

Tuesday 22 November 2016

AGREEMENT REACHED TO DEFER PAYMENTS AND REDUCE MINING CONTRACT CHARGES

The Board of Hillgrove Resources Limited (the Company) is pleased to advise the Company has reached agreement with Emeco Holdings Limited (EHL) who pursuant to a proposed transaction announced by EHL on 23 September 2016, will acquire 100% of Andy's Earthmovers (Asia Pacific) Pty Ltd (Andy's).

The Company's subsidiary, Hillgrove Copper Pty Ltd (Hillgrove Copper), is party to a supply agreement for fully maintained mining equipment with Andy's (Rental Agreement), the term of which extends until 16 September 2019.

The Company has entered into an agreement with EHL to vary the Rental Agreement (the Rental Agreement Variation) conditional upon the proposed Emeco transaction completing. If approved, the proposed Emeco transaction is expected to occur in early January 2017.

At this date Hillgrove Copper is expected to owe approximately \$10 million (inclusive of work yet to be invoiced, amounts not yet owing and amounts owing) to Andy's for past charges under the Rental Agreement. Under the Rental Variation Agreement, this amount will become payable in monthly instalments from 1 November 2017 until 1 June 2018.

Further, charge rates for services provided by Andy's will be substantially discounted from the date of the Rental Agreement Variation.

In conjunction with these reductions, and recognising past and continuing assistance rendered by Andy's, Hillgrove Copper will pay Andy's a premium on future charges amounting to approximately \$5 million, which will be payable in monthly instalments from 1 November 2017 until 1 June 2018. Hillgrove Copper will achieve significant net cost savings from these rate changes for the remaining term of the agreement to September 2019.

The parties also agreed that interest on the deferred amounts which are the subject of the above-mentioned monthly payment plan will be satisfied by the Company issuing 9,405,467 shares in the Company (approximately 5% of the current issued capital of the Company).

Commenting on the agreement reached with EHL, Hillgrove's CEO and Managing Director said "This agreement is an example of two companies with aligned interests working collaboratively together to achieve a mutually beneficial outcome. The cash flow improvement materially assists Hillgrove's near term liquidity and hence the ongoing mining operations at Kanmantoo Copper Mine."

HILLGROVE RESOURCES LIMITED

In the event the Proposed Emeco Transaction does not proceed the Company has agreed in principle, to alternative arrangements with Andy's.

For more information contact:

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