

QUARTERLY REPORT

Hillgrove Resources Limited (ASX: HGO) report for the quarter ended 31 December 2023

SUMMARY

- ▶ A number of milestones achieved as the Company prepares for first copper production at Kanmantoo, including:
 - Primary ventilation installed;
 - Secondary means of egress established;
 - Pit dewatered below the initial stope horizon;
 - Stopping activities commenced;
 - Rotatable containers delivered to Port Adelaide;
 - Contract for bulk haulage executed; and
 - Dry circuit in the processing plant commissioned.

- ▶ First copper production remains on target for early 2024.

- ▶ The infill and extensional underground drilling at Kavanagh and Spitfire has confirmed many of the high grade mineral zones, including¹:
 - 36.6m @ 3.35% Cu (uncut) from 43m downhole in East Kavanagh (23KVUG064), including:
 - 2.1m @ 24.76 % Cu (uncut) from 53m downhole.
 - 40m @ 1.27% Cu (uncut) from 91m downhole in Central Kavanagh (23KVUG072).
 - 33.23m @ 1.46% Cu (uncut) from 42m downhole in East Kavanagh (23KVUG083).

- ▶ The infill underground diamond drilling demonstrates that the exploration drilling results previously reported for the Kavanagh and Spitfire mineral zones are being confirmed.

- ▶ A strong low resistivity (high conductivity) zone was identified to the north of the existing underground mine development at Kanmantoo. The Company revised its total Kanmantoo Exploration Target to incorporate this new discovery and is now reported as between 60 and 100 million tonnes with a target grade of 0.9% to 1.2% Cu and 0.1 g/t to 0.2 g/t Au². The Exploration Target is conceptual in nature as there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code" (JORC 2012). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.

¹ Refer ASX release of 13 November 2023

² Refer ASX release of 11 October 2023

MANAGING DIRECTOR'S STATEMENT

"It has been a busy quarter advancing the underground development and preparing for first copper production. On the mining front, the primary ventilation was installed which enabled a second jumbo be deployed, increasing the development rate. Shortly thereafter, a secondary means of egress was established, and the pit dewatered below the initial development horizon which enabled stoping activities to commence, culminating in the first stope blast on 30 December. Post quarter-end, blasting has continued and ore has been bogged to the stockpile.

Commissioning of the process facility was split into "two halves", with everything upstream of the mill commissioned during the quarter, including the primary and secondary crushers, screening plants and conveyors. Post quarter-end, commissioning of the remainder of the processing facility has commenced and first copper production remains on track for the first quarter of 2024.

The Company also took control of 410 rotatable containers and executed the contract to transport bulk concentrate from the mine to the point of sale at Port Adelaide.

Looking ahead, the future is very exciting; not only will Hillgrove become Australia's next copper producer, but we also have a number of exciting exploration targets to follow up on, including a recently discovered geophysical target which appears to be the northern continuation of the Kanmantoo mineral system that has been offset down plunge by a fault. The Exploration Target immediately around the process plant is now 60-100Mt with a grade range of 0.9-1.2%Cu, which is an order of magnitude above our existing mining inventory of 4.5Mt. I am looking forward to drilling this target this year."

UNDERGROUND DEVELOPMENT

Approximately 1,209 metres of development was completed during the quarter, with approximately 33,000 tonnes of ore stockpiled in preparation for processing. Figures 1-6 highlight some of the many activities underway at the Kanmantoo underground.

Figure 1 Primary ventilation fans installed



Figure 2 Secondary means of egress established, enabling stoping to commence



Figure 3 Raiseboring the slot for the first stope



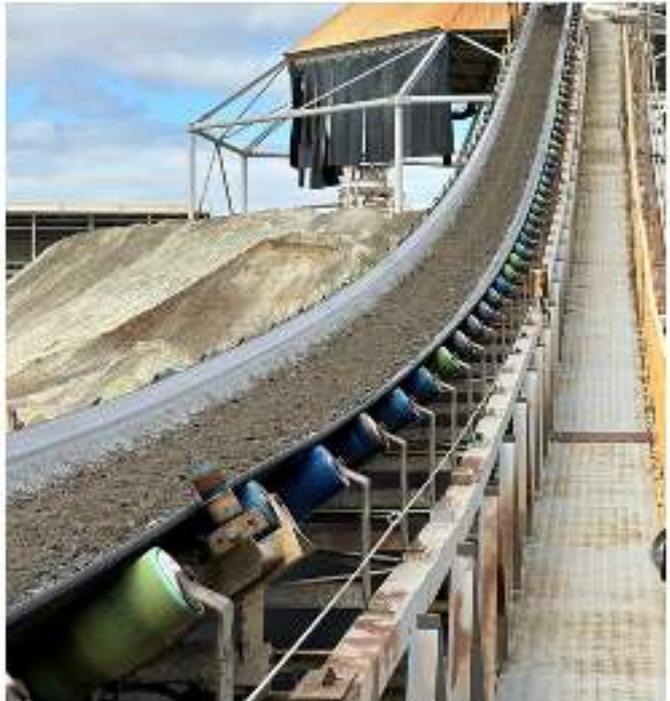
Figure 4 Drilling the first stope (LHS) and drawpoint after firing



Figure 5 Hauling ore to the stockpile



Figure 6 First crushing campaign as part of dry circuit commissioning



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EXPLORATION

Hillgrove has a strong pipeline of exploration opportunities over more than 6,100km² of tenements. These tenements comprise three project areas: the Mine Lease Exploration, Near Mine Exploration (within 10 kms of Hillgrove's processing plant) and the Regional Exploration areas within the Kanmantoo Province in the south-east of South Australia.

Mine Lease Exploration

The Cu-Au targets within the Kanmantoo Mine Lease, and within 1 km of Hillgrove's processing plant, include the strike and down-dip extensions of the main Kavanagh and Nugent Cu-Au mineral resources, the Emily Star, Valentine and Paringa Cu-Au deposits located south of the Kavanagh underground Cu-Au development (the South Hub), and the Coopers and North Kavanagh Cu-Au deposits north of the Kavanagh underground development (the North Hub). The North and South Hub Cu-Au targets have been confirmed by Hillgrove shallow RC and diamond drill holes drilled pre-2010.

Kavanagh Mineral Resource Drilling

Underground diamond drilling to confirm the copper mineral systems and enable detailed mine design and planning commenced in June 2023 and is continuing.

From 1st June to 31st December 2023, HGO has drilled 173 holes from underground for 9,342 samples for assay within the Kavanagh-Spitfire mineral system. This compares to the 11,570 assays from the surface drilling during 2019 to 2023. An update to the Mineral Resource Estimate will be released in 2024.

Underground diamond drilling to map the grade continuity of the main Kavanagh mineral system has returned outstanding results within the underground mining footprint. For a list of results refer to ASX release of 13 November 2023. The results include:

- ▶ 36.6m @ 3.35% Cu (uncut) from 43m downhole in East Kavanagh (23KVUG064), including:
 - 2.1m @ 24.76 % Cu (uncut) from 53m downhole
- ▶ 40m @ 1.27% Cu (uncut) from 91m downhole in Central Kavanagh (23KVUG072)
- ▶ 33.23m @ 1.46% Cu (uncut) from 42m downhole in East Kavanagh (23KVUG083)
- ▶ 44m @ 1.06% Cu (uncut) from 69m downhole in Central Kavanagh (23KVUG068)
- ▶ 26.4m @ 1.39% Cu (uncut) from 47.9m downhole in East Kavanagh (23KVUG085)
- ▶ 21.55m @ 1.45% Cu (uncut) from 93.45m downhole in Central Kavanagh (23KVUG047)

The infill underground diamond drilling demonstrates that the exploration drilling results previously reported for the Kavanagh and Spitfire mineral zones are being confirmed. Figure 7 shows the drill core from this high-grade copper intersection.

Figure 7 Cu-Au mineralisation in 23KVUG064 through the East Kavanagh Lode



The interval 51.65m to 55.1m shown in this photo is an average of 3.45m @ 19.91% Cu

Kanmantoo Deeps

The AMT/MT survey completed in 2023 and previously reported (11 October 2023) along the northern strike extension of the main Kavanagh Cu-Au zone identified a strong and large conductivity zone beneath the northern extension of the Kanmantoo open pit. The 1.0 km long conductivity zone is coincident with a strong ground gravity and heli-magnetic anomaly. The coincident gravity-magnetic-conductivity anomaly is interpreted to be due to a higher concentration of garnet, magnetite and sulphides along the Kanmantoo shear zone.

3D inversion modelling of the MT data was completed during the quarter and the centre of the upper portion of the 20 ohm.m conductivity zone is interpreted to be at 610mRL (590m below surface and approximately 400 metres to the north of the planned Kavanagh decline.

In the event this large zone of high conductivity, high density and high magnetic anomalism (which are all geophysical characteristics of the main Kanmantoo mineralisation) represents a sulphide accumulation, then it is a significant exploration prospect within the Mine Lease.

The Exploration Target was updated on 11 October 2023 to include the Kanmantoo Deeps. The revised Exploration Target is 60-100Mt, with a grade range of grade range of 0.9-1.2%Cu and 0.1-0.2g/t Au. The Exploration Target is conceptual in nature as there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code" (JORC 2012). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.

The scale of the Kanmantoo Deeps target represents an exciting opportunity for the Company.

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Figure 8 Geophysical interpretation of the Kanmantoo Deeps Target

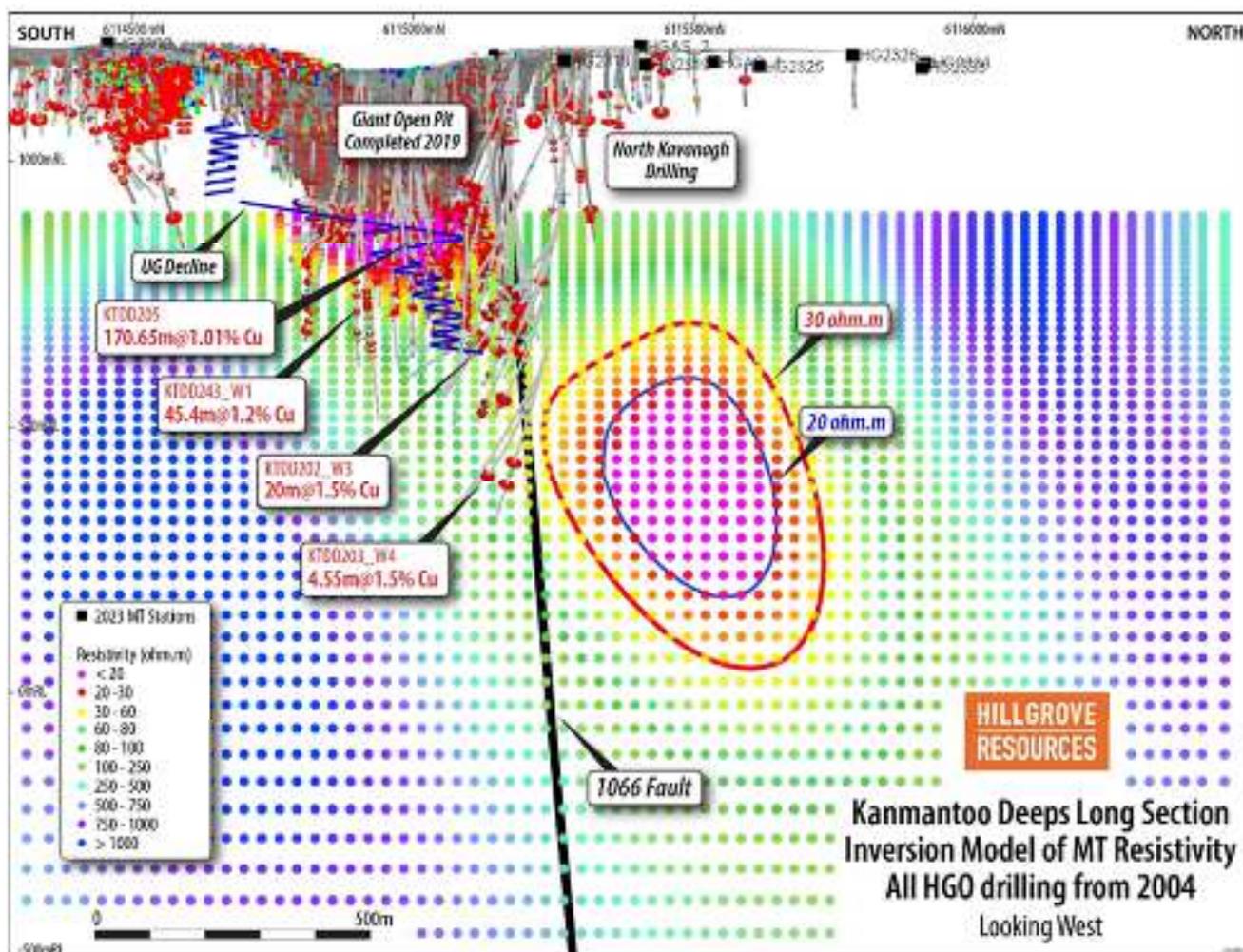


Table 1 Summary of Exploration Target by Zone

Deposit	Exploration Target			
	Max RL Depth	Tonnage Range (Mt)	Grade Range (Cu %)	Grade Range (Au g/t)
Kavanagh	400	4 - 6	1.0 - 1.4	0.1 - 0.3
Nugent	600	2 - 4	0.8 - 1.3	0.3 - 0.5
Emily Star	600	1 - 4	0.8 - 1.2	0.1 - 0.2
Paringa	600	1 - 2	0.8 - 1.2	0.2 - 0.3
North Kavanagh	600	1 - 2	0.8 - 1.2	0.1 - 0.2
Coopers	600	1 - 2	0.8 - 1.2	0.1 - 0.2
Kanmantoo Deeps	600 - 000	50 - 80	0.8 - 1.2	0.1 - 0.2
TOTAL MINE LEASE		60 - 100	0.9 - 1.2	0.1 - 0.2
South Kanmantoo (EL6526)	600	2 - 4	0.8 - 1.2	0.1 - 0.3
Stella (EL 6526)	600	2 - 4	0.8 - 1.2	0.1 - 0.3

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Near Mine Exploration

The Cu-Au targets within 10 kms of the Kanmantoo processing plant include the South Kanmantoo, Stella, Mullewa and North-West Kanmantoo geochemical and geophysical targets. There has not been any work on these prospects in this quarter.

Regional Exploration

The regional area comprises 5,652km² of exploration licences in the south-east of South Australia, within the Kanmantoo Province. The Kanmantoo Province is now being investigated by the Geological Survey of South Australia (GSSA) and MINEX-CRC for its magmatic related copper-gold endowment as a consequence of the discoveries on the Stavely Belt in western Victoria. Geological work by the GSSA has concluded that Cu mineralisation within the Kanmantoo Province occurs over four distinct periods from onset of the Delamerian Orogen (early Cambrian) to the close of the Benambran Orogen (mid-Ordovician – the same orogen that resulted in the Macquarie Arc Cu-Au mineralisation of Cadia-Ridgeway renown). This opens up the window of prospectivity of the Kanmantoo Province and in particular the tenement holding of Hillgrove for significant Cu-Au mineralisation.

The new interpretation of new mineral system models operating within the Kanmantoo Province will be a focus for Hillgrove's future regional exploration activities.

Competent Persons Statement

The information in this report that relates to the Exploration and Drilling Results and Exploration Targets on the Kanmantoo project were initially reported by the Company to ASX on 26 May 2016, 10 October 2019, 3 September 2020, 3 May 2021, 6 May 2021, 24 June 2021, 26 August 2021, 1 September 2021, 21 March 2022, 6 May 2022, 11 May 2022, 26 July 2022, 8 August 2022, 27 February 2023, 23 March 2023, 3 July 2023, 28 August 2023, 11 October 2023 and 13 November 2023. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Exploration Results, Exploration Target and the Resource Estimate in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

The information in this release that relates to the 2022 Mineral Resource Estimates for the Nugent (26 July 2022) and Kavanagh (11 May 2022) underground areas are based upon information compiled by Mr Peter Rolley, who is a Member of The Australasian Institute of Geoscientists. Mr Rolley is a full-time employee of Hillgrove Resources Limited and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'. Mr Rolley has consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

HILLGROVE CORPORATE

For the quarter, the Company incurred the following exploration and development expenditures:

- ▶ Exploration of \$0.1 million; and
- ▶ Development of \$12.0 million, which includes \$0.1 million for mine lease drilling.

The Company paid executive director salaries and non executive director fees of \$214,000 during the quarter.

CORPORATE INFORMATION

Issued Share Capital at 31 December 2023

Ordinary shares	1,911,971,009
Unlisted Options	69,000,000
Employee Performance Rights	47,000,000

Share price activity for the Quarter

High	0.095
Low	0.054
Last (31 December 2023)	0.094

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SHARE REGISTRY	REGISTERED OFFICE
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For more information contact:

Lachlan Wallace, *Managing Director*

Joe Sutanto, *Chief Financial Officer*

SCHEDULE OF TENEMENTS AS AT 31 DECEMBER 2023

Tenement	Location	Percentage
ML 6345	Kanmantoo, South Australia	100%
ML 6436	Kanmantoo, South Australia	100%
EML 6340	Kanmantoo, South Australia	100%
EL 6526	Kanmantoo, South Australia	100%
EL 6174	Coomandook, South Australia	100%
EL 6175	Coonalpyn, South Australia	100%
EL 6207	Tintinara, South Australia	100%
EL 6208	Carcuma, South Australia	100%
EL 6294	Wynarka, South Australia	100%
EL 6397	Laffer, South Australia	100%

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Hillgrove Resources Limited

ABN

73 004 297 116

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	17
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(3,261)	(7,623)
	(e) administration and corporate costs	(3,170)	(5,003)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	182	762
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (GST)	1,639	3,070
1.9	Net cash from / (used in) operating activities	(4,610)	(8,777)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(9,386)	(21,824)
	(d) exploration & evaluation	(196)	(689)
	(e) investments	-	-
	(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	55	55
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(9,527)	(22,458)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	38,435
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,601)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(303)	(664)
3.10	Net cash from / (used in) financing activities	(303)	36,170

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	24,680	5,305
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,610)	(8,777)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,527)	(22,458)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(303)	36,170

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	10,240	10,240

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,240	24,680
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,240	24,680

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	214
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

The amount in item 6.1 comprises executive director salaries and non executive director fees during the quarter.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,610)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(196)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(4,806)
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,240
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	10,240
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.1
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

22 January 2024

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.