

A Report From Hillgrove Resources Limited

From Hillgrove's Managing Director:

Another year has flown by and Christmas is nearly upon us. In addition to wishing everyone a very happy and safe holiday season, I want to welcome the Kanmantoo Project's new General Manager, Cam Schubert, to the team.

Meanwhile, a major new Project milestone was reached with the Department of Primary Industries and Resources SA (PIRSA) approving the Mining and Rehabilitation Program (MARP) for the Kanmantoo Copper/Gold Mine on Friday 18th December which clears the final licensing hurdle for the Project.

The approval of the MARP is the result of a collaborative evaluation effort between all the stakeholders, and I believe the effort can be held out as a demonstration of how co-operation, communication and commitment can produce a set of satisfactory outcomes. I'd particularly like to thank Bob Goering, the members of the K4C and those in the community who made contributions. We must also thank the South Australian Government. The Minister for Mineral Resources Development, the Hon. Paul Holloway MLC, and Dr Paul Heithersay who has done a great job guiding the PIRSA team.

The detail addressed in the MARP has resulted in it running at over 3,000 pages, which is over twice the size of most other submissions, so we now have a comprehensive guide to how the project will be built and operated, and this ensures absolute clarity in how things can and will be done.

Cam will be starting early next year, and it couldn't have been better timing. He will lead our next K4C community meeting that we will be calling early next year (details to come). He will also be building the team up from the 12 people working on site at present, to a larger team comprising more of our own staff and visiting construction contractors, and with the Board's approval to go ahead with the development of the Mine, the gradual recruitment of some 150 staff later next year.

This has been a great way to end the year, and our team will be looking to a well earned rest and happy Christmas, before we return reinvigorated to start the next exciting phase of the project.



David Archer

David Archer, Managing Director

General Manager Appointed to Project

The most senior position at the project has been filled by Cam Schubert, who starts in early January and will be responsible for all aspects of running the Kanmantoo Mine Project.

Cam's experience is particularly relevant to Kanmantoo as he was the Site Senior Executive & General Manager from 2004 to 2007 of Xstrata's Ernest Henry open-cut copper/gold mine in North Queensland and most recently the Mine Operations Development Manager for BHP Billiton's Olympic Dam Expansion Project.

Cam lives in Stirling with his wife and four young children and is a keen cyclist, bushwalker and camper. All going well, he plans to ride to work two or three days a week.

On his appointment a fortnight ago, Cam spoke about joining the Project. "I see my role with Hillgrove as leading the team and setting strategic direction to achieve a successful and sustainable operation. Hillgrove is already a valued part of the local community and I want to build on that and maintain the goodwill.

"Living locally I appreciate the diversity and culture of the Adelaide Hills and one of the challenges I am particularly looking forward to is demonstrating how a modern mining operation can work and the value it can add to the community. Kanmantoo is a flagship for Hillgrove and I want it to be a flagship for modern mining".



Cam Schubert

Processing Plant Acquired for Project

In August Hillgrove entered into a purchase agreement to acquire the decommissioned Pillara Mine's process plant and associated equipment and buildings for the Kanmantoo Copper/Gold Project.

The purchase comprises the float plant (which includes a ball mill and SAG mill), office buildings, crusher, plant spares and consumables, workshops, sample preparation facility, laboratory, fuel farm, warehouse and product storage buildings.

This provides a great head start for the Project and affords a number of significant advantages, which include:

- A reduction in capital expenditure and reduced possibility of cost blow outs by utilising a second hand plant rather than buying everything new;
- Reduced construction time and more certainty of meeting 12 month target as we have everything we need for the plant.
- A significant number of items excess to our requirements have been identified, so a programme to sell them is underway, with details available on our website. It is anticipated the sale will result in a significant set-off against the purchase cost; and



- We plan to sell the SAG mill we ordered as it is a very attractive purchase for another mining operation to acquire a brand new mill without the two year lead time for construction.

MARP Granted, Plant Ready, What Next?

The Mining Lease and Rehabilitation Program (MARP) defines the road rules Hillgrove will operate the Project under. It includes 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.

You may have noticed the MARP is currently conditional on finalising the design of the tailings storage facility. This is not uncommon and utilised by PIRSA so they do not hold up the process over a design matter that will be resolved shortly. Being conditional does not affect our ability to finalise the financing process or to continue our project planning.

In anticipation of the MARP, the Board approved the appointment of Abesque Engineering to begin the dismantling and relocation of the Pillara Plant from northern W.A. to S.A. early next year. They are very experienced contractors who worked on Terramin's Angus Project, constructing the zinc/lead plant at Strathalbyn last year.

Having the MARP and the 'green light' from the Government also means the Hillgrove Board of Directors is now in a position to in turn make the decision to go ahead with the development of the Mine. We hope that the Board will be able to make that decision early in the New Year.

It is an exciting time for the Project as the MARP allows us to press ahead with many decisions, some of which are mentioned here. Those and other decisions will be announced as they are finalised and we look forward to providing more information in our January Newsletter.

Kanmantoo is Producing Copper

In September Hillgrove acquired South Australian Mining and Resources Pty. Limited (SAMR) who operated the copper heap leach project at the Kanmantoo Mine site.



Copper oxide ore stockpile



Oxide ore on leach pad



Resulting copper rich solution is mixed with steel



Your editor 'helps' extract the copper slurry



Copper oxide processing plant



Copper cement on belt ready for market

We were fortunate to retain several staff so the transition has been relatively seamless and production continues. We were also pleased to fill the remaining two positions with locals who had process technician credentials and had registered their interest to work on the Project.

The oxide ore heap leach processing operation produces copper cement from copper oxide ore stockpiles remaining from mining operations at Kanmantoo in the 1970's. The operation produces approximately 37 tonnes of copper in cement per month which is sold to a local customer. The operation will continue until the stockpiles of oxide copper ore are exhausted next year and the process makes way for the mining operations.

Callington Show

With all the activities mentioned above we still found time to attend the Callington Show which had a great turn out this year. Our stall received a fair amount of attention, ranging from people sharing their stories of the once operational mine to requests to apply for employment. We participated in the treasure trail which attracted a lot of young attendees to the stall for caps, magnets and sweets! By far the majority of visitors were just interested in a first hand project update.

In particular, I enjoyed the wheelbarrow races of which we were the major sponsor and awarded the prize-money and congratulated the competitors. With the weather holding, it was a most enjoyable day.

Catherine Davis, Environment Manager

WISHING YOU A VERY HAPPY CHRISTMAS



**AND A SAFE AND PROSPEROUS NEW YEAR
FROM EVERYONE AT HILLGROVE**



How to Contact Us

There are many ways to stay informed about the progress of the program, or seek additional information. Key contacts are:

General Manager – Site and Geology	Richard Bradey	08 8538 5100 0448 593 499	richardb@hillgroveresources.com.au
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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