

22 September 2021

\$10 MILLION PLACEMENT TO ACCELERATE EXPLORATION AND DEVELOPMENT AT THE KANMANTOO COPPER PROJECT

SUMMARY

- Hillgrove raises \$10m through a Placement to new and existing institutional and sophisticated investors
- Kanmantoo Mineral Resource Estimate (Resource) upgrade expected to be released within the next two months
- 16km drilling program to commence in October 2021 to further grow the existing Resource and improve geological confidence prior to a Final Investment Decision (FID) to recommence mining
- Study outlining preliminary capex and opex metrics for mine recommencement expected to be released in the December 2021 Quarter
- Agreement signed with Komatsu, to establish a portal, exploration decline and underground drill platforms – work is expected to commence in October 2021 with all of the incurred contract fees deferred until receipt of project financing
- Komatsu agreement is a major endorsement of the Project and will enable acceleration of drilling programs from underground and establish a quicker pathway to mining with early development works
- Existing shareholders will be offered the opportunity to participate in a Share Purchase Plan (SPP) to raise approximately a further \$2m
- After completion of the Placement and SPP, in conjunction with existing cash reserves, the Company will emerge with circa \$15m to accelerate exploration and development activities

Hillgrove's Managing Director, Lachlan Wallace commented:

"Drilling to date has demonstrated that the ore lodes mined in the Kanmantoo open pits continue below the base of the pits with grade, width and continuity to support underground development. I expect that recent drilling will increase the existing Resource and with this raising, we will continue drilling and accelerate development plans ahead of a planned mine recommencement next year

I am confident that the planned works will create value for our Shareholders through the potential recommencement of copper and gold production at Kanmantoo, which enables us to unlock the value of the region through further advancement of the near mine and regional exploration projects."

CAPITAL RAISING TERMS

Placement

Hillgrove Resources Limited (ASX:HGO, "Hillgrove" or the "Company") advises that it has received strong support for a share placement to new and existing institutional and sophisticated investors ("Placement"). Key terms of the Placement are as follows:

- Issue of 192,307,693 new fully paid ordinary shares at an issue price of \$0.052 per share raising gross proceeds of \$10.0 million before costs.
- The Placement shares will be issued pursuant to the Company's available placement capacity under ASX Listing Rules 7.1 and 7.1A.

Share Purchase Plan

In addition to the Placement, Hillgrove proposes to offer eligible shareholders with registered addresses in Australia and New Zealand up to A\$30,000 worth of shares under a non-underwritten Share Purchase Plan ("SPP").

The Record Date for the SPP is 7:00pm AEST on Tuesday 21 September 2021.

The issue price under the SPP will be at the same price as the Placement.

The offer price of \$0.052 per share represents a discount of 11.9% to Hillgrove's last closing price of \$0.059 per share on 17 September 2021 and a 16.3% discount to the 5-day VWAP.

Participation in the SPP is entirely optional and is open to all shareholders, other than shareholders who have registered addresses in countries outside Australia and New Zealand where regulatory requirements make participation by the shareholder unlawful or impracticable. Full details of the SPP will be sent to eligible shareholders shortly.

Taylor Collison and Canaccord Genuity are acting as Joint Lead Managers for the equity raise.

USE OF FUNDS

With the existing cash reserves along with the proceeds received from the Placement and SPP, the Company will emerge with circa \$15 million to accelerate the exploration and development activities. These intended activities in the near term include:

- 16km drill program beginning in October 2021, targeting Resource extensions at the Kavanagh, North Kavanagh, South West Kavanagh, Nugent, and Spitfire lodes. The program will also undertake infill drilling, which will improve the geological confidence to support a maiden Reserve, prior to a FID to recommence mining;
- Complete a study in the December 2021 quarter, which will examine the preliminary capital expenditure and operating expense forecasts for mine recommencement;
- Complete the Kanmantoo Mineral Resource Estimate upgrade within the next two months as well as upon the conclusion of the upcoming 16km drilling program (subject to drilling results); and
- The establishment of a portal, underground drill platforms, as well as the commencement of the exploration decline beginning in October 2021 – which subject to a positive FID, will be used as the future mine access (refer to Komatsu Agreement section below for further details).

TIMETABLE

INDICATIVE TIMETABLE INFORMATION	
Record date for SPP Offer	Tuesday 21-Sep-2021
Announcement of Capital Raising	Wednesday 22-Sep-2021
SPP Offer opens and despatch of SPP Offer booklet	Monday 27-Sep-2021
Settlement of Placement	Wednesday 29-Sep-2021
Allotment of new shares issued under the Placement	Thursday 30-Sep-2021
SPP Offer closing date	Thursday 14-Oct-2021
Announce results of SPP Offer	Thursday 21-Oct-2021
Allotment of new shares under the SPP Offer	Thursday 21-Oct-2021
Quotation of new shares under the SPP Offer	Friday 22-Oct-2021

Note – The timetable is indicative only and subject to change. The commencement and quotation of new shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Hillgrove reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or, in particular cases, without notice – unless otherwise specified, all times and dates refer to Sydney time.

KOMATSU AGREEMENT

In conjunction with today's Capital Raising, Hillgrove is pleased to announce it has entered a binding contract with Joy Global Australia (a subsidiary of Komatsu Australia "Komatsu") to establish a portal, exploration decline and underground drill platforms using the Komatsu MC51 continuous miner.

Under the agreement, all contract fees incurred by Hillgrove during the trial are accrued and become payable only following the receipt of project financing and commencement of the capital development of the Kanmantoo Underground which is expected in 2022.

Commenting on the agreement with Komatsu, Hillgrove CEO and Managing Director, Lachlan Wallace said:

"Commencing the decline is a significant milestone in the Kanmantoo Underground development. Komatsu's DynaCut continuous mining technology has the potential to transform underground mine development design and processes and the team is excited to have the opportunity to apply it at Kanmantoo.

Although the application of any new technology in a production setting can be sometimes viewed as higher risk, this trial commences the decline a year ahead of schedule, and the deferred and contingent nature of the Komatsu agreement, coupled with the \$2m State government grant allows Hillgrove to facilitate the trial and create

the underground access and drill platforms for minimal cash outflow. This enables the existing cash to be deployed towards continued Resource infill and expansion drilling.

With drilling demonstrating the mineralisation extends up to 500m below the base of the pit and continues to be open at depth, the benefit of bringing forward the establishment of the underground drilling platforms in the Kanmantoo Underground development schedule is hard to overstate but includes:

- *accelerating and reducing the cost of the upcoming drilling program,*
- *reducing geological risk which is expected to translate into a lower cost of future project financing, and*
- *enabling stope definition drilling and initial decline development to be removed from the critical path to first copper, which ultimately brings forward the potential restart of copper production and further reduces what is already a relatively low-cost mine development.*

To advance the development of the Kanmantoo Underground in such a way that reduces costs and risks whilst preserving cash to continue expanding the Resource is an excellent outcome.”

Komatsu’s Global Director Mechanical Hard Rock Cut Systems, Rudie Boshoff said:

“We’re excited to be trialling this new machine and technology because it offers the potential to really change the way our customers mine.”

Figure 1 Komatsu MC51



Underground Decline

The trial will create a portal towards the base of the Giant Pit and establish a number of underground drill platforms from which the Kavanagh and Spitfire lodes can be drilled. Drilling has demonstrated that the Kavanagh lodes extend for up to 500m below the base of the pit (~900m below surface), which is increasing drilling costs. The underground drilling platforms reduce the length of drill holes, leading to faster and lower cost drill out of the Kavanagh Resource. In addition, the underground drill platforms will enable areas directly below the base of the pit, particularly South West Kavanagh and Spitfire, which are otherwise difficult to target from surface, to be drilled and brought into future Mineral Resource Estimates.

The decline not only assists in the Resource definition and expansion, but also enables close spaced stope definition drilling to be brought forward, potentially removing this work from the critical path to first copper production. Being able to undertake this either prior to Final Investment Decision (FID) and project financing, or in parallel with the remaining development works after FID, will bring forward copper production, which ultimately reduces the working capital required.

Figure 2 Establishment of services to support the Underground decline



Figure 3 Bringing the genset to the portal location



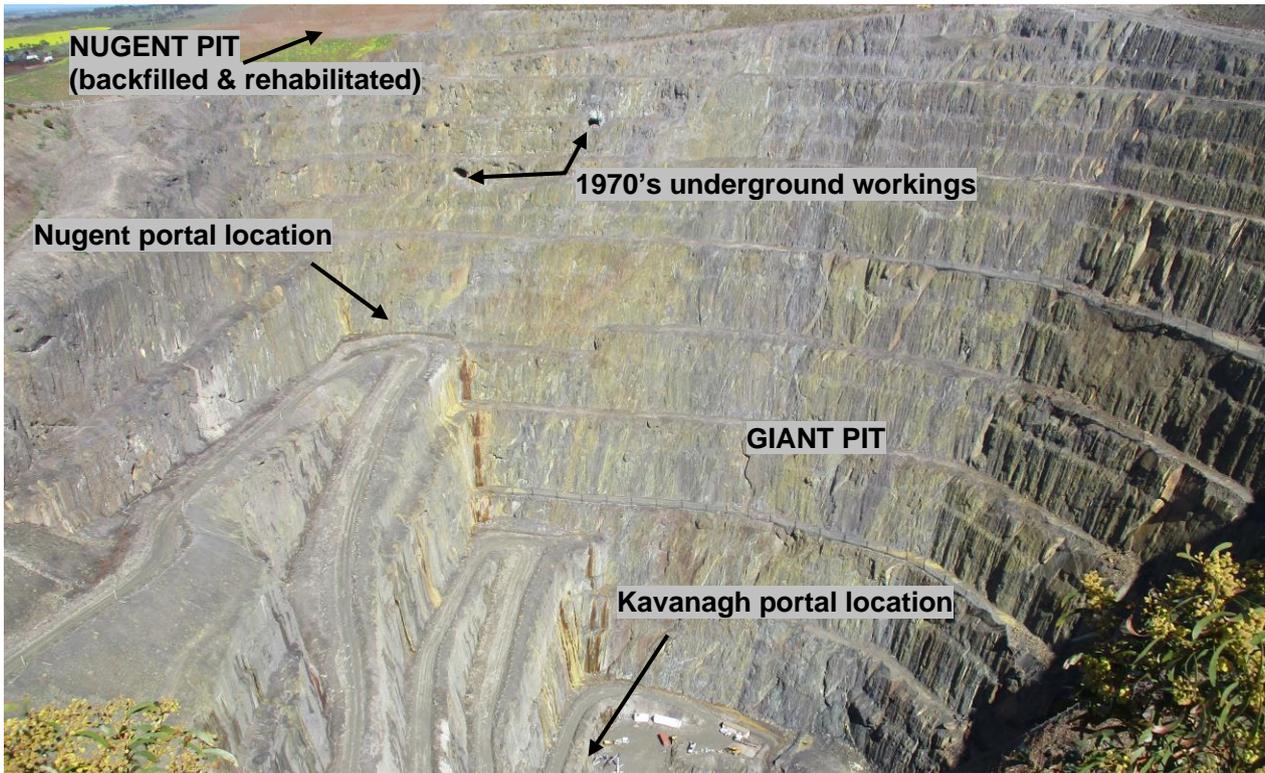
Figure 4 Marking up the portal



Figure 5 Preparing portal for Komatsu MC51



Figure 6 Layout of the Kanmantoo Underground looking south across the Giant Pit



Key contract terms:

- Schedule of rates contract based on development metres.
- Contract fees are agreed and accrued during the trial period. Payment is contingent on Hillgrove securing sufficient funding for the capital development of the Kanmantoo Underground mine on terms reasonably acceptable to Hillgrove.

INVESTOR PRESENTATION

Further details of the capital raising are detailed in the investor presentation released on the ASX platform today.

ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) and focused on the development of the Kanmantoo Underground Copper Mine in South Australia and mineral exploration in the south-east of South Australia. The Kanmantoo Copper Mine is located less than 55 kilometres from Adelaide in South Australia.

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