HILLGROVE RESOURCES

ASX RELEASE

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SUCCESSFUL COMPLETION - CASH MANAGEMENT INITIATIVES

As outlined in the Prospectus, issued by Hillgrove Resources Limited (the Company) on 22 November 2016, there were a number of significant initiatives planned to improve the Company's liquidity during the first half of 2017. The Company is pleased to announce it has completed those initiatives along with a number of others.

New mining rates and payment terms

On 16 March 2017, lodgement of the Federal Court approved documentation made the third-party merger (Emeco Transaction) with the Company's mining fleet contractor Andy's Earthmovers (Asia Pacific) Pty Ltd (AEM) legally binding and effective. As a result the revised contract terms with AEM and the Company come into effect and include:

- all monies owing to AEM as at 31 March 2017 will be deferred and paid on the previously agreed and advised payment plan, with first repayment occurring in November 2017 and the last payment in June 2018;
- the Company will now receive substantially discounted charge rates for the period commencing November 2016 through to September 2019, lowering future cash costs at the Company's Kanmantoo mine;
- an amount of $5.3 million recognised as a liability as at 31 December 2016, as noted in the 2016 financial statements released by the Company on 28 February 2017, will be reduced by an estimated $4.1 million being the discount earned from November 2016 to March 2017; and
- the Company will be effectively treated as a new account with the next payment by the Company being that of the AEM April 2017 invoice which will be due in mid-June 2017, with the payment holiday improving the Company's cash position over that time.

PetroBond

The Company has negotiated a $2.7 million PetroBond which will allow it to return to normal creditor terms with its fuel supplier instead of paying cash up front for fuel, which it has been doing since May 2016. The bond is secured and constitutes a 'Permitted New Debt' under Note Terms included in the Prospectus.

Electranet bond

In February, the Company replaced the $1.64m Electranet security bond, for electricity infrastructure and transmission services, with a bond from Swiss Re, which unlike the previous bond does not require cash backing by the Company. This has improved the Company's available cash by $1.64 million.

Hedging

As a result of the Company's improving financial position and credit worthiness, and to allow the Company to capitalise on prevailing higher copper prices, the Company has been able to resume hedging for future sales of copper. A total of 2,000 tonnes of copper hedging has been undertaken to eliminate copper price and exchange rate risk on revenues until mid-May 2017. An average price after margins of A$7,510 has been locked in. The Company has access to further copper price hedging of a similar quantum.

Continuing support

The Company continues to benefit from the ongoing support of its stakeholders, including its suppliers and service providers, in meeting the challenges of tight liquidity.

Mr Steve McClare, CEO and Managing Director, said "we are proud to be associated with and extremely grateful to all stakeholders that have supported us during the challenging 12-month period. We are nearing completion of the Giant pit cutback with $65.1 million invested (during 2016 and 2017) and remain on schedule for a mid-year completion".

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