

Friday 21 February 2020

## TERMINATION OF PHES PROJECT AGREEMENT WITH AGL

The Board of Hillgrove Resources Limited (ABN 73 004 297 116) (ASX: HGO) ("Hillgrove") advises that:

- In April 2019, Hillgrove announced it had entered into binding agreements with AGL Energy Limited (AGL), to sell the right to develop, own and operate the Pumped Hydro Energy Storage (PHES) project at the Kanmantoo mine site.
- The sale was subject to the satisfaction of a number of conditions which needed to be satisfied within specified timeframes. Several of those conditions remain unsatisfied.
- After a period of extensive negotiations, Hillgrove and AGL have mutually agreed to terminate the PHES Project Agreement and associated project documents and effect a clean break without any further obligations on either party.

Since signing the Project Agreement, Hillgrove has conducted work on an underground mining project below the Giant Pit. As announced 30 October 2019, Hillgrove undertook a limited drilling programme, which resulted in the preparation of a new Mineral Resource Estimate (MRE) for the Central and East Kavanagh underground area in accordance with the JORC Code 2012 Edition.

The resource estimate is constrained by the extent of the drilling and not by the geology, in both the along strike and down dip directions. In addition, it does not include West Kavanagh which drove the open pit optimisation. The Board has now approved an additional drilling programme to test West Kavanagh and strike extensions.

As announced 31 January 2020, Hillgrove received the regulatory approval to commence underground mining. The approval includes expanded capacity of the tailings storage facility, providing optionality for future mining within haulage distance to the Kanmantoo processing and tailings complex. However, Hillgrove and AGL could not reach agreement on a way forward that enabled Hillgrove to commence underground mining and AGL to progress development of the PHES simultaneously.

As Hillgrove is no longer bound by the PHES restrictions it will now progress the approved additional drilling programme, mine design, optimisation and feasibility studies for an underground mining project beneath the Giant Pit, and continue advancing its regional exploration.

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