

Wednesday, 24 August 2022

\$6M FUNDING AGREEMENT FOR THE SALE OF KANMANTOO ROYALTY

SUMMARY

- Hillgrove has entered into a royalty agreement with Freeport Metals & Concentrates LLC.
- Hillgrove to receive cash payment of \$6 million in return.
- Freeport Metals & Concentrates LLC to receive 2.5% of net smelter returns for the first 85,000 tonnes of payable copper, reducing to 0.5% thereafter.
- Royalty payments will only occur from future production.

Hillgrove Resources Limited (Hillgrove, the Company) (ASX:HGO) is pleased to announce that it has entered into a royalty agreement with Freeport Metals & Concentrates LLC (Freeport) in relation to its 100% owned Kanmantoo copper gold project located in South Australia.

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

"Freeport is a long-standing partner and supporter of our Company, both as a significant shareholder, and as our offtake partner. We are very pleased to continue this partnership with Freeport through the Royalty agreement, which, given the Royalty is based on future production from Kanmantoo, demonstrates their strong commitment to the development of the Kanmantoo underground project and appreciation of the on-lease exploration upside."

The agreement highlights the robustness of the Kanmantoo Underground project, as demonstrated in the Economic Assessment¹, with subsequent updates to the Kavanagh² and Nugent³ Mineral Resource Estimates expected to increase mine life. Moreover, both Nugent and Kavanagh remain open at depth and along strike, and are only two of nine mineral systems that have either been drilled or partially mined within the permitted lease, representing an excellent opportunity to expand the mine life with further drilling.

The consideration for the royalty immediately boosts our cash position without shareholder dilution, enabling the Company to consider a range of restart and resource expansion options, particularly in light of recent changes in the global copper market."

¹ Refer ASX release of 14 December 2021

² Refer ASX release of 11 May 2022

³ Refer ASX release of 26 July 2022

Commenting on the transaction, Freepoint Senior Managing Director, Philip Bacon said:

“Freepoint and Hillgrove’s close relationship have been fostered over a long period of time, which included financing the Kanmantoo technical studies in the early days. Since the completion of the open pit operations in 2020, the Hillgrove team have done a remarkable job in growing the Kanmantoo Underground Mineral Resource Estimate. Freepoint looks forward to the restart of operations at Kanmantoo and continuing our long-term partnership with Hillgrove.”

The key terms of the agreement include:

- Hillgrove to receive consideration of \$6 million at Completion.
- Completion is subject to satisfaction or waiver of conditions precedent by 31 August 2022.
- Outstanding conditions precedent include:
 - no material adverse events; and
 - registration of caveat with Department of Energy and Mining.
- Consideration to be used exclusively for capital expenditures and to fund working capital for completing underground development, plant refurbishment and restarting and commissioning the Kanmantoo Underground Project.
- Freepoint to receive 2.5% of net smelter returns for the first 85,000 tonnes of payable copper at the Kanmantoo project, reducing to 0.5% thereafter.
- Royalty will not be payable on garnet as well as any processing or reprocessing of historical tailings.

Authorised for release by the Board of Hillgrove Resources Limited.

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