

Thursday 25 August 2016

COMPLETION OF DEBT RESTRUCTURE AND AMENDED OFFTAKE AGREEMENT

Summary

The Board of Hillgrove Resources Limited (the Company), is pleased to advise the Company has completed the debt restructure with its financiers and the SA Government and has successfully negotiated amendments to its Offtake Agreement.

This announcement builds on the recent announcements regarding the balance sheet restructure and is one of a number of strategic initiatives that have been identified to address the anticipated cash flow shortfall first reported to the ASX on 31 March 2016.

Negotiation with Financiers and the SA Government

Mr Steve McClare, CEO and Managing Director, said "Finalising the debt restructure is a critical step in allowing the Company to remove funding constraints and to allow it to work constructively with its major stakeholders in forging a pathway to unlocking the value of Kanmantoo Mine"

The details of the debt restructure are as follows:

- A bank guarantee issued by Macquarie Bank Limited (MBL) which provided coverage of the Company's obligations under the *Mining Act 1971* has been returned to MBL and the Company has secured its obligations directly to the SA Government on a first ranking basis;
- The Senior debt of US\$13.65m has been fully repaid to Ventures Australia LLC;
- Total interest payable on the senior debt and bank guarantee and legal fees associated with the restructure have also been paid; and
- The current \$1.6m performance bond issued by MBL to Electranet will remain in place.

OFFTAKE AGREEMENT AMENDMENTS

As part of the debt restructure, the Company and Freeport Metals & Concentrates LLC have also agreed to amend the Offtake Agreement as follows:

- The price participation charges in the existing agreement will be deferred until 2018; and
- The precious metals royalty will reduce by 65% over the existing arrangement.

The impact of these two changes is material in that in addition to the reduction in offtake charges, \$5.4m of expenditure during the critical cashflow period has been deferred.

HILLGROVE RESOURCES LIMITED

“From the early days of financing the Kanmantoo technical studies, Freepoint and Hillgrove Resources have fostered a close and productive relationship. Steve McClare and his team have done a remarkable job in recent months, stabilising the company and operation in challenging market conditions. Freepoint continues to back this management team and support our long term partnership with Hillgrove,” said Philip Bacon, Senior Managing Director of Freepoint.

About Freepoint Commodities LLC and Freepoint Metals & Concentrates LLC

Freepoint Metals & Concentrates LLC is a subsidiary of Freepoint Commodities LLC, which is based in Stamford, CT and which has launched multiple platforms in the energy and metals markets starting in March 2011. Freepoint Commodities LLC is owned by private equity funds managed by Stone Point Capital, members of Freepoint Commodities LLC’s management and senior employees. More information about Freepoint can be found at <http://www.freepoint.com>.

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