

A Report From Hillgrove Resources Limited

Kanmantoo Project Progresses

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

This month's edition focuses on the State Government's granting of the Mining Lease for Kanmantoo – a highly significant milestone in the project's progress, and also includes a staff profile on our landholder liaison officer.

You are welcome to submit your feedback and story ideas to Stephen Marlow, whose contact details appear on the last page.

From Hillgrove's Managing Director:

I am delighted to report, that in early October we achieved a highly significant milestone when the State Government granted our Mining Lease for the Kanmantoo Mine Project area. This means that work can continue on the next major milestone which is the detailed Mining Lease and Rehabilitation Program (MARP).

In many ways you could liken the Mining Lease to a driver's license and the MARP as the document that defines the road rules Hillgrove will operate under. Establishing those rules is a multi-step process which started with the development of the Mineral Lease Proposal (MLP) in conjunction with the KCCCC earlier this year. The MLP's public consultation period resulted in submissions by interested parties which were reviewed by PIRSA and once all aspects were understood the Mineral Lease was granted.

All of the inputs into those submissions from the community, government, Hillgrove and other interested parties are combined to make up the final MARP document. Amongst the contents is a description of the natural, social and economic environment; details of ore reserves, mining operations and supporting infrastructure; a description of the social, economic and environmental benefits; results of stakeholder consultation; management of environmental, social and economic aspects; and a mine closure and completion plan. Typically MARPS run to more than 1,000 pages of detail.



David Archer

Other activities currently underway include:

- Review of contract mining tender offers submitted.
- Electricity supply arrangements with Electranet.
- Delivery of long lead time high voltage transformers and switchgear due in November.
- Abesque Engineering has done much of the early detailed design work.
- The site preparation tender package is ready to release – this will allow the upgrade for access to the site during construction and preparation of sites for the process plant, offices and associated mine infrastructure.

Subject to the MARP being finalised and that financing arrangements can be completed over the coming months, Hillgrove is currently targeting to commence operations at Kanmantoo in the first quarter 2010.

David Archer
Managing Director

Mining Lease Granted

The Chairman of Hillgrove, The Hon. Dean Brown's comments reflected on the local government and community's contribution:

"Apart from being a major milestone for the company, the Lease is a testament to the efforts of the PIRSA team in bringing together the various stakeholder groups. This is a great result for the South Australian economy and local community with the potential for the creation of over 150 direct jobs, 330 flow-on jobs and some \$55 million being pumped into the local economy annually.

"Hillgrove's Kanmantoo project has illustrated the importance of early community engagement, communication and consultation which focussed on traffic, flora and fauna issues resulting in a set of agreed outcomes.

"It's our intention to create at Kanmantoo a show piece of best Australian mining practice. For instance, Kanmantoo's use of recycled treated effluent water from Mt. Barker is an excellent example of how the interests of mining and the community can both be served".

KCCCC Meets on Mining Lease

The Kanmantoo Callington Community Consultative Committee (KCCCC) met this month to hear an explanation of the grant of the Mining Lease and discuss its implications.

Hillgrove's General Manager – Exploration & Operations, Dale Ferguson, summarised the process so far, what has been happening on site, what happens next, and timeframes. There was extensive questioning from the Gallery seeking clarification on issues which included the Commonwealth EPBC Act; water issues; proposed pipeline route; facilities on site; and project financing.

The meeting agreed that, as the Kanmantoo project is now entering a new phase, it was appropriate for the KCCCC's Terms of Reference and role to also be reviewed. The existing KCCCC will hold one final wind-up meeting devoted to this subject, after which a working party will be established to carry out the review and establish new terms of reference. This is likely to take place early in the New Year.

Staff Member of the Month – John Popow

Hi, I'm John Popow, Hillgrove's Landholder Liaison Officer at Kanmantoo. My first job in the mining industry was 12 years ago when I went to the Beverley Uranium Mine on holidays. The diesel generators had packed up, I happened to have my toolbox with me, and the rest (as they say) is history! After several years of contract exploration work – including a short time with Hillgrove – I joined the company full-time as liaison officer on my birthday, 05/05/05.



John Popow

What I love most about my job is that it's given me the opportunity to meet so many wonderful, decent people. I regard myself as a 'people person' and I think you have to be to do this sort of work, engaging with people and fostering good relationships for the company.

I'm particularly proud that Hillgrove is regarded by many as having set the benchmark for good practice in community engagement and environmental management and I'd like to think that I've contributed to this success.

My hope for the future? That Hillgrove leaves a positive legacy to the community – and I'm sure it will. I'm a firm believer that if you plan right, and manage right, it'll turn out right.

Site Visit

Kanmantoo recently hosted a visit from University of Adelaide 3rd year graduates from the School of Earth and Environmental Sciences. Professor David Giles, Graham Heinson and Michael Hatch will be conducting three types of surveys – ground magnetics, electrical resistivity, and electromagnetic – with the students producing a geological map based on their findings.

A total of twenty students were involved in the field exercise, with the students doing real exploration work, utilising geophysical techniques with a hands-on practical approach. An important aspect of this exercise is to demystify the process of geophysical data collection and processing.

3rd Year Earth & Environmental Sciences students on site at Kanmantoo



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
General Manager – Site & Geology	Richard Bradey	08 8538 5100 0448 593 499	richardb@hillgroveresources.com.au
General Manager – Exploration & Operations	Dale Ferguson	08 9481 1433	dalef@hillgroveresources.com.au
KCCCC Secretariat; Newsletter Co-ordinator	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



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SA Government grants lease for Adelaide Hills mine

News Release

www.premier.sa.gov.au

Hon Paul Holloway

Minister for Mineral Resources Development
Minister for Urban Development and Planning
Minister for Small Business

Tuesday, 14 October 2008

Minister for Mineral Resources Development Paul Holloway said today a mineral lease has been granted to Hillgrove Resources Limited for the development of the 2 million tons a year Kanmantoo copper gold mine in the Adelaide Hills.

Mr Holloway says Kanmantoo is the second metal mine to be approved in the Mount Lofty Ranges since the Rann Labor Government came into office following last month's opening of Terramin's Angas zinc project near Strathalbyn.

Hillgrove, an Adelaide-based resource company listed on the Australian Stock Exchange, intends to resume mining at the Kanmantoo site, which had previously operated until the mid 1970s, he says.

"The granting of a lease to Hillgrove for the Kanmantoo copper gold mine is great news for the South Australian economy," Mr Holloway says.

"The project 55 kilometres east of Adelaide will provide a boost to the local community with the potential to generate more than 150 new jobs and the injection of \$55 million a year into the South Australian economy."

Mr Holloway also acknowledged the efforts made by Hillgrove to work closely with local community members and interest groups to develop its project.

"Formal community meetings have been held since mid-2005 and the Kanmantoo Callington Community Consultative Committee (KCCCC) was formed in early 2007 to ensure continued consultation throughout the application process," he says.

Mr Holloway says the KCCCC has identified a range of issues and made 129 written recommendations to Hillgrove, of which 108 have been accepted in full and 21 in principle with some modifications.

"Issues highlighted by this process include native vegetation, transport routes and water usage and their effects on the local communities of Callington and Kanmantoo," he says.

Mr Holloway says Primary Industries and Resources S.A. is currently working with Hillgrove to develop a Mining and Rehabilitation Program, or MARP, which will set out the operational standards for the project.

"Many of the recommendations put forward by the community as well as the company's response will be used as the basis for the Mining and Rehabilitation Program now being negotiated between PIRSA officials and Hillgrove," he says.