

## **A Report From Hillgrove Resources Limited**

### **From Hillgrove's Managing Director:**

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A new year, and what a great way to start it, with the Kanmantoo Copper/Gold Mine Project ramping up for a very exciting 12 months.

There will be a lot of activity on site now the project licensing is in place, with the Tailings Dam design being completed to meet the final licensing requirement, early ground works able to start shortly, infrastructure contracts to put in place, and the dismantling of the Pillara Plant ready for transportation and construction at the Kanmantoo Mine Project. And that's only the start of it.

But, what makes this year really exciting for me is that our faith in the project's potential, global demand for copper, and the potential to increase the size of the deposit is all coming together after many years of preparation. No project can proceed without all these factors falling into place, and it is extremely gratifying to have achieved this much.

This year should see the world move truly out of recession and transition into more favourable economic conditions, which means demand for refined metal shows no signs of abating for the developing world and China in particular.

China remains copper's star performer and as its prominence in the global economy continues to grow so too will its thirst for copper. Demand growth will continue at pace in 2010 supported by robust growth particularly around new roads, housing and construction. This is supported by growth in other end use markets such as car production, air conditioners, laptops, and mobile phones.

There is also expected to be a strengthening of metal demand in the rest of the world which will see a tightening of industrial metals balances and a continuing strengthening of the copper price throughout 2010 and into 2011. With little additional refined production due on stream given the dearth of projects, the Kanmantoo Project is in an excellent position for this period of development and then production in 2011.



David Archer

*David Archer, Managing Director*

## Project Update from the General Manager

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I am very excited to be joining the Kanmantoo team at such a dynamic time. As David has said, the future demand for the copper won from the Kanmantoo deposit looks bright, we have a skilled and motivated project leadership team in place and we have the chance to develop a benchmark mining operation that we can all be proud of.

Last week I had the opportunity to visit our recently purchased mineral processing facility at the remote Pillara Mine site in the North West of Western Australia prior to its dismantling and relocation to Kanmantoo. I am pleased to advise that I was very happy with what I saw. We have the site leadership team in place, the camp quarters where our dismantling crews will be staying while on the job are clean, comfortable and the food is top quality and the condition of the processing plant and spares inventory is of a very high standard.



Cam Schubert

What happens next at Kanmantoo you may ask? Well, we will have drill rigs turning up within the next month to continue our orebody definition and exploration activities. We will also be finalizing our engineering designs for the Mt Barker treated water pipeline, the tailings storage facility, the site ore processing facility and required civil engineering activities. We will start the initial civil works on site during April and the initial shipments of our ore processing facility and mining equipment will start to arrive on site during May. We expect to be ramping up our recruitment programs in the second half of 2010.

I look forward to sharing updates on the progress of the Kanmantoo Copper Project with you in coming editions of this newsletter.

*Cam Schubert, General Manager – Kanmantoo Project*

## KCCCC Meeting – Thursday 11 February

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The Kanmantoo Callington Community Consultative Committee (KCCCC) was formed about three years ago as a key mechanism for community engagement related to the proposed redevelopment of the Kanmantoo Copper/Gold Mine by Hillgrove Resources Limited. The Community had been involved prior to this through public forums that commenced in 2005.

The next meeting of the KCCCC will be held from 7:30 pm - 9:00 pm on Thursday 11 February at the Callington Hall and comes as the project is set to enter its next phase of development. This is the first meeting for some time after a lengthy approvals process and some interruptions to schedules linked to the global economic downturn.

KCCCC meetings are public meetings and all interested parties are welcome to attend.

The agenda for this meeting will include:

1. Welcome and introductions
2. Administrative items
  - a. KCCCC terms of reference
  - b. members induction, etc

3. Operational items
  - a. Update on the project
  - b. Next steps
4. Strategic / planning items
  - a. Mining and Rehabilitation Plan (MARF)
  - b. Impact of the 12 month delay
5. Questions

<p style="text-align: center;">Next KCCCC Meeting: Thursday 11 February 7:30 – 9:00pm Callington Hall</p>
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We really hope you can join us.

*Bob Goreing, KCCCC Chairman*

### Processing Plant Dismantling

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Cam Schubert and Andrew Reeves at Pillara

In August Hillgrove purchased the decommissioned Pillara Mine's process plant facility for the Kanmantoo Copper/Gold Project. The purchase comprises the float plant (including 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.

With the MARF approved in principle in December, the Board was able to approve initial works on the plant prior to the financing of the project being completed. Work has started on assessing the plant ready for dismantling over the next few months for relocation to Kanmantoo by the middle of the year. Cam Schubert, the new General Manager of the Kanmantoo Project, toured the Pillara site near Fitzroy Crossing in Western Australia last week with our Engineering Manager, Andrew Reeves, and was extremely pleased with what he saw, noting the good condition of the plant and suitability for the Kanmantoo Projects purposes.

## Minister Holloway visits Kanmantoo

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On the 8 January the Minister for Mineral Resources Development, the Hon. Paul Holloway, and Dr. Ted Tyne from PIRSA toured the Kanmantoo Mine Site with their teams to view progress to date and assess future plans.

Hillgrove's Chairman, the Hon. Dean Brown, also attended and was gratified that good weather allowed a thorough tour of the Kanmantoo Mine Project, enabling attendees to gain good visual references for when we work together on the Project.



Justin Gum, Tim Baker, Ted Tyne, David Archer, Paul Holloway, Cam Schubert, Dean Brown, Andrew Reeves

## Fire Prevention Work

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The early rain this year was great for the farmers and hay making but not good news on site to see the grass sitting so high. The agisted sheep we have on the property did a great job but were not able to keep up so Hillgrove quickly implemented a program to address the issue. Slashing was undertaken around the boundary, roadways and site infrastructure to help reduce any fire risk.

## Staff Member Profile – Andrew Tolcher

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I was excited to join the Hillgrove team in September as working at the site couldn't be more convenient for me as I live just down the road in Kanmantoo. Previously I've been working in the drilling industry, which over the past decade or so has seen me working in remote locations and at mine sites all over the country, performing everything from the most basic of diamond drilling for underground development, surface mineral exploration, to far more technical drilling for backfill operations, such as the backfill holes at the Granites Gold Mine, which were up to one kilometre deep and needed to be directional drilled to hit small targets.



Andrew Tolcher

All that drilling has been great fun, but the recent arrival of my first child, Jane, caused me to make some huge lifestyle changes and coming home to work locally is one of the big ones. I'm pleased to now be working on site at Kanmantoo as a process worker within the heap leach operation where a small team of five people keep the copper leaching from the oxide stockpile seven days a week. It's amazing to see just how much copper cement is being produced from an old stockpile. I'm looking forward to seeing this mine site develop from the ground up into a successful operation.

## How to Contact Us

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

General Manager – Kanmantoo Project	Cam Schubert	08 8538 5100 0488 522 072	<a href="mailto:cams@hillgroveresources.com.au">cams@hillgroveresources.com.au</a>
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Newsletter Editor	Lisa Saw	02 8221 0404	<a href="mailto:lisas@hillgroveresources.com.au">lisas@hillgroveresources.com.au</a>

The Kanmantoo Project section on our website provides information on all aspects of the Project, the team, and the project news section, which includes past copies of the newsletter. The direct link is [www.hillgroveresources.com.au/Projects/Kanmantoo](http://www.hillgroveresources.com.au/Projects/Kanmantoo).

As the communities where we work are so important to us, we have dedicated a section of our website where you will find information on activities in the community and any local committees at [www.hillgroveresources.com.au/Community](http://www.hillgroveresources.com.au/Community).

Employment and graduate details for the Kanmantoo Project and any open opportunities are detailed at [www.hillgroveresources.com.au/Employment/Kanmantoo](http://www.hillgroveresources.com.au/Employment/Kanmantoo).

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	<a href="mailto:walker.sam@saugov.sa.gov.au">walker.sam@saugov.sa.gov.au</a>
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PIRSA's website is [www.pir.sa.gov.au](http://www.pir.sa.gov.au) and provides a wealth of useful information including the *Mining Act 1971*, prescribed forms, mines regulation and other details.

**To register or if you would prefer an emailed copy of the newsletter please go to our website and fill in your details under the Kanmantoo Project News section.** The direct link is [www.hillgroveresources.com.au/Projects/Kanmantoo/KanmantooProjectNews](http://www.hillgroveresources.com.au/Projects/Kanmantoo/KanmantooProjectNews) and select 'click here'.