

CONFIDENTIAL ITEMS 2003 – SEPTEMBER 2019

#	Date	Item Title	Confidential Order Details	Item being kept confidential - Agenda/ Attachment/ Minutes	Reason regarding retention or recommend-action to release	Resolution Regarding Action	Last Review Date	Next Review Date	Date Released
---	------	------------	----------------------------	--	---	-----------------------------	------------------	------------------	---------------

124	6 November 2017	Hillgrove Resources Debt to Council Update	<p>Section 90 (3) (b) Order</p> <p>1. Pursuant to Section 90(3)(b) Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, Deputy Chief Executive Officer/General Manager Infrastructure & Projects, General Manager Planning and Development, General Manager Corporate Services, General Manager Council Services and the Minutes Secretary be excluded from attendance at the meeting for Agenda Item Hillgrove Resources Debt to Council Update.</p> <p>The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.</p> <p>In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may</p>	Council report, related documents and all minutes	<p>The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.</p> <p>In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large</p>	Until the debt is reduced to only the amount that is current, or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months.	2 Oct 18	Within 12 months	<i>Report attachments and minutes on website 5 September 2019</i>
-----	-----------------	--	--	---	---	--	----------	------------------	---

CONFIDENTIAL ITEMS 2003 – SEPTEMBER 2019

#	Date	Item Title	Confidential Order Details	Item being kept confidential - Agenda/ Attachment/ Minutes	Reason regarding retention or recommend-action to release	Resolution Regarding Action	Last Review Date	Next Review Date	Date Released
---	------	------------	----------------------------	--	---	-----------------------------	------------------	------------------	---------------

			<p>severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter.</p> <p>Section 91(7) Order</p> <p>4. Pursuant to Section 90 (3) (b) & (d) That having considered Agenda Item Hillgrove Resources Debt to Council Update, in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, related documents and all minutes be retained in confidence until the debt is reduced to only the amount that is current, or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months.</p>		<p>resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter.</p>				
--	--	--	---	--	--	--	--	--	--

18. CONFIDENTIAL REPORTS**18.1 REPORT TITLE: CONFIDENTIAL: HILLGROVE RESOURCES DEBT TO COUNCIL UPDATE****DATE OF MEETING: 6 NOVEMBER 2017****FILE NUMBER: DOC/17/106383****ATTACHMENTS:**
1. Hillgrove Resources and Council letter exchange - DOC/17/110159
2. Council meeting confidential resolutions 7 August 2017 - DOC/17/106807
3. Hillgrove Resources Release – Key Initiatives - DOC/17/110253**Mount Barker 2035 – District Strategic Plan:**

Natural Environment & Sustainable Living
Objective 2.4 Maximise recycled water use.

Economic Prosperity
Objective 2.1 Strengthen and promote the water recycling and reuse business of Council.

Governance and Leadership
Strategy 4.4 Identify strategic and operational risk issues and manage accordingly.

Purpose:

To provide an update on the status of the Hillgrove Resources debt to Council.

Summary – Key Issues:

- Hillgrove Resources has provided an undertaking to significantly reduce the amount of the debt to Council in the months of November and December 2017;
- The performance of Hillgrove Resources in making payments to Council requires continued monitoring with a status update recommended for the Council meeting to be held on 5 February 2018; and
- Hillgrove Resources has a number of initiatives that it is pursuing which are likely to have varying implications for the community, including changes to employment levels.

Recommendation:

That Council:

Section 90 (3) (b) Order

1. Pursuant to Section 90(3)(b)

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, Deputy Chief Executive Officer/General Manager Infrastructure & Projects, General Manager Planning and Development, General Manager Corporate Services, General Manager Council Services and the Minutes Secretary be excluded from attendance at the meeting for Agenda Item Hillgrove Resources Debt to Council Update.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter.

2. Note the letter from the Chairman of Hillgrove Resources to Council dated 6 September 2017 and the subsequent email to Council from the Chief Executive Officer of Hillgrove Resources dated 31 October 2017 (see attachment 1);
3. Continue to monitor the performance of Hillgrove Resources in relation to the amount of the debt owed to Council for the supply of recycled water to the mine and have a status update prepared for the Council meeting scheduled to be held on 5 February 2018;

Section 91(7) Order4. Pursuant to Section 90 (3) (b) & (d)

That having considered Agenda Item Hillgrove Resources Debt to Council Update, in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, related documents and all minutes be retained in confidence until the debt is reduced to only the amount that is current, or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months.

Background:

1. A confidential item on the Hillgrove Resources debt was considered at the Council meeting held on 7 August 2017 and the resolutions of that meeting remain the subject of a confidentiality order (see attachment 2).
2. A letter to the Chairman of the Hillgrove Resources dated 9 August 2017 was signed by Mayor Ann Ferguson and a response was received dated 6 September 2017 (see attachment 1).
3. As at 20 October 2017 the current debt is as shown in the table below with the total amount owed to Council being \$381,352 and of this amount \$216,676 (57%) is over 90 days.

HILLGROVE RECEIVABLE (\$s)

Balance 1 July 17	451,658
Billed this year	164,676
Received since 30 June	(234,981)
Closing Balance	381,352

Current	82,501	22%
30	39,180	10%
60	42,994	11%
90+	216,676	57%
Total	381,352	100%

Discussion:

1. On 23 October 2017 the Chairman Mr John Gooding and Chief Executive Officer Mr Steve McClare of Hillgrove Resources met with Mayor Ann Ferguson, the Chief Executive Officer Mr Andrew Stuart and the Deputy Chief Officer/General Manager, Infrastructure and Projects Mr Brian Clancey.

2. The meeting was constructive with acknowledgement of the importance of the long standing relationship between Council and Hillgrove Resources and the need for regular communication.
3. In relation to the debt reduction strategy, Mr McClare indicated that the intent of Hillgrove Resources was to make payment to Council of \$150,000 in November and an additional \$200,000 in December 2017 (see a subsequent email from him in attachment 1).
4. The non-adherence by Hillgrove Resources to previous debt reduction payment commitments to Council was acknowledged with unforeseen circumstances being cited as the cause for this and confidence that as of November, Hillgrove Resources will be in a far more favourable cash flow position overall.
5. As reflected above in recommendation three, Council needs to continue to regularly monitor the performance of Hillgrove Resources in relation to the amount of the debt owed to Council for the supply of recycled water to the mine. A status update is to be prepared for the Council meeting scheduled to be held on 5 February 2018 to report on the extent to which Hillgrove Resources does deliver on the most recent commitments made.
6. In the event that Hillgrove Resources does not fulfil to the satisfaction of Council the debt reduction committed to over the next 2 – 3 months, Council will be in a position to review options for alternative action including to seek to secure the debt, possibly via pursuing the declaration of a separate rate being a process which would require community consultation.
7. Further information has been requested and is awaited from Hillgrove Resources in relation to forecast changes in their recycled water needs over the next three years.
8. During that period Hillgrove Resources intends to transition from open cut to underground mining at the current mine site. Hillgrove Resources verbally advised that they currently employ around 260 people but they forecast that this number would reduce by around 50% when the change to undergrounding occurs. The volume of recycled water required would also reduce substantially, forecast to be around 30% of current demand.
9. There was discussion regarding possible opportunities for the current mine site post it being used for operational purposes, in the context of utilisation of existing infrastructure and community benefit.

10. On 1 November 2017 Mr McClare forwarded a Hillgrove Resources leaflet outlining key initiatives that are being investigated/pursued (please see attachment 3).
11. Hillgrove Resources has invited Council Members to undertake a site tour with the suggested timing being March 2018 by which time they anticipate being able to provide further information regarding underground mining and there would still be the benefit of daylight saving.
12. In recognition of Council needing to pursue a disposal path for a steadily increasing (due to growth) supply of recycled water, a Council workshop to gain input from external parties including PIRSA, EPA, Health SA, RDA, SA Water and others has just been held. Further information will be provided to Council Members on a proposed approach, including a potential Expressions of Interest process and a possible collaboration with SA Water.

Community Engagement:

Informing only	Not applicable
----------------	----------------

Policy:

Not applicable.

Budget:

The 2017/18 Council budget includes revenue from recycled water sales of \$637,635 of which approximately 97% is forecast to be received from Hillgrove Resources.

The budget amount is conservative and does not reflect the anticipated volume of recycled water to be supplied by Council but the likelihood of payments being received.

As at 20 October 2017 the total revenue received from Hillgrove Resources for 2017/18 is \$234,981.

This can be provisioned for anticipated future Council expenditure (beyond the mine ceasing to operate) towards an alternative disposal path being required for the steadily increasing volumes of recycled water.

Statutory/Legal:

The EPA licences Council for the operation of the wastewater treatment plant on Springs Road and a disposal path for treated wastewater.

Health SA is the regulatory body in respect of the use of recycled water.

Staff Resource Requirements:

The recommendations can be implemented within existing staff resource capacity.

Environmental:

An objective is to maximise the use of recycled water to reduce the demand on the River Murray and ground water.

Social:

Hillgrove Resources continues to be both a major employer and a significant purchaser/consumer of goods and services with implications for many contractors and other businesses.

Risk Assessment:

The major risks to Council are that:

- a. Hillgrove Resources defaults on the payment of the debt and being unsecured, Council has no avenue for recourse and the debt will have to be written off; and/or
- b. Hillgrove Resources ceases taking recycled water from Council earlier than the current forecast of the mine operation ceasing and Council then needs to action an alternative disposal pathway and manage the associated implications.

Asset Management:

Council owns and is responsible for the pipeline that supplies recycled water to the Hillgrove Resources mine and extends to the town of Callington.

The 2017/18 Council capital budget includes provision to replace a section of this pipeline of approximately one kilometre to address the cost to Council of repairing consistent blow outs in a section of this pipeline and to minimise disruption to customers (Hillgrove Resources and others).

The business case supports the net benefit to council of undertaking this work which is scheduled for late Autumn/early Winter.

Conclusion:

Council needs to continue to regularly monitor payments from Hillgrove Resources for recycled water and the associated amount of the debt and to formally review this early in 2018.

Key Contact

Brian Clancey
Deputy Chief Executive Officer
General Manager, Infrastructure & Projects

David Peters
General Manager, Corporate Services

Sponsor of Project

Andrew Stuart, Chief Executive Officer

OFFICE OF THE MAYOR

Attachment 1 to Item 18.1

**MOUNT BARKER**
DISTRICT COUNCIL

Reference: 17/78946

9 August 2017

Mr John Gooding
Chairman
Hillgrove Resources
PO Box 372
Unley SA 5061

Dear Mr Gooding

RE: Confidential: Increasing Debt of Hillgrove to Council for Recycled Water

Congratulations on recently assuming the role of Chairman, Hillgrove Resources.

As you would be aware, Council and Hillgrove have enjoyed a lengthy relationship of benefit to both parties.

A report on the increasing and significant Hillgrove debt (unsecured) to Council for recycled water was considered in confidence at the Council meeting held on 7 August 2017.

The meeting resolved to keep this matter confidential and for me to write to you and advise that:

- The clear expectation of Council is that Hillgrove will adhere to the commitment (via email on 11 July 2017) from the Chief Executive Officer of Hillgrove (Mr McClare) to pay to Council the amount of approximately \$130,000 per month to reduce the total debt to only the amount that is current i.e. not overdue for payment being within the contract specified 30 business days payment terms {Please note that for the month of July 2017 the actual amount received from Hillgrove was only \$48,981};
- Council will review the actual payment performance of Hillgrove at the end of September 2017 and reserves its rights to then consider further action such as to pursue security for the debt;
- You be invited to meet with Mr Andrew Stuart, Chief Executive Officer and me; and
- As a consequence of repeated blow-outs, Council is prepared to undertake the replacement of a section of the recycled water pipeline in 2017/18 to reduce supply disruption to Hillgrove and other customers at an estimated cost to Council of \$0.25 million.

OFFICE OF THE MAYOR

Council has been very respectful and understanding of the need for flexibility to provide support for Hillgrove. This support was evidenced in the Council meeting decisions of 21 December 2015 and the subsequent Deed of Variation entered into by Council and Hillgrove dated 30 June 2016.

The significantly extended payment terms agreed to by Council via the Deed of Variation had a life of 18 months and a sunset of 30 June 2017.

Notwithstanding the default interest applicable for non-payment by Hillgrove by the due date, Council has to date refrained from applying this.

There is considerable concern within Council regarding the level of Hillgrove debt.

I look forward to meeting with you to enable discussion of the commitment of Hillgrove to the timely reduction of the debt whilst continuing with operational supply (described by Mr McClare in his recent email as "steady paydown") and more broadly, the continuing relationship between Council and Hillgrove.

Arrangements for a meeting time can be made via Ms Maree Barns, Acting Executive Assistant, telephone: 8391 7254 or email: mbarns@mountbarker.sa.gov.au.

Yours sincerely



Ann Ferguson OAM JP
Mayor

HILLGROVE RESOURCES

6 September 2017

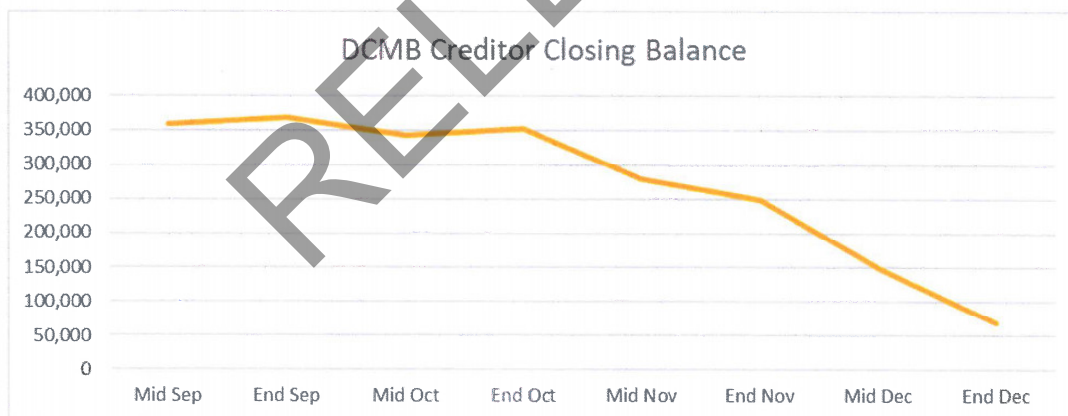
Ann Ferguson OAM JP
Mayor
Office of the Mayor
Mount Barker District Council
PO Box 54
Mount Barker SA 5251

Dear Ann,

With reference to my email dated 28 August regarding the DCMB debt owed by Hillgrove Resources for the supply of water, and my commitment to get back to you on the matter, our management team has been looking at the issue and seeking ways to resolve it.

As stated by our CEO & Managing Director in his email of 11 July 2017 we did have a genuine intent to pay \$130k per month and significantly lower the creditor balance owing to Council. Unfortunately, we have had two significant events that have had a considerable impact on production in July and August, being a wall slippage, and prolonged rain which you no doubt would be aware of. These events have delayed the ramp up of copper output and placed considerable strain on the organisation, right at the point when we were at the cusp of completing our cut back of the Giant Pit and commencing to fulfill this commitment.

Due to the terms of our Loan from the SA Government and with our Convertible Notes we are not able to offer security in a timely and effective manner. Instead we propose to continue supply but aggressively reduce the profile so that we are back to normal terms within the calendar year. Our proposed profile for your consideration is:



Whilst September and October will remain extremely challenging, from November onwards the revenue generation is planned to be substantially enhanced and sustained. I welcome your executive to discuss the finer details of this further with our CEO & Managing Director Steve McClare to come to a mutually agreeable outcome for us both.

Having had to fight for our survival over the last 18 months and with the turnaround position of completing the cutback imminent, we are on the cusp of an exciting period. We cherish our position as the largest employer in the region and greatly appreciate the support and understanding of

||||| HILLGROVE RESOURCES LIMITED

Page 2.

Council in being considerate of our position during this difficult period. Your support will be warranted and the future beyond the cutback looks very promising for a long and continued prosperous relationship.

I would appreciate being able to meet you on my next visit to Adelaide and look forward to that.

With best regards



John Gooding
Chairman
Hillgrove Resources Limited
PO Box 372
Unley SA 5061

RELEASED

From: Steve McClare [<mailto:Steve.McClare@hillgroveresources.com.au>]
Sent: Tuesday, 31 October 2017 8:48 PM
To: Brian Clancey <bclancey@mountbarker.sa.gov.au>
Subject: RE: Urgent: Council Meeting and Forecast Recycled Water Demand

Brian,

Please find attached the details of the numbers contained within the graphs in the letter from our Chairman to the Mayor.

DCMB	Mid Sep	End Sep	Mid Oct	End Oct	Mid Nov	End Nov	Mid Dec	End Dec
Opening Balance	338,820	358,820	363,820	338,820	333,820	258,820	203,820	103,820
Payments	(25,000)	(25,000)	(25,000)	(25,000)	(75,000)	(75,000)	(100,000)	(100,000)
Estimated Expenses	45,000	30,000		20,000		20,000		20,000
Ending Balance	358,820	363,820	338,820	333,820	258,820	203,820	103,820	23,820

As discussed it is our intent to be under ninety day terms by the end of the 2017 calendar year.

NB: the September usage was higher than this forecast but I thought I would leave everything the same so that it matches the graph. Our intent is to hit the 90 day target despite the higher actual.

Regards

Steve McClare

Managing Director & CEO | Hillgrove Resources
 5 – 7 King William Road, Unley, SA 5061
 E steve.mcclare@hillgroveresources.com.au | T 08 8538 6800 | M 0407 560 987

Attachment 2 to Item 18.1MOUNT BARKER DISTRICT COUNCIL
CONFIDENTIAL MINUTES OF THE COUNCIL MEETING HELD ON MONDAY 7 AUGUST 2017.**18. CONFIDENTIAL REPORTS**

18.1	REPORT TITLE:	CONFIDENTIAL ITEM – HILLGROVE RESOURCES DEBT
	DATE OF MEETING:	7 AUGUST 2017
	FILE NUMBER:	17/70262
	ATTACHMENTS:	1. LETTER TO HILLGROVE RESOURCES 16/31114 2. LETTER TO HILLGROVE RESOURCES 16/54219 3. GRAPH OF RECYCLED WATER SUPPLIED

Moved Councillor Bailey that:

Section 90 (3) (b) Order

1. Pursuant to Section 90(3)(b)

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, Deputy Chief Executive Officer/General Manager Infrastructure & Projects, General Manager Planning and Development, General Manager Corporate Services, General Manager Council Services, the Minute Secretary and Risk and Governance Officer, be excluded from attendance at the meeting for Agenda Item Hillgrove Resources Debt.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter.

Seconded Councillor Buchmann

CARRIED
OM20170807.14

Moved Councillor Morrison:

2. That Council write to the Chairman of Hillgrove Resources to advise that:

MOUNT BARKER DISTRICT COUNCIL
CONFIDENTIAL MINUTES OF THE COUNCIL MEETING HELD ON MONDAY 7 AUGUST 2017.

- 2.1 The clear expectation of Council is that Hillgrove will adhere to the recent commitment from the Chief Executive Officer of Hillgrove to pay to Council the amount of approximately \$130,000 per month to reduce the total debt to only the amount that is current i.e. not overdue for payment being within the contract specified 30 business days payment terms;
- 2.2 Council will review the actual payment performance of Hillgrove at the end of September 2017 and reserves its rights to then consider further action such as to pursue security for the debt;
- 2.3 He is invited to meet with the Mayor and Chief Executive Officer; and
- 2.4 Council is undertaking the replacement of a section of the pipeline in 2017/18 to reduce disruption to Hillgrove and other customers.

Seconded Councillor Bailey

CARRIED
OM20170807.15

Moved Councillor Bailey:

Section 91(7) Order

3. Pursuant to Section 90 (3) (b) & (d)
That having considered Agenda Item Hillgrove Resources Debt, in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, related documents and all minutes be retained in confidence until the debt is reduced to only the amount that is current, or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months.

Seconded Councillor Seager

CARRIED
OM20170807.16

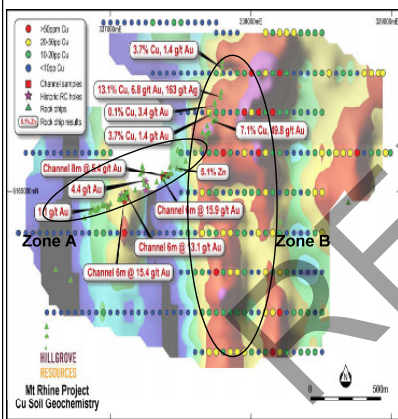
Attachment 3 to Item 18.1

MT RHINE EXPLORATION**13.1% Cu and 49.8g/t Au (different samples)**

Hillgrove has identified two very high grade copper-gold mineralised zones at Mt Rhine, both of which are over 1km in length each. Mt Rhine is 12km from the Kanappa target and 80km by road from the Kanmantoo processing facility. Drilling will commence in early 2018.

Zone A: Gossan zones over 1km hosting high grade gold and base metal from which historic Au-Pb-Zn-Ag mining occurred in 1800's. Peak assays from rock chips include 36.8g/t Au, 5.2% Zn, 1.7% Pb, and 550g/t Ag.

Zone B: The zone of anomalous copper geochemistry is over 300m wide and 1.7km long, and open both north and south. Rock chip sampling has confirmed the high grade tenor of the outcropping copper-gold mineralisation with rock chips to 13.1% Cu and 49.8g/t Au (separate samples). ASX Release 25/10/2017

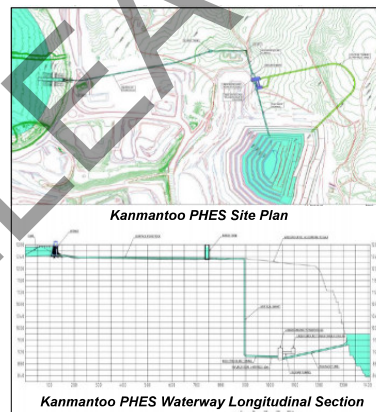
**PUMPED HYDRO ENERGY STORAGE****200-250MW/h generation for 5-8 hours / day**

Pumped Hydro enables South Australian renewable energy growth by adding system stability and storage to the electrical network. Hillgrove has completed a prefeasibility into the option of a Pumped Hydro Energy Storage (PHES) facility at the Kanmantoo site. A submission to the SA Bulk Energy Storage funding round was made in September to complete a feasibility study.

The mine site is well suited for this project due to:

- ✓ 427m difference in elevation
- ✓ Proximity to the electricity network (<200m)
- ✓ Over 250MW capacity at Mt Barker exchange
- ✓ Access to water and existing pipeline (>2.5GLpa)
- ✓ Community relationships and site zoning

Importantly, initial studies indicate the PHES can occur concurrently with underground mining.

**HILLGROVE
RESOURCES**

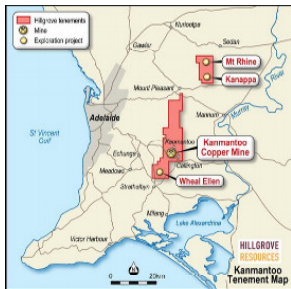
*Utilising existing
infrastructure and cash flow
at Kanmantoo to create
Company transforming
mining and energy hubs*



Phone: +61 8 7070 1698
www.hillgroveresources.com.au

HILLGROVE RESOURCES

Hillgrove Resources is an ASX listed mining company (ASX:HGO) focused on leveraging the existing assets and operational capability at its flagship Kanmantoo open pit operation to create value from the surrounding region.



Regional targets around Kanmantoo Copper Mine

KANMANTOO OPEN PIT

The Kanmantoo Copper Mine is located approximately 44km southeast of Adelaide, South Australia. Invested infrastructure, including a 3.6Mtpa flotation plant, tailings facility and pit haul road being extended to over 360m in depth, creates unique opportunities to add significant value through relatively low cost underground extensions below and adjacent the open pit, and processing of regional copper/gold and lead/zinc lodes.



Over \$70M has been invested in the open pit cutback. All of this investment is forecast to be repaid in 2018 with sufficient residual cash flow to actively pursue a number of growth opportunities including underground, regional exploration and pumped hydro energy storage.

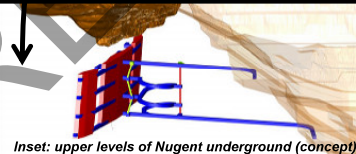
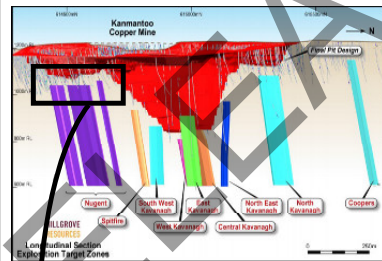
KANMANTOO UNDERGROUND

Exploration Target
5-10Mt @ 1.7-2.2%Cu, 0.4-1.0g/t Au

A feasibility study into the development of the underground extension of the Kanmantoo open pit is underway. There is an opportunity to utilise the existing open pit haul ramp to access the depth extensions of the Kanmantoo orebody, with an **Exploration Target of 5-10Mt @ 1.7-2.2%Cu, 0.4-1.0g/t Au** within 250m of the open pit access ramp.

The first stage of the feasibility study focuses on the high grade area in Nugent (**12m @ 2.2% Cu, 7.9g/t Au**) with a short development drive from the existing pit ramp to establish underground exploration drilling platforms to test **Nugent Exploration Target of 0.8-2.0Mt @ 1.5-2.0% Cu, 1.5-2.5 g/t Au**

An Exploration Target is conceptual in nature as there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource. *ASX Release 25/05/2017.*

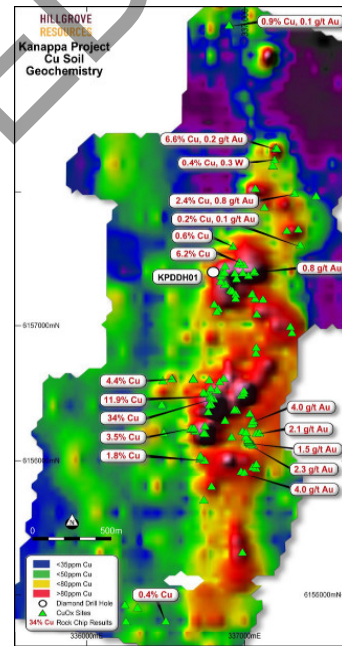


Inset: upper levels of Nugent underground (concept)

KANAPPA EXPLORATION

34.8% Cu and 4.0g/t Au (different samples)

Hillgrove has identified a 4.8km long and 600m wide copper-gold mineralised zone at Kanappa, 60km by road from the Kanmantoo processing facility. Mineralisation is most likely magmatic related. Drilling will commence in early 2018. *ASX Release 20/10/2017*



18. CONFIDENTIAL REPORTS

18.1	REPORT TITLE:	CONFIDENTIAL: HILLGROVE RESOURCES DEBT TO COUNCIL UPDATE
	DATE OF MEETING:	6 NOVEMBER 2017
	FILE NUMBER:	DOC/17/106383
	ATTACHMENTS:	1. HILLGROVE RESOURCES AND COUNCIL LETTER EXCHANGE - DOC/17/110159 2. COUNCIL MEETING CONFIDENTIAL RESOLUTIONS 7 August 2017 - DOC/17/106807 3. HILLGROVE RESOURCES RELEASE - KEY INITIATIVES DOC/17/110253

Moved Councillor Irvine that Council:

Section 90 (3) (b) Order

1. Pursuant to Section 90(3)(b)

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, Deputy Chief Executive Officer/General Manager Infrastructure & Projects, General Manager Planning and Development, General Manager Corporate Services, General Manager Council Services and the Minute Secretary be excluded from attendance at the meeting for Agenda Item Hillgrove Resources Debt to Council Update.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the

information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter.

Seconded Councillor Keen

CARRIED
OM20171106.25

Moved Councillor Campbell that Council:

2. Note the letter from the Chairman of Hillgrove Resources to Council dated 6 September 2017 and the subsequent email to Council from the Chief Executive Officer of Hillgrove Resources dated 31 October 2017 (see attachment 1);
3. Continue to monitor the performance of Hillgrove Resources in relation to the amount of the debt owed to Council for the supply of recycled water to the mine and have a status update prepared for the Council meeting scheduled to be held on 5 February 2018;

Seconded Councillor Keen

CARRIED
OM20171106.26

Moved Councillor Bailey that Council:

Section 91(7) Order

4. Pursuant to Section 90 (3) (b) & (d)
That having considered Agenda Item Hillgrove Resources Debt to Council Update, in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, related documents and all minutes be retained in confidence until the debt is reduced to only the amount that is current, or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months.

Seconded Councillor Keen

CARRIED
OM20171106.27
