

A Report From Hillgrove Resources Limited

Corporate Developments Move Project Forward

Welcome to the March edition of the Kanmantoo Project Update, which reports on progress highlights during the past month in our bid to reopen the Kanmantoo Copper/Gold Mine.

Among this month's stories we report on some significant corporate news; a new project which will record history on-site; and highlight another of our valuable employees at Kanmantoo.

We welcome your feedback and story ideas to our editor, Stephen Marlow, whose contact details appear on the last page.

From Hillgrove's Managing Director:

There were two significant corporate moves this month, both of which have very positive implications for the Kanmantoo project.

On 13 March we were pleased to announce the appointment of leading international investment bank Merrill Lynch (Asia Pacific) Limited to arrange the financing of the Kanmantoo Project.

In making the announcement, the Board said Merrill Lynch has a strong presence in Australia, superior distribution capability and strong investor relationships.

Kanmantoo is coming to the market at an ideal time with copper and gold prices near all time highs. There is also very keen interest in the funding of resources projects in Australia which is seen to be a premier resources investment destination.

Six days later we announced we had reached agreement with Kelaray Pty. Limited, a wholly owned subsidiary of Argonaut Resources N.L., to acquire the remaining 10% interest in the Exploration License 3277. The acquisition consolidates Hillgrove's ownership of the Kanmantoo Project



David Archer

area and will materially simplify licensing, project financing and subsequent operations. In addition, the transaction increases our stake in further exploration grounds in the heart of the highly prospective Kanmantoo base metals province.

There is quite a lot of work to be done now on securing finance and transferring the EL3277 interest but we feel March has been a very successful month for the project with two major milestones achieved.

*David Archer
Managing Director*

Photo Survey

The history of the Kanmantoo redevelopment is being recorded in a photographic record which began this month. Hillgrove's locally based mine management have identified five 'photo points' around the mine site which will provide the best views of the development as it takes place. Each point has been carefully marked and recorded, as have camera angles, and photos will be taken on a monthly basis to build up a complete pictorial library of the development from 'brownfield' to operating mine.

The photo points have been selected to show the existing pit, which will be redeveloped; the existing waste dump, which will also be redeveloped and landscaped; and various views around the site where infrastructure will be constructed and used for the life of the mine.

Hillgrove will catalogue and file all the pictures and its proposed that, when the set is complete in some years' time, it will be made available to local historians, the State Library and the South Australian Chamber of Mines and Energy. Our picture shows a view of the Kanmantoo pit taken this month.



Kanmantoo pit, March 2008

Around Callington and Kanmantoo

Students from Adelaide's Waldorf College were among the most recent visitors to take an organised tour of the Kanmantoo Project. Group members were Year 12 students looking at the mining industry for career options.

Hillgrove encourages these programs from schools through itself and also the South Australian Chamber of Mines and Energy (SACOME). The Waldorf tour was hosted by John Popow and Richard Brady.



Waldorf students at site

Site News

The second half of last year saw staff concentrating on delivering the Definitive Feasibility Study, the assessment to determine if the project was financially viable, and the Mining Lease Proposal (MLP), a document which outlines all the aspects of the project to PIRSA and is subject to public comment. Work continues on the MLP with required adjustments and responses to the submissions being prepared for release.

The next stage, once work on the MLP is completed will be the submission of the Mining and Rehabilitation Program (MARP). Preparation of the MARP is under way and is essentially a more detailed version of the MLP which will set out an integrated approach to managing all the stages in the life cycle of the mine, including its closure and completion. Once accepted by PIRSA it allows the licencing, financing and commencement of construction of the project.

For our geology staff, some exploration drilling has been conducted at our new exploration areas, such as Wheal Ellen, but has stopped at Kanmantoo for the time being as preparations are being made for the re-development of the old mine.

Staff Member of the Month – Andrew Reeves

Hi, I am the Project Engineer at Kanmantoo. The great thing about working for a small dynamic organisation like Hillgrove is the tremendous variety of work undertaken during the course of a normal day. I am involved on incoming utilities, such as power and water, through to loading the final product aboard the ship and almost all between.

I have had the good fortune to work at several mines in Australia and overseas in both project development and operations, coming to Hillgrove 15 months ago following postings with BHP Iron Ore, RGC, Iluka, AGRC, Olympic Dam and Oxiana.

On the home front I live with Anne (the love of my life) on a small farm further up the Bremer Valley from Kanmantoo, from where I can actually see the mine. On our farm we grow native trees and selectively run sheep and alpaca's. My drive to work each day is about 12 minutes, if I see more than one car that's congestion!



Andrew Reeves,
Project Engineer

My other passion (apart from my family and work) is water sports – I am currently without a boat but the sailing boat taking shape in my shed will shortly address this.

*Andrew Reeves
Project Engineer*

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
Project Manager	Marty Adams	0439 670 045	martya@hillgroveresources.com.au
Executive Director – Exploration & Operations	Dale Ferguson	08 9481 1433	dalef@hillgroveresources.com.au
Community Consultative Committee Secretariat; Newsletter editor	Stephen Marlow	08 8431 5907 0409 600 557	marcomms@bigpond.net.au

The Kanmantoo Project section on our website provides sections on the community, local committees, project news including past copies of the newsletter, and current employment opportunities. The direct link is <http://www.hillgroveresources.com.au/Kanmantoo/KanmantooCommunity/>

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

PIRSA	Sam Walker	08 8463 3088	walker.sam@saugov.sa.gov.au
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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