport and how community concerns over truck movements would be managed in any possible future development;
3. Skills requirements and how the supply of skilled workers would be managed in any possible future development;
4. Community engagement and how the community would be represented in any possible future development.

5. Consultative Committee Process

Bob Goreing, CEO - Adelaide Hills Regional Development (Chair)

Bob gave a presentation in response to a request from the last Community Forum in August 2006.

The presentation summarised the structure, function and achievements of the current Community Forum and identified how the group may transition to a more formal community group that would meet the best practice requirements of the Government and the Minister.

Bob provided examples of other models and outlined the objectives, outcomes and structure of some of these.

UNCONFIRMED DRAFT NOTES – TO BE CONFIRMED AT THE NEXT MEETING

Bob recommended that a small working party be formed to work on the terms of reference for the future Community Group. A draft discussion paper was tabled and an invitation to anyone interested in joining the working party was extended.

It was agreed that Bob would convene a working party meeting in the near future and the draft discussion paper would be used as a basis for discussion on the terms of reference.

6 Other business, next meeting and close

There was no other business.

It was agreed that there should be another meeting before Christmas 2006 to settle the terms of reference and move to establish the formal Community Group.

The meeting closed at 9.25pm.