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Monday, 25 May 2015

HILLGROVE ANNOUNCES REFINANCING OF DEBT FACILITIES AND EQUITY RAISING

Hillgrove Resources Limited (ABN 73 004 297 116) (ASX: HGO) (“Hillgrove” or the “Company”) today announces the Company has finalised the refinancing of its debt facilities and the launch of a fully underwritten non-renounceable rights issue. The debt finance facilities comprise a US\$14 million Pre-Export Facility loan (plus up to a further US\$6 million subject to conditions), deferral and extension of price participation obligations, A\$20 million performance bond facility, and associated commodity hedging facilities for the Kanmantoo operation. Hillgrove is also undertaking a fully underwritten pro-rata non-renounceable rights issue to raise approximately A\$10 million (“Equity Raising”). The package will provide amortisation of debt repayments to align with the most recent Life of Mine (LOM) plan and additional equity will provide the ability to accelerate the exploration program of nearby targets in order to extend the mine life.

Business update and proposed use of proceeds

Hillgrove has secured a Pre-Export Facility of US\$14 million (plus up to a further US\$6 million subject to conditions) with Ventures Australia LLC, a subsidiary of Freepoint Commodities LLC, and a deferral and extension of the existing price participation obligations with Freepoint Metals & Concentrates LLC (“Freepoint”), who have had a long standing relationship with Hillgrove since providing early seed capital for the Kanmantoo project together with a LOM Offtake Agreement. In addition, Macquarie Bank Limited (“Macquarie”) will provide a A\$20 million Performance Bond Facility, primarily for the environmental bonds required to support the Kanmantoo project.

Sources and Uses of Funds – May 2015 to April 2016¹

Sources (A\$M)		Uses (A\$M)	
Restricted Cash	\$ 5.0	Restricted Cash	\$ 8.0
Available Cash	\$ 1.0	Repayment of Debt	\$15.0
Freepoint Debt and PP Deferral	\$21.3	Exploration	\$ 5.0
Rights Issue	\$10.0	Giant Cutback (12 Months)	\$17.1
Kanmantoo Cash Generation	\$32.9	Other Capex	\$ 3.4
		Borrowing Expenses (12 Months)	\$ 2.2
		Corporate Expenses (12 Months)	\$ 5.8
		Working Capital	\$13.7
Total Sources of Funds	\$70.2	Total Uses of Funds	\$70.2

¹ The sources and uses take into account various inputs, including the pricing structure under the off-take agreement with Freepoint, existing cost structures and current production levels at Kanmantoo Copper Mine, processing and mine-site operating expenses, and existing hedging arrangements, which are subject to the Risk Factors referred to in Section 8 of the Offer Booklet. It is important to recognise that the proposed use of funds is subject to change in line with emerging results, circumstances and opportunities, and may be changed by the Board at its discretion.



Both facilities have terms until 30 June 2018, with balances reducing from March 2016 for the Pre-export Facility and from March 2017 for the Bond Facility. This will allow the Company to pay down all debt by 30 June 2018 and provide cash backing of the environmental bonds.

Balance Sheet Extract

Following the Equity Raising, and in combination with the Pre-Export Facility, Hillgrove will strengthen its balance sheet:

A\$'000	Audited 31 Dec 2014	Pro Forma 31 Mar 2015	Debt and Equity Raise	Pro Forma Post Equity Raise
Current Assets	48,236	47,899	8,500	56,399
Cash and Receivables	13,866	12,579	7,200	19,779
Inventories	32,664	33,592		33,592
Financial Instruments	1,477	1,477		1,477
Other / Borrowing Costs	229	251	1,300	1,551
Current Liabilities	53,246	51,353	(19,000)	32,353
Payables	29,703	30,236	(4,000)	26,236
Borrowings	18,363	15,533	(15,000)	533
Financial Instruments	1,269	1,269		1,269
Other	3,911	4,315		4,315
Current Ratio	0.91	0.93		1.74
Borrowings (Non-Current)	673	524	17,500	18,024

Note: Proceeds from equity raise presented net of estimated transaction costs. Adjustments for three months trading to 31 March 2015 based on unaudited management accounts. FX on debt raising is assumed to be 0.80.

Debt and Other Finance Facility Overview

Hillgrove has executed all documentation in respect of refinancing for the Company and will be working with Freepoint to meet all conditions precedent for the drawdown. The key terms of the financing package are set out below.

The commitments are:

- i) a Pre-Export Facility (Ventures Australia LLC)
 - US\$14 million cash advance term loan facility (plus up to a further US\$6 million subject to conditions)
 - Fully amortised over the life of the facility with a 10 month interest only period
 - Final repayment date is 30 June 2018
 - Initial deferral and then extension of existing price participation obligations pursuant to the LOM Offtake Agreement with Freepoint;
- ii) a Performance Bond and Guarantee Facility (Macquarie)
 - A\$20 million performance bond facility
 - Matures on 30 June 2018 with gradual cash backing from March 2017
 - To be used primarily for Department of State Development environmental bond and ElectraNet bank guarantee;

- iii) An Initial Minimum Hedging Program of approximately 25,000 tonnes of AUD copper swaps from July 2015, including current hedge book of 17,000 tonnes at an average price of A\$7,770;
- iv) Discretionary Hedging Facility (which allows for up to 30,000 tonnes of AUD Copper and 10,000 ounces of Gold hedging).

Equity Raising Overview

Hillgrove will raise approximately A\$10 million under a fully underwritten pro-rata non-renounceable rights issue of approximately 40.3 million new fully paid ordinary shares ("New Shares") to its shareholders on a 3 for 11 basis, at a fixed price of A\$0.25 per share (the "Offer Price"). The Offer Price represents a 25.4% discount to Hillgrove's closing price on Friday, 22 May 2015, a 26.5% discount to the 5-day VWAP² and a 21.1% discount to TERP³.

The Equity Raising will be made to holders of ordinary shares in Hillgrove with a registered address in Australia and New Zealand (and such other jurisdictions as Hillgrove determines) ("Eligible Shareholders") as at 7.00pm (Sydney time) on Friday, 29 May 2015 (the "Record Date"). The Offer will open on Wednesday, 3 June 2015 and close at 5.00pm (Sydney time) on Monday, 15 June 2015.

Pursuant to the Equity Raising, Eligible Shareholders have the right to take up 3 New Shares for every 11 Shares held as at the Record Date ("Entitlement"). Eligible Shareholders can choose to take up all, part or none of their Entitlement. As the Equity Raising is non-renounceable, Eligible Shareholders cannot trade their Entitlements on ASX.

New Shares issued under the Equity Raising will rank equally with existing shares from the date of allotment.

The Equity Raising is fully underwritten by Freepoint and Wilson HTM Corporate Finance Ltd ("Wilson HTM") pursuant to an Underwriting Agreement dated 22 May 2015. Freepoint and Wilson HTM will subscribe for 70% and 30% of any shortfall shares, respectively. Wilson HTM is also acting as the Lead Manager to the Equity Raising.

Indicative Equity Raising timetable:

Event	Date
Announcement of Offer and lodgement of Offer Document with ASX	Monday, 25 May 2015
Shares traded on an "ex" basis	Wednesday, 27 May 2015
Record Date for eligibility for the Offer	7.00pm (Sydney time), Friday, 29 May 2015
Offer Document despatched to Shareholders and Offer Opens	Wednesday, 3 June 2015
Closing Date of the Offer	5.00pm (Sydney time), Monday, 15 June 2015
Announcement of results of Offer, including undersubscriptions	Thursday, 18 June 2015
Allotment of New Shares and despatch of holding statements	Monday, 22 June 2015
New Shares commence trading on a normal settlement basis	Tuesday, 23 June 2015

² Volume-weighted average price of \$0.34, calculated for the five trading days up to and including 22 May 2015.

³ Theoretical ex-rights price of \$0.317 is the theoretical price at which Hillgrove shares should trade immediately after the ex-date for the Equity Raising. The TERP is calculated using Hillgrove's last closing price on 22 May 2015.

Further information in relation to the Offer described in this announcement is set out in the Offer Booklet, which Hillgrove has filed with ASX today. The Offer Booklet contains important information, including key risks, and you should read the Offer Booklet, together with the personalised entitlement and acceptance form, in its entirety. Copies of the Offer Booklet will be despatched to Eligible Shareholders on or around Wednesday, 3 June 2015.

Nothing in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the Offer.

The Equity Raising timetable is subject to change. Subject to its obligations under the Underwriting Agreement, Hillgrove reserves the right to vary the timetable without notice. Commencement of trading of New Shares is subject to confirmation from ASX.

Disclaimer and caution regarding forward looking statements

This release does not constitute an offer, invitation or recommendation to subscribe for or purchase any securities and neither this release nor anything contained in it shall form the basis of any contract or commitment.

In particular, this announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to a person acting for the benefit of a person in the United States, or in any other jurisdiction in which such an offer would be illegal. Any securities described in this announcement may not be offered or sold, directly or indirectly, in the United States, or to any persons acting for the account or benefit of a person in the United States, except in transactions exempt from, or not subject to, registration under the US Securities Act of 1933 (as amended) (the "Securities Act") and applicable US state securities laws. The shares in the Equity Raising have not been, and will not be, registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States.

This release contains certain "forward-looking statements". The words "anticipate", "believe", "will", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, production targets, the ability to secure financing, expansion and mine development timelines, infrastructure alternatives and financial position and performance are also forward-looking statements. Any forecast or other forward-looking statement contained in this release is subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the issuer, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are based on information available to us as of the date of this release. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

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