

6 September 2003

**JOINT ASX ANNOUNCEMENT  
BY HILLGROVE GOLD LIMITED (ASX: HGO) AND  
GRANGE RESOURCES LIMITED (ASX: GRR)**

**Off-Market Takeover Bid for Selwyn Mines Limited**

Hillgrove Gold Limited ("**HGO**") and Grange Resources Limited ("**Grange**") are pleased to announce their intention, through an equally and jointly owned nominee ("**Nominee**"), to make an off-market takeover bid (the "**Bid**") pursuant to Chapter 6 of the Corporations Act for all the fully paid ordinary shares in Selwyn Mines Limited (Receivers and Managers appointed) (ASX: "**SLN**"), on the terms and conditions set out in this announcement.

The bid is designed to secure SLN's 1,500 sq. km. exploration and mining tenement package that is located in the Eastern Succession of the Mt. Isa Inlier in North West Queensland. The tenements have the potential to host mineralization that may support the development of large tonnage, low grade mining operations for copper and gold. The region is recognised as one of the world's most significant mineralised provinces and includes Century, Ernest Henry and Mt. Isa.

The assets of SLN (as noted in paragraph 5) have been offered for sale by tender by the Receivers and Managers namely Gary Trevor and Peter Geroff of Ferrier Hodgson ("Receivers").

In determining the consideration for the Bid, the Nominee has determined the market value of the Selwyn assets outlined in point 5 below to be \$11.3m, comprising the \$8.5 million in cash and \$0.5 million in scrip to be provided to creditors plus the assumption of the \$2.3 million financial assurance security currently guaranteed by Bank of Western Australia Limited ("**BankWest**"). The \$11.3 million does not include the value that BankWest may realise from the sale of the plant & equipment, stores and fuel or the \$0.5 million in scrip being provided to the shareholders of SLN. The Nominee is also providing \$350,000 cash to help cover the costs of implementing the Bid and the Deed of Company Arrangements ("**DOCA's**" or "**DOCA**") as outlined in paragraph 13 below.

It is intended that the Bid proceed subject to the following terms and conditions:

1. The Nominee will offer to acquire all the issued voting shares in SLN from existing SLN shareholders for a total consideration to existing SLN shareholders of 3,571,429 shares in HGO to be issued on a pro-rata basis to existing SLN shareholders. This represents \$0.5 million worth of shares in HGO at \$0.14 cash price cents per share being the volume weighted average bid price of HGO

- ordinary shares over the five ASX trading days up to including 4 September ("VWAP").
2. Receipt of acceptances in accordance with the terms of the Bidder's Statement from SLN Shareholders of no less than 90% of all the voting shares in the issued capital of SLN ("**90% Acceptances**").
  3. Subject to the satisfaction of the 90% Acceptances condition:
    - (a) the Nominee will agree to lend SLN cash of \$8.50 million (the "**Loan**") that will be made available in accordance with the three DOCA's referred to in paragraph 4 below and, immediately upon drawing of the Loan, be applied by SLN as to \$8 million cash to BankWest and \$0.5 million cash to ordinary unsecured creditors of SLN and any of its subsidiaries pursuant to the three DOCA's referred to in paragraph 4 below; and
    - (b) the ordinary unsecured creditors of SLN and its subsidiaries will also be issued 3,571,429 fully paid ordinary shares in HGO (representing \$0.5 million worth of ordinary shares in HGO at the VWAP) on a pro rata basis of the face value of their unpaid and proven debts subject to each of the 3 DOCA's outlined in paragraph 4 being implemented.
  4. The Receiver of each of SLN, Selwyn Queensland Pty Limited (ACN 089 594 374) and Selwyn Operations Pty Limited (ACN: 091 188 019) (collectively the "**Selwyn Group**") will support and take all necessary steps for each of those companies and their respective creditors (including BankWest) to enter into a DOCA no earlier than 35 days after the Bidder's Statement is lodged with ASIC and no later than 65 days after the Bidder's Statement is lodged with ASIC provided the 90% Acceptances condition is satisfied on terms which includes a term providing that the Nominee will only be obliged to satisfy its obligations under paragraph 12 below upon the coming into effect of each of the abovementioned DOCA's in which all creditors of any company in the Selwyn Group that are parties to that DOCA accept the consideration outlined in paragraph 1 above in extinguishment of all their respective claims on any and all of the Selwyn Group companies.
  5. Selwyn Group's exploration and mining tenements (as noted in the 2002 Annual Report of SLN), all water licences, the Placer Joint Venture Agreement between Placer Pacific (Osborne) Pty Ltd and Selwyn and all water bore rights being fully retained by the Selwyn Group, on terms and conditions identical in all material respects to those that prevailed at 30 June 2003.
  6. HGO, Grange, the Nominee and SLN obtaining all regulatory and other approvals necessary in order to implement the Bid and to undertake the other matters and transactions referred to in this announcement.

7. No material adverse change in the financial position or prospects of SLN occurring from the date of this announcement until the end of the offer period. For the purpose of this condition, \$1.5 million will be regarded as material.
8. No material acquisitions, disposals or other transactions or change in circumstances which are likely to involve a material change in the manner in which SLN conducts its business or is likely to affect any material asset of SLN occurring.
9. There being no regulatory action occurring in connection with the Bid (other than a determination by the ASIC or the Takeovers Panel) which impedes or restricts the making of the Bid.
10. From the date of this announcement until the end of the offer period, none of the events referred to in subsections 652C(1) or 652 (2) (other than 652C(2)(c), 652C(2)(d) and 652C(2)(e) (except those appointed by BankWest)) of the Corporations Act (known as "prescribed occurrences") occurring in relation to SLN or any subsidiary of SLN.
11. Subject to the satisfaction of the 90% Acceptances condition and the three DOCA's outlined in paragraph 4 above coming into full force and effect, the Nominee will provide a replacement bond to the Department of Natural Resources and Energy that will allow the existing bond provided by BankWest guaranteeing the obligations of the members of the Selwyn Group to be returned to BankWest.
12. In consideration of the Receiver consenting to the implementation of the Bid and BankWest agreeing to vote in favour of the 3 DOCA's as creditor where applicable, in accordance with the terms set out in this announcement, to the exclusion of any other offer for the shares in or the assets of any member of the Selwyn Group, the Nominee intends to make a limited recourse loan to BankWest of \$2 million cash ("**Limited Recourse Loan**") (being part of the \$8 million referred to in paragraph 3 above), on the date of that agreement. If the Bid completes in accordance with its terms and conditions, the Limited Recourse Loan will be repaid by being deemed by BankWest and the Receivers in SLN to constitute, for its full face value, part of the \$8 million cash to extinguish the debt owed to BankWest as part of the DOCA relating to Selwyn Queensland Pty. Limited. Only in the event the Bid does not complete in accordance with its terms (but not because a condition of the Bid is not satisfied) due to the fault of the Nominee, Grange or HGO, BankWest would be entitled to retain the \$2 million and the Receivers would be entitled to sell the assets of or shares in, any or all of those companies to any other person on whatever terms and conditions it agrees to. However if the Bid does not complete in accordance with its terms due to the fault of the Nominee, Grange or HGO and the exploration and mining tenements are subsequently sold to a party unassociated with the Nominee for any form or forms of consideration that collectively is or are:

- (a) more than \$8 million, BankWest must thereupon repay the Limited Recourse Loan in full to the Nominee;
- (b) less than \$6 million, BankWest would be released from any obligation to repay any part of the loan to the Nominee; and
- (c) less than \$8 million but more than \$6 million, BankWest must thereupon repay to the Nominee only the amount if any by which the aggregate of the proceeds of that sale and the principal amount of the Limited Recourse Loan exceed \$8 million.

13. The Nominee will deposit \$350,000 on trust with HGO's lawyers, Coudert Brothers (Sydney) to pay for the reasonable legal and other costs of implementing the Bid and effecting the DOCAs referred to above, that are incurred by SLN, the Receiver or the administrator.
14. Grange will finance its commitments under the Bid through existing cash and receivables that presently total \$7.5 million whilst HGO will finance its commitments under the Bid through existing cash resources of approximately \$800,000, a 15% placement to raise approximately \$825,000 and a further placement to raise a minimum of \$4 million. The \$4 million placement will be subject to HGO shareholder approval.

Grange and HGO will also enter into a Put Option agreement whereby Grange will have a once off right to put all or part of its 50% interest in the Nominee back to HGO within a 90 day period commencing from the date of this announcement. Under the Put Option agreement Grange will be entitled to recover a proportion of the consideration paid and the costs associated by Grange in respect to the Bid. If Grange decides to exercise the Put Option HGO will have 90 days to provide the required funds to Grange. This Put Option agreement does not influence in any way Grange's obligation to provide its 50% share of the financing required to implement this Bid.

It is proposed that the Nominee will hold the shares in SLN on behalf of an unincorporated joint venture to be managed by HGO. Grange and HGO will each have a 50% interest in the joint venture. The principal focus of the joint venture will initially be on:

- the evaluation of the potential of the combined Swan/Swell/Mt. Elliott zone of mineralization to be economically mineable through one large open pit and
- the evaluation of a zone of oxidised copper mineralisation outlined at Mt. Dore which may have the potential for the development of a SXEW based operation.

The joint venture will not be recommencing mining operations on the Selwyn Line Mining District. All plant and equipment will be sold with the proceeds flowing to BankWest.

As a result of these proposed transactions (other than the Shareholder Approved Placement referred to in paragraph 14) HGO's issued capital will initially expand to approximately 70,801,484 shares on issue following the 15% placement and the anticipated share issues to creditors and shareholders of SLN. As a result of the DOCA's all liabilities in the Selwyn Group (other than those associated with the exploration and mining tenement package) will be extinguished leaving a core of exploration and mining assets.

Pursuant to the above arrangements a total of \$8.5 million cash and \$1.0 million worth of shares are to be committed to repaying all indebtedness of all members of the Selwyn Group to their respective secured and other creditors, and the shareholders of SLN. HGO's 50% share of the total amount to be provided of \$9.5 million is \$4.75 million which is to be satisfied by it contributing \$3.75 million in cash and \$1.0 million in shares. GRR's 50% share of the total amount to be provided is \$4.75 million which is to be satisfied by it contributing \$4.75 million in cash.

As a result of the Bid completing (including the completion of any compulsory acquisition process), SLN would become a wholly owned subsidiary of the Nominee, all the previous liabilities of each member of the Selwyn Group (other than those associated with the exploration and mining tenement package) would be wholly and unconditionally extinguished and the shareholders of SLN would become shareholders in HGO.

### **About Hillgrove Gold Limited**

HGO is an Australian mineral exploration and development company listed on the Australian Stock Exchange which is focused on identifying resources opportunities that can either be brought into production readily or those where there is a defined value adding route within a clearly understood risk environment. Commodities that are of particular interest include copper, gold and nickel.

### **About Grange Resources Limited**

Grange is a Western Australian based mining and exploration company listed on the Australian Stock Exchange. Projects include a 30% interest in the Reward Deeps underground copper mine in Queensland and gold royalties from the Freshwater and Red Hill projects in Western Australia. The Company's objective is to grow through the acquisition, development and exploration of resource projects.

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