

Monday 22 August 2016

BALANCE SHEET RESTRUCTURE UPDATE – CONTAINER SALE AND PORT CONTRACT EXTENSION

Summary

As part of its strategy to better position Hillgrove Resources Limited (the Company) for the future, the Board is pleased to advise the Company has completed the sale and leaseback of 450 containers to Flinders Logistics. This announcement builds on the recent announcements regarding the balance sheet restructure and is one of a number of strategic initiatives that have been identified to address the anticipated cash flow shortfall first reported to the ASX on 31 March 2016.

Mr Steve McClare, CEO and Managing Director, said “This agreement with Flinders Logistics has unlocked the \$2.5m value in the containers and provided the Company with additional short term working capital and reduced costs into the future. Our key stakeholders are very supportive and this is one of a number of initiatives that we continue to implement, which will allow us to maximise the value from the Kanmantoo project.”

Sale and Leaseback Details

Hillgrove Resources and Flinders Logistics have finalised negotiations to enhance their long term relationship, with the highlights of this agreement being:

- The 450 concentrate containers have been sold by Hillgrove Copper to Flinders Logistics on a sale and leaseback basis,
- The Company and Flinders Logistics have renegotiated the terms of the existing Logistics Services Contract on terms favourable to both parties,
- The Company will receive the benefit through increased liquidity and future cost reductions.
- The existing Logistics Services Contract has been extended from 30 September 2018 to 30 September 2019, and
- Hillgrove Copper has the option to extend the Contract on existing terms beyond this date.

Hillgrove Copper produces circa 80,000dmt of copper concentrate per annum at the Kanmantoo Copper Mine. This material is transported via road in half height sealed containers, to Flinders Logistics Berth at Port Adelaide. Containers are stored at the Berth awaiting shipment.



“Hillgrove Resources has long recognised Flinders Logistics as pioneers and leaders in the transport of bulk minerals utilising containers in Australia. The Bulk handling system has been an environmental, safety and cost effective solution utilised since the commencement of Kanmantoo in 2011. This agreement maintains the strong relationship between the parties, the transfer of ownership of the containers fits with each party sticking to its core business”, said Steven McClare CEO & Managing Director of Hillgrove Resources.



“The container agreement enables Flinders Logistics to support our valued, long-standing client Hillgrove Resources on a short and long-term basis,” said Vincent Tremaine, Chief Executive of Flinders Port Holdings.

About Flinders Logistics

Flinders Logistics is an award winning logistics and stevedoring services company, with a focus on the mineral resources and oil and gas sectors in Australia.

HILLGROVE RESOURCES LIMITED

Part of a wider group providing port services, Flinders Logistics is a wholly owned subsidiary of South Australian based Flinders Port Holdings.

Other companies in the Flinders Port Holdings group include Flinders Ports and Flinders Adelaide Container Terminal.

For more information contact:

Mr Steven McClare
CEO & Managing Director
Tel: +61 (0)8 7070 1698

Mr Paul Kiley
CFO & Company Secretary
Tel: +61 (0)8 7070 1698