Greetings to one and all.

Christmas/New Year now seems a long time ago! Progress has been significant and rapid, and with the plant scheduled for completion later this year, we are now only a matter of months away from turning a concept into reality. A recent panoramic view of the site is included elsewhere in this bulletin.

As our construction activity accelerates, and there are more and more comings and goings to and from the site, we are very mindful of the impact we can have on the local community. You have asked us through direct correspondence and at previous KCCCC meetings to address this issue, and I want to assure you we have listened and are doing what we can. I want to take this opportunity to outline some of the points raised at the last meeting.

Firstly, we have asked our employees and contractors to slow down on the local roads. We are aware there have been some close shaves, particularly on Back Callington Road between the mine site and Mt Barker. We are actively reviewing what we can do about the situation. Secondly, when the access intersection with Princes Highway is completed, we will ask our employees and contractors to utilise this route. Thirdly, our trucking activities will seek to avoid school opening and closing hours. Unfortunately, many of the access roads to and from the mine are public roads, and we cannot legally compel individuals to use particular routes - all we can do is ask and encourage.

Our employment activities are also ramping up, and those of you with an interest in joining us should review the opportunities listed on our website and register through the online system.

The ore processing we’ll undertake will be ‘hydrometallurgical’ - using water - a process known as “flotation”. It involves crushing and grinding the ore to a fine-grained sand consistency, adding reagents that attach themselves to the valuable minerals, and then bubbling air through the mix. The air attaches to the reagents on the valuable minerals and floats them to the surface where they cascade off the top into troughs, are collected, filtered and then dried. Pyrometallurgical processes (smelting) - using heat/fire - like those processes which experienced such difficulties 100-150 years ago, will not be used on our site. There are no significant “nasties” in our product, and as you know, are going to considerable lengths and expense to ensure our tailings (waste) is contained and has minimal environmental impact.

Our efforts and the requirements we must rightly meet are a far cry from the historic operations in the region. I have received a paper from the Australian Mining History Association (AMHA) which provides a fascinating history on the various projects in the area and you may be interested in their conference in Hahndorf in September this year. I have included the paper on our website (http://www.hillgroveresources.com.au/downloads/news/kan-strath.pdf) should you be interested.

I will be attending as many KCCCC meetings as I can this year, and I look forward to seeing you and answering your further questions at our next meeting in March.

I am immensely proud of the progress to date – and I hope you are excited for what it means for the local community.

Drew Simonsen, Managing Director
Project Update from the General Manager

Greetings All,

The landscape is certainly changing at the Kanmantoo site. We are now well into the construction of our processing plant with over 30% of our concrete civil work completed plus we have started the significant milestone of erecting steelwork on the concrete footings that have been completed. The reclaimed water pipeline from Mt Barker is also approximately 30% complete with over 5,500m of trenching and pipeline completed.

We will be commencing the construction of our High Voltage power line to site early in February plus the commencement of the final stage of our site access bypass road which involves installing the intersection at the Princes Highway. Heavy vehicles to and from site can currently use this bypass road, but we are not licensed to use this road for our site based workforce and their private vehicles until the intersection is completed.

Our mining operators, Exact Mining, are also in full swing and currently working double shifts with the focus on excavating clean waste rock to be used in building the rock wall embankments for our tailings storage facility. The target is to have these walls completed and the foundations of the facility prepared to allow the lining of the facility prior to the onset of the winter rains. Works to date are progressing very well.

We are conducting up to three blasts a week within the mining area. The safety of our workforce plus the communities that we work within is our highest priority. One of the initiatives to ensure safe blasting operations is that we have been limiting blasting to the change of shift times, usually at 6pm to allow the majority of the workforce to leave site. As well as notifying all site personnel via notice boards and pre-shift meetings. We also have guards manning all accesses to the mining area to prevent personnel from entering the restricted area during blasting operations.

The last Kanmantoo-Callington Community Consultative Committee Meeting was held on the 2nd December and was well attended by both the committee members and 20 members of the public in the open gallery. I thank all who attended and took part in the open and constructive discussion and feedback. It was great to see some of the regular attendees plus the introduction of some new faces.

One of the highest profile topics of the meeting was the Traffic Management Plan for the project with specific attention given to the road transport to and from site along the gazetted B-Double route of East Terrace between Princes Highway and the SE Freeway. I can confirm that it is Hillgrove’s intention to continue to avoid the school bus times to further reduce our impact on the community at a time when local families are travelling to and from school and bus stops. The minutes of the Kanmantoo Callington Community Consultative Committee Meeting are attached to this newsletter. Our next meeting is planned for the 17th March and I look forward to seeing you all there.

In closing I would like to thank our entire workforce for their efforts to date plus the local communities in which we operate for their continued support. I look forward to providing further updates at our next Community Meeting and in future editions of the newsletter.

Cam Schubert, General Manager - Kanmantoo

KCCCC Meeting - Thursday 17 March

The next meeting of the Kanmantoo Callington Community Consultative Committee (KCCCC) will be held from 7:30 - 9:00pm on Thursday 17 March at the Callington Hall. We hope to see all interested parties at this meeting.

We are planning to incorporate an open forum utilising information stands with management and technical staff from the project available for informal one on one type discussions. There were several questions at the last meeting around planned ore processing methods and how these compared to the historical operations of the 1800’s and 1970’s. These types of questions and more can be discussed in detail at the information stands. So make sure you put the date in your diaries and have all your questions ready!
Project Construction

Construction of the processing plant has progressed extremely quickly in the three months since we received the project go-ahead. Not surprising really when we had been working so diligently towards receiving the green light and finally got to put all that hard work into action.

No better way to show you where we have got to is with a photo of the whole plant construction area taken from the top of the old waste stockpile. As you can see there are a lot of things happening in this one picture despite only having room to label the main areas.

The concrete footings are one of the main activities currently underway and are being installed by our contractors, York Civil under the guidance of our Construction Manager, Abesque Engineering. The photo below shows more detail of the Concentrate Thickener footings going in the background and the circle of formwork is for the Process Watertank in the foreground.
Minister Holloway Opens Administration Block

Construction of the site offices was completed in late January with staff moving in just a week before its official opening. On Wednesday 2 February Minister Paul Holloway, the South Australian Minister for Mineral Resources Development, officially opened the Administration Offices to mark the completion of the first stage of the complex construction process that is being undertaken on the project since construction started in November. The event was well attended by the media, the Hillgrove Board and site staff, in addition to Dr Paul Heithersay and Mr Ted Tyne from PIRSA, and the Minister’s staff.

It was fantastic to have The Minister on site for him to see the initial stages of construction in progress. Cam Schubert took our VIPs on a tour and provided an excellent overview of the progress achieved in just three short months and Hillgrove’s plans for the coming year.

The official part of the morning was conducted on the veranda of the new Administration block with speeches by Hillgrove’s Chairman The Hon. Dean Brown, Minister Paul Holloway and Drew Simonsen. I was assured the speeches were very well received by our hard working team and not just because they were out of the midday sun!

We really appreciated everyone giving a hand to move all our guests around site and ensure everyone was returned safely. It was all made even more worthwhile receiving great coverage of the morning’s events with reports on the ABC, Channels 9 and 10, The Advertiser and Adelaide Now to mention just a few. If you are interested in seeing some, have a look at these: http://www.adelaidenow.com.au/business/kamantoe-copper-mine-to-open-in-december/story-e6fredj3-1225998745905 and http://www.abc.net.au/news/stories/2011/02/02/3128136.htm.

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Minister Paul Holloway being interviewed by the TV crews

Cam Schubert conducting the tour for our important guests

Minister Holloway speaking to Hon. Dean Brown, media and staff
Communications

A key aspect to operating any mine in a remote area, but still an issue at Kanmantoo, is communications. To enable a staff of some several hundred people to have the required computers and technology to perform their roles well, to communicate with each other around site and with suppliers, and our other offices is a complex and usually very expensive issue.

We are fortunate once again that Kanmantoo is located where it is, near a major town centre, and satellite and other technology not required, but due to the hilly terrain, relay towers are.

This solar powered tower being installed this week by Milpeak Pty Ltd is located at the top of the old wastepile. It will relay our radio communications around site to the open pit mine, ore processing plant, Administration area and to the oxide ore processing facility currently located near the old pit.

Emergency Services Meeting

On the 5th January Hillgrove hosted a meeting and site visit with the key emergency service providers from the local area who may respond should there be an incident at the Kanmantoo mine site.

The services represented included the Country Fire Service, South Australian Ambulance service and the State Emergency Service. It was a fantastic opportunity for Hillgrove to learn from the emergency service providers how we as a project can best prevent and prepare for serious emergencies. I would like to thank both Neil Turner, who is one of our Community Committee Members, for his organisation of the meeting plus the dedicated participants for attending and their input to this important meeting.

Following is an excerpt from a note that Neil very kindly sent after the meeting:

...May I take this opportunity to thank Cam for not only his time but also the time that other members of his staff gave for this meeting. I believe that Hillgrove’s approach to the future life of the mine and involvement with local communities is very positive which was again portrayed today by taking the steps to plan responses for possible incidents, not waiting for the incidents to happen and then see how to handle them. This again shows their commitment to the community and to the safety and future of all personnel involved in their project.

Neil Turner AFSM (0409 287 078)
President, Callington Memorial Oval, Management Committee
Hi, I’m Justin Scott. I started at Kanmantoo at the start of the new year as the Senior Mining Engineer for the project. I’ve recently worked as a Senior Mining Engineer for Cliffs Asia Pacific Iron Ore Koolyanobbing on the eastern edge of the West Australian wheat fields and the western edge of the Kalgoorlie goldfields (so practically in the middle of nowhere). Having lived in this area (Southern Cross for those that know the region) for the past two years, my wife Judy and I are really looking forward to living in a region that has more than endless wheat fields, gold mines and cows. When I came across the Kanmantoo position I couldn’t think of a better place to be after living in “The Cross” and still have the same work challenges.

My role at Kanmantoo will be to build and maintain all the planning systems for the operation, prepare implement and monitor all mine plans and pit/waste dump designs from Life of Mine through to day to day operations and to assist us to make this operation as productive and successful as is possible.

As I mentioned above, I’m married to a wonderful girl (despite her being a geologist) with no kids with the exception of the furry kind – one very childish Dalmatian and two cats that are constantly fighting me for the “boss of the house” title. When not staring at my computer screens at work, I share myself between spending time with my wife, tinkering in my workshop/garden (when I have them) and hunting down different beers from around the world (hopefully in that order of priority).

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**How To Contact Us**

There are many ways to stay informed about progress at the Kanmantoo Copper Mines Project, or to seek additional information.

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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/kanmantoo-project.html](http://www.hillgroveresources.com.au/kanmantoo-project.html).

As the communities where we work are so important to us, we have dedicated a section of our website to activities in the area at [www.hillgroveresources.com.au/kanmantoo-community.html](http://www.hillgroveresources.com.au/kanmantoo-community.html) and the local project committee. Under the Kanmantoo Committee section you will find details and minutes of previous meetings of the Kanmantoo Callington Community Consultative Committee.


Primary Industry and Resources South Australia (PIRSA), the government body that regulates mining and exploration in South Australia, has a website at [www.pir.sa.gov.au](http://www.pir.sa.gov.au) that provides a wealth of useful information; including the *Mining Act 1971*, prescribed forms, mines regulation and other details or you can contact: Hans Bailiht 08 8463 3107  [Hans.Bailiht@sa.gov.au](mailto:Hans.Bailiht@sa.gov.au).

**To register for 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/kanmantoo-news-register.html](http://www.hillgroveresources.com.au/kanmantoo-news-register.html). And if you are receiving the Newsletter by mail and would prefer a far speedier *emailed version* in future please register or email lisas@hillgroveresources.com.au.