QUARTERLY REPORT

HILLGROVE RESOURCES

Hillgrove Resources Limited (ASX: HGO) report for the quarter ended 30 September 2023

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SUMMARY

- The underground development at Kanmantoo remains on track to produce copper concentrate in the first quarter of 2024.
- A step-out drill hole at Spitfire returned 45.2m @ 1.19% Cu, 0.12 g/t Au. The intersection is more than 100m from any other drilling, highlighting the potential for the Spitfire lode to extend both down dip and along strike to the north. Underground infill drilling continues.
- Infill 3D MT geophysical survey identified a large conductivity zone at Kanmantoo Deeps which is coincident to strong gravity and magnetics. The target is located approximately 400m from the Kavanagh decline development which is currently being developed.

  Post quarter end, the Kanmantoo Exploration Target was upgraded to 60-100Mt with a target 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.

MANAGING DIRECTOR'S STATEMENT

"This period represents the first full quarter of development at Kanmantoo following the completion of funding in May 2023. The workforce continued to increase as underground development activities ramped up and preparatory works for the restart of processing commenced. Forward looking activities include the completion of the primary ventilation circuit, which enables production to increase, as well as the installation of grid power at the portal, and continued development ahead of stoping.

Life extension drilling continued below the base of the main pit. A key intersection at Spitfire that is more than 100m from the nearest drill hole highlights the potential for additional mining inventory. Three underground drill rigs continue to chase the northern and dip extensions of the Spitfire intersection as well as infill drill the initial stoping locations. The Spitfire results come on the back of last quarter's successful drilling campaign in Emily Star which resulted in multiple intersections that demonstrate the lode system extends along strike and down dip. Follow-up drilling in each area is required to review the potential to bring these additional areas into the mine plan.

Modelling of the infill geophysics program at the Kanmantoo Deeps target presents an exciting opportunity, increasing the Exploration Target by 50-80Mt, which is an order of magnitude larger than the existing mining inventory of 4.5Mt. The next step is to drill test the target area."

UNDERGROUND DEVELOPMENT

Approximately 650m of development was completed during the quarter, with approximately 10,000 tonnes of ore stockpiled in preparation for processing. Figures 1-4 highlight some of the many activities underway at the Kanmantoo underground.

Figure 1 Preparing an underground drilling platform

Figure 2 Underground drilling targeting early stope locations

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Figure 3 Our surveyor, Sarah, keeping everything on track whilst Raisebore Australia drill the ventilation raise

Figure 4 Loaded truck leaving the portal

EXPLORATION

Hillgrove has a strong pipeline of exploration opportunities over more than 6,100km^2 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 Extensions

Diamond drilling of the Kavanagh strike and down-dip extensions was undertaken during the Quarter. The results were reported on 28 August 2023 and include:

- 45.4m @ 1.19% Cu, 0.12 g/t Au from 428.5m downhole (KTDD243_W1) including:
  - 5.35m @ 2.13% Cu, 0.11 g/t Au from 428.5m downhole, and
  - 23.9m @ 1.53% Cu, 0.12 g/t Au from 444m downhole, including
  - 6.6m @ 2.31% Cu, 0.23 g/t Au from 460.4m downhole.

The drilling demonstrates that the main Kavanagh mineral system continues to host wide zones of higher-grade Cu-Au breccia within 100m from and adjacent to, the planned Underground (UG) development and which are not included in any current mineral resource estimate. These particular drill intercepts are from Spitfire which has not been a focus of the past extensional drilling. The zone intercepted is open down dip and along strike and demonstrate the potential to increase the existing mineral resource.

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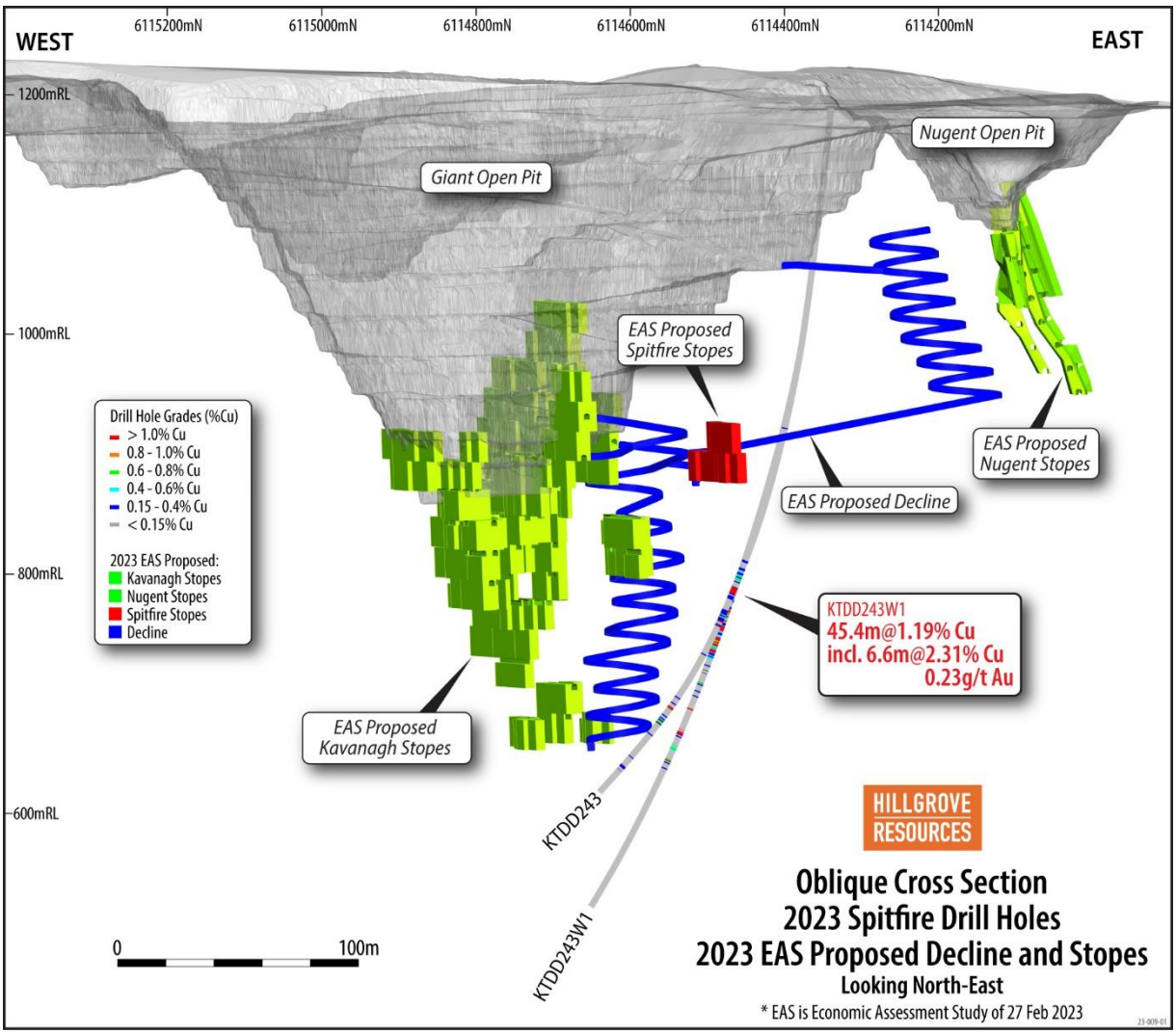
Figure 5 Oblique cross section showing the current mine design relative to the new drill hole intercepts



Kanmantoo Deeps

An AMT/MT survey undertaken in 2018 along the northern strike extension of the main Kavanagh Cu-Au zone identified a strong and large conductivity zone beneath the Kanmantoo open pit and extending to the north across all AMT/MT lines for a further 1.2 kms. The 1.2 km long conductivity zone is coincident with a strong ground gravity and heli-magnetic anomaly. The coincident gravity-magnetic-conductivity anomaly has been interpreted to be due to a higher concentration of garnet, magnetite and sulphides along the Kanmantoo shear zone.

An infill 3D AMT/MT geophysical survey to better define the conductivity zone has now been completed and 3D modelling was in progress at quarter end. 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.

Note: post quarter end, the Exploration Target was updated to include 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 scale of the Kanmantoo Deeps target represents an exciting opportunity for the Company. Refer ASX announcement of 11 October 2023 for further information.

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Figure 6 Plan view of infill AMT/MT survey at Kanmantoo (red dots = 2023 MT survey sites)

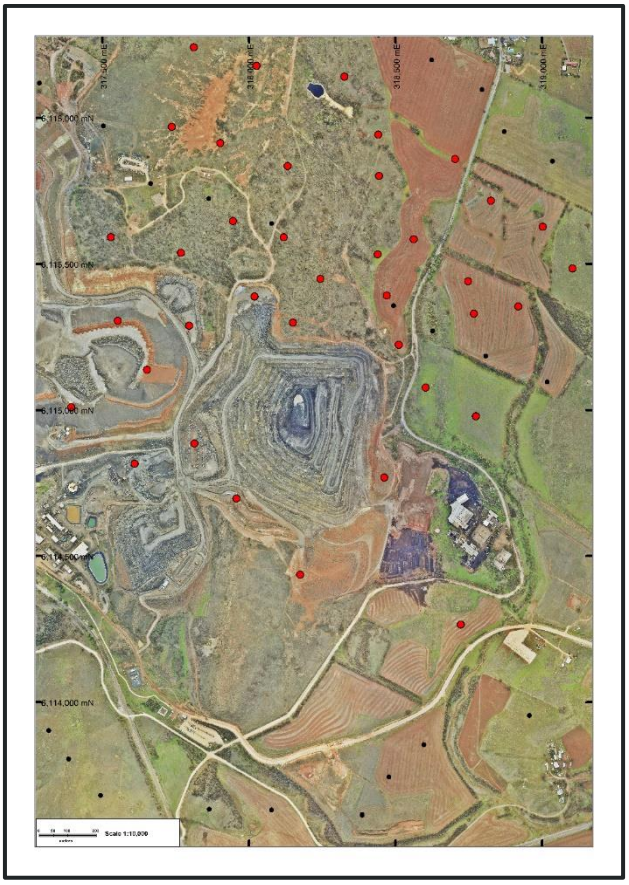

Figure 7 Geophysical interpretation of the Kanmantoo Deeps Target

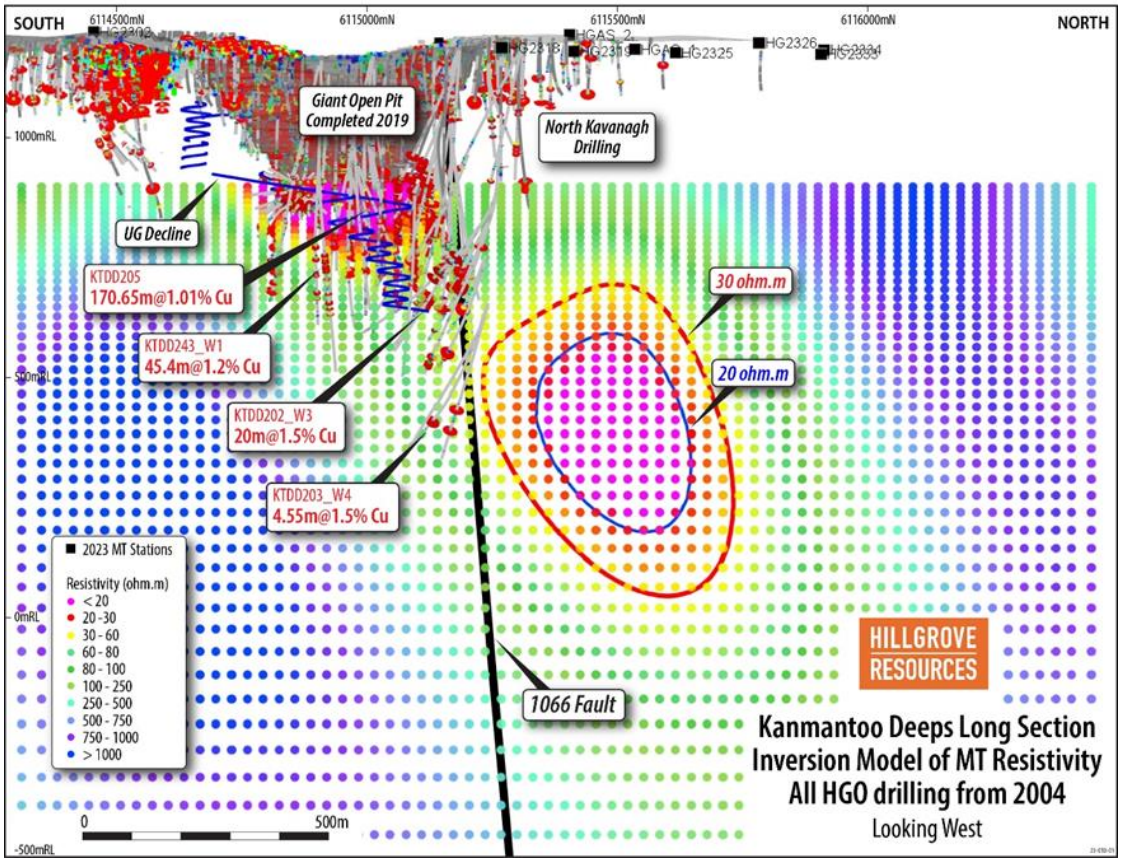

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Table 1 Summary of Exploration Target by Zone

Exploration Target				
Deposit	**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

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 5,652km^2 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 and 11 October 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

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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

Execution of Hedging

As previously announced, the Company and Freepoint executed the hedging agreements last quarter, which enables the Company to hedge up to 16,000 tonnes of copper in concentrate. During the September 2023 quarter, the Company completed 3,000 tonnes of hedging at a price of A$12,500 after margins.

Other

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

- Exploration of $0.2 million; and
- Development of $11.7 million, which includes $0.1 million for mine lease drilling.

The Company paid executive director salaries and non executive director fees of $244,000 during the quarter.

CORPORATE INFORMATION	
Issued Share Capital at 30 September 2023	
Ordinary shares	1,911,971,009
Unlisted Options	34,000,000
Employee Performance Rights	32,000,000
Share price activity for the Quarter	
High	0.075
Low	0.057
Last (30 September 2023)	0.060

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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 30 SEPTEMBER 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	Quarter ended ("current quarter")
73 004 297 116	30 September 2023

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 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	(2,354)	(4,362)
	(e) administration and corporate costs	(442)	(1,833)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	305	580
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)	873	1,473
1.9	**Net cash from / (used in) operating activities**	**(1,618)**	**(4,167)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(8,173)	(12,438)
	(d) exploration & evaluation	(227)	(493)
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(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**	**(8,400)**	**(12,931)**

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)	(341)	(361)
3.10	**Net cash from / (used in) financing activities**	**(341)**	**36,473**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	35,039	5,305
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,618)	(4,167)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,400)	(12,931)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(341)	36,473

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**24,680**	**24,680**

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	24,680	35,039
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)**	**24,680**	**35,039**

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	244
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.

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7.	**Financing facilities** *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.*	**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)	(1,618)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(227)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,845)
8.4	Cash and cash equivalents at quarter end (item 4.6)	24,680
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	24,680
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	13.4

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.

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

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.

Date: 24 October 2023

Authorised by: By the Board
(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.

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