Can-do spirit sees Kamantoo through

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BOWHILL

Hillgrove Resources' Kamantoo copper project very nearly Carlton

In July 3010, chief executive Drew Simonson stood before a
crowd of doubting tailes at the Kamantoo mine site, some 60
kilometers from Adelaide.

He had been with the company as acting managing director
for little more than a month before former mining director David
Avidin resigned for personal reasons.

"We stood outside and there were a few questions about
whether we were going to get financing and whether the project
was going to go ahead," Mr Simonson said.

"What I saw in front of me at that time was a number of
uncertain people."

Just seven months later construction of the site is progressing,
the mine is fully funded through development and early
production and the company has secured an off-take agreement
with Philemon metals.

Feasibility studies have identified the potential for $1.7
billion of copper concentrate production per year, with around
1000 ounces of gold credits.

The mine has a storied history, with Hillgrove Resources
having bought the rights in property on the move.

First mining at Kamantoo began in 1940 and continued to
1972 when a collapse in world copper prices forced the mine
to close.

Prospecting continued in the area until the late 1960s when
exploration for Kamantoo Mines, a joint venture between
Becan Hill North, Bournen Hill South and Australian industries,
led to the discovery of the main deposit at Kamantoo and
commencement of open pit mining in 1970.

The mine operated for the six years before (low copper prices,
industrial disputes and high costs forced the operation to close.

An open pit around 1200m deep has lain dormant for some 35
years, and the site's former processing plant buildings were
used by neighbours as a fertilizer manufacturing facility until
the 90s was closed.

In April 2010, Hillgrove exercised the option to acquire the
ground to the land.

A subsequent definitive feasibility study was undertaken by
Lycopodium in 2007, but there were community concerns
surrounding the amount of water that would be taken from the
Murray River.

At the time the region's farmers were suffering under an almost
catastrophic drought, and the mine would take another 755 megalitres out of the Murray River each year.

The local council meanwhile was raising fears in the public
insufficient to put sufficient water into Mount Baker Creek.

Hillgrove management saw a solution to their water problems.

Viewers for the mine's processing operations would be taken at
Baker's water pond, after treatment, offering an acceptable solution to the Mt Baker Council and the Environmental Protection
Agency.

"It overpowers a concern for the Mt Baker Council, because they were in serious trouble with the EPA
about extending its licence to put that effluent water into Mt Baker Creek," Hillgrove Resources chairman Dean Ovens said.

Viewers pipelines have been extended in the nearby town of Cahlking, where water will be 
irrigated on an agricultural and recreational basis.

While the water problem was somewhat straightforward there was no easy financing.

Mr Simonson stepped in as acting chief executive on June 28 and was appointed as managing
director by the board on August 13.

For the six months Mr Simonson sought to secure $50 million in finance to fund development.

Barclays Bank and Macquarie Bank finally signed a letter of commitment for loan facility agreements totaling $30 million. The formal agreement wasn't signed until December 1, 2011.

Mr Simonson also pushed forward with a $65 million capital raising in the face of opposition from investors.

The $65 million placement, fully underwritten by Philemon and Wilson HTM Investment Group, closed over subscribed "with strong demand from new and existing institutional shareholders".

Mr Simonson says the move was part of a broader strategy to gain access to funding in the future.

The move towards a 50-50 institutional-to-institutional means that raising funds can be done relatively

March 2011, Hillgrove Resources' project financing totaling $1.7 billion will now be used to fund
core Kamantoo through to production, ongoing exploration activities in Hillgrove's Indonesian territories and for other general
corporate expenses.