

A Report From Hillgrove Resources Limited

Kanmantoo Project Progresses

Welcome to the first edition of the Kanmantoo Project Update for 2009, designed to report on progress highlights in our bid to open the Kanmantoo Copper/Gold Mine.

It is always a bit quiet on the news front as everyone heads off on holidays over the New Year, but we are pleased to report that things did not stop and have been very busy at Kanmantoo.

The KCCCC will be holding a meeting on the 26 February to set out its new Terms of Reference, a result of the shift to the next phase of the Project's development. All interested parties are welcome so please see the article below for further details.

From Hillgrove's Managing Director:

It is only February but I feel like we are well into the new year already. This is probably due to all the activity that has been going on both at site and corporately, all of which is very satisfying in these uncertain times.

As mentioned in the last newsletter, staff at Kanmantoo are concentrating on the final MARP stage of licensing and preparation of ground works, and have also been working for some time on a water agreement with the District Council of Mount Barker. At a council meeting on the 19 January all the hard work came to fruition when the arrangements for the use of treated waste water to be piped from Mount Barker for the operation of the Kanmantoo Mine was agreed.

Hillgrove will fund and build the infrastructure, including the 13km pipeline and pump stations from the Laratinga Waste Water Treatment plant in Mount Barker, then vest these assets to the Council in exchange for Hillgrove being able to buy a reliable, long term supply of class "A" recycled water.

With the assistance of the Adelaide Hills Regional Development Board, the District Council of Mount Barker secured funding support from the State



David Archer

Government to also enable a pipeline extension from the Kanmantoo Mine to the township of Callington.

These arrangements are an important milestone for the development of the Kanmantoo Project and highlight the innovative approach to the sourcing of process water for the mine, which at the same time provides significant environmental, economic and local infrastructure benefits to the community.

This week we also successfully completed a capital raising which bought in \$4.1 million to the Hillgrove coffers. The funds will be used for general working capital, the start of our exploration programmes in Indonesia; and for the continuing pre-mine development activities at Kanmantoo, including the acquisition of long lead time equipment and activities associated with the final stages of statutory approvals.

As we have noted previously, complete financing of the project will start once all the licensing is completed. The Hillgrove Board was extremely pleased with the response from investors and the shareholders who participated in the share purchase plan as it verified their belief in the Kanmantoo Project, our investment in Eastern Star Gas and Hillgrove's new exploration focus.

The global financial crisis appears to be moderating slightly and the price of copper, like so many other commodities, whilst having dropped significantly appears to have bottomed and is now modestly strengthening. The medium term outlook for copper remains very promising. There will be very few new mines like Kanmantoo to deliver copper in the next decade when copper prices will be higher.

Hillgrove is in a good position and we are looking forward to many other exciting developments on the Kanmantoo Project in 2009.

David Archer, Managing Director

Kanmantoo Site Gears Up



High Voltage Switchgear

Contrary to local speculation, Hillgrove has not joined the 'star wars program' but in fact taken delivery of the latest part of our high voltage switchgear for the Kanmantoo Mine switchyard.

The switchgear, or circuit breakers as you might know them, perform the vital function of ensuring that any electrical fault occurring on site will not affect the local power grid (and vice versa).

CFS Site Visit

On the 21 January we hosted a tour of the Kanmantoo Project site for the local CFS brigade to give them hands on knowledge of the mine and surrounding area. This tour was designed to ensure they are familiar with the area and can move quickly when necessary to prevent devastating fires.

This was certainly a timely visit considering how hot it has been and all the fire activity we are now experiencing in Australia. Our heartfelt sympathy went out to those affected in Victoria, and which only reinforces Hillgrove's intension to continue to coordinate with the local brigade and give assistance wherever possible.

KCCCC Meeting on 26 February

The role of the KCCCC during the next stage of the Project was discussed at its last meeting, just before Christmas. The way the KCCCC operates is closely linked to the various stages of the Hillgrove Resources Kanmantoo Copper Mine project. The Terms of Reference (ToR) for the current KCCCC for example, refer to the role of the Committee in the approvals process for the mine.

It was agreed at the meeting that a working party (of about 8 – 10 people) would be formed early in 2009 to redraft the KCCCC ToR to suit the role of the Committee in the next stage(s) of the mine's development. It was decided that any community member with an interest in helping to write the terms of reference could join the working party (not just existing KCCCC members).

I am pleased to invite you to join the working party that will meet from 7.00 pm to 8.30pm on Thursday 26 February 2009 at a venue yet to be decided. If you are interested in joining us, please contact me on 08 8391 1374 or bgoreing@adelaidehills.com.au.

Bob Goreing, KCCCC Chairman

Staff Member Profile – Darren Klingner

I am a Project Geologist who has been working on the Kanmantoo Project for nearly three years and proof that with a bit of experience geology graduates from the University of Adelaide can get good local jobs.

Graduating in 2000, I travelled around Australia for a few years working on various mining and exploration projects, including a couple of years in NSW working in the environmental field. Originally from the Barossa, I eventually came home to work in South Australia.

My main duties in the past have been organising drill programs as the project moved through its exploration and feasibility study stages, but I am currently focussed on interpreting and creating models from this data, along with other projects working towards getting the mine up and running.



Darren Klingner

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 and 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
Newsletter Editor	Lisa Saw	02 8221 0404	lisas@hillgroveresources.com.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