

Tuesday, 28 June 2016

SUCCESSFUL BALANCE SHEET RESTRUCTURE

Over recent months, the board of Hillgrove Resources Limited (the Company) has initiated a restructuring of costs at the Kanmantoo Mine in conjunction with major stakeholders. These measures have included a 10% reduction and deferral in wage rates, concessions from the SA Government and better contract and trade arrangements with major service providers. These have been previously announced to shareholders.

The Board is pleased to now provide an update on its successful negotiations with its financiers and key stakeholders, which will provide additional liquidity and strengthen the Company's balance sheet.

Mr Steven McClare, CEO and Managing Director, said "the key achievement of the balance sheet restructure was to align the cash flows of the business with the current Life of Mine plan and to provide sufficient liquidity to advance the Giant cutback and realise the significant value in the mine. This restructure will significantly strengthen the Company's funding profile, allowing us to realise the maximum value from the Kanmantoo Project."

Mr McClare continued, "we are pleased the discussions with the SA Government and financiers are now largely complete. The Company will now progress further discussions with other stakeholders."

Negotiation with Financiers and the SA Government

A key constraint which exacerbated the previously announced cashflow shortfalls was not being able to access the Company's existing hedging or its restricted cash. The Company has reached an in principle restructure agreement with its financiers and the SA Government which will now allow it to access these funds, with the highlights of this debt restructure as follows:

- A Bank Guarantee issued by Macquarie Bank Limited which provides coverage of the Company's obligations under the *Mining Act 1971* is to be released and secured by the Company directly to the SA Government on a first ranking basis;
- Hedging (Australian Dollar copper swaps) with a mark to market value of circa A\$18.0m will be realised, and the Company will have access to the restricted cash of A\$6.1m;
- Senior debt of US\$13.65m will be repaid to Ventures Australia LLC; and
- A medium term secured loan facility of \$4.0m will be provided by the South Australian Finance Authority to provide the Company with working capital. The loan facility will attract an interest rate of 4.2% and be repayable in early 2018.

Negotiation with Other Stakeholders

A number of other initiatives with other key stakeholders are near completion – including with suppliers, offtake partner, and asset sales.

HILLGROVE RESOURCES LIMITED

The Company will provide further updates to the market on these developments in due course.

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