

23 October 2024

HILLGROVE SECURES \$10 MILLION STANDBY DEBT FACILITY

The Board of Hillgrove Resources Limited (ASX: HGO) (**Hillgrove** or **Company**) is pleased to announce that it has executed a \$10 million stand-by debt facility (**Facility**) agreement with Freepoint Metals and Concentrates LLC (**Freepoint**). The Facility provides Hillgrove's balance sheet with additional financial flexibility as the Company scales up operations at the Kanmantoo Copper Mine.

HIGHLIGHTS

- Freepoint to provide Hillgrove with a \$10 million stand-by facility in two \$5 million tranches
- Final instalment payable 12 months after first draw down
- Provides additional financial flexibility as the Company scales up operations

Further details of the Facility are set out in Appendix A.

In securing this Facility, the Company is acting prudently to provide financial flexibility to the balance sheet and does not currently anticipate drawing down on the funds. The Kanmantoo Copper Mine, which produced 2,923 tonnes of copper in the September Quarter, remains on track with its mine production ramp-up.

The Hillgrove Board, after consulting external advisers and conducting a market competitive process considering a number of financing options, determined Freepoint's proposal was on arm's length terms and the most favourable for the Company in the circumstances given Freepoint's existing security position.

Hillgrove CEO and Managing Director, Bob Fulker said:

"We are pleased to have secured this stand-by debt facility which provides the Company with ongoing financial flexibility and demonstrates we are taking a prudent approach to managing our balance sheet.

As highlighted by the recent ASX release on 18 October 2024 entitled "Maiden Kanmantoo Underground Ore Reserve and 96% Increase in Copper Mineral Resource Endowment" we have the opportunity to significantly grow Ore Reserves and extend the mine life at Kanmantoo. This improved balance sheet flexibility will enable us to pursue this opportunity while we continue to focus on safe and reliable copper production.

Hillgrove is well-positioned to finish the year strongly and the production ramp up at the Kanmantoo Copper Mine remains on track."

This announcement is authorised for release to the ASX by the Board of Hillgrove Resources Limited.

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APPENDIX A – SUMMARY OF KEY TERMS OF THE FACILITY AND ASSOCIATED SECURITY

1. **Facility** – Freepoint will provide Hillgrove with a A\$10 million stand-by facility in two A\$5 million tranches, subject to conditions and to be repaid by 6 instalments commencing 7 months after first draw down with final instalment payable 12 months after first draw down.
2. **Security** – the Facility is secured by a new comprehensive security package over Hillgrove's assets. The security documents expressly provide that:
 - the security is limited to the funds due under the Facility and existing financial accommodation with Freepoint (i.e. hedging);
 - the security will be discharged when the funds due under the Facility and existing financial accommodation have been satisfied in full;
 - in the event the security is enforced, the assets can only be disposed of to Freepoint or an associate of Freepoint if the disposal is first approved by Hillgrove's security holders under ASX Listing Rule 10.1; and
 - otherwise, if the holder of the security exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the security, the assets must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to Freepoint in accordance with their legal entitlements.
3. **Conditions** – loan availability and funding under the Facility will be subject to customary conditions precedent for transactions of this nature, including registration of the security documents and obtaining a waiver from the ASX from the requirement to obtain securityholder approval under Listing Rule 10.1 with respect to the grant of securities for the purposes of the Facility.

Hillgrove has applied for and has been granted a waiver by the ASX from the requirement to obtain securityholder approval under Listing Rule 10.1 subject to certain conditions including:

- any variation to the terms of the Facility or the Security which:
 - advantages Freepoint in a material respect;
 - disadvantages the Company in a material respect; or
 - is inconsistent with the terms of the waiver,

must be subject to security holder approval under Listing Rule 10.1; and

- for each year while they remain on foot, a summary of the material terms of the Facility and the Security is included in the related party disclosures in the Company's audited annual accounts.

4. **Operational Covenants** – the Facility contains standard operational covenants on providing securities, asset dealings, and corporate activities.
5. **Price Participation** – in addition to typical commitment fees and commercial interest rates, if following draw down on the Facility, the copper price is more than US\$8,800/t in respect of any concentrate sold under the existing offtake agreement between the parties, then Freepoint is entitled to 10% of the additional value above the strike price until the earlier of:
 - end of mine life; or
 - 15,000t of payable copper metal has been supplied by Hillgrove to Freepoint under the offtake agreement.

The Price Participation is capped at an amount equal to 4.99% of the equity interests as set out in the Company's latest accounts.

6. **Conversion Option** – if draw down under the Facility has occurred, Freepoint has the option to convert some or all of outstanding loan amount under the Facility into ordinary Hillgrove shares: the shares will be issued at a price based on a 10% discount to the VWAP over the 5 trading days immediately prior to Freepoint issuing a notice to convert. The proposed conversion and issue of shares must not result in:
 - greater than 3% increase in Freepoint's voting power in Hillgrove, within a 6 month period for a maximum of 2 periods (i.e. 2 x 3% over 12 months); and
 - Freepoint's total voting power in Hillgrove exceeding 30%.

The mechanism is subject to Freepoint obtaining FIRB approval.