QUARTERLY REPORT

HILLGROVE RESOURCES

Hillgrove Resources Limited (ASX: HGO) report for the quarter ended 31 March 2024

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SUMMARY

The Kanmantoo underground development continued in line with schedule during the quarter with several significant milestones, including:

- **Bulk mining commences:** Bulk mining activities from the underground stopes commenced in January. Mains power was delivered to the underground portal, reducing power costs and taking advantage of the high penetration of renewables in the State electricity grid to reduce the operation's carbon footprint. Towards the end of the quarter, multiple stopes were being prepared to be mined concurrently, to enable the rate to continue to increase.
- **First copper production & sales:** The wet plant was successfully commissioned in February, resulting in the first copper production and sales of copper concentrate from the Kanmantoo underground. The commencement of copper production made Hillgrove Resources, Australia's newest copper producer and one of only a handful of producing pure play copper companies on the ASX.
- **Copper production ramps up:** Copper production increased from 239 tonnes in February to 589 tonnes in March. As work areas open up over the coming quarter, the mining rate and copper production will continue to increase.
- **Capital raise facilitates growth:** The Company successfully raised $10M to accelerate exploration aimed at increasing both mine life and the annual copper production, as well as to provide working capital support for the underground. Downhole electromagnetic (EM) and magnetotelluric (MT) surveys will occur in April to further define the Kanamntoo Deeps target, ahead of planned drilling.
- **Expanding mine life:** A significant opportunity exists to grow the Resource and therefore mine life, as evidenced by:
  - the substantial JORC Exploration Target at the Project of 60 – 100Mt @ 0.9% to 1.2% Cu and 0.1 g/t to 0.2 g/t Au[1], and
  - recent drilling results including[2]:
    - 36.6m @ 3.35% Cu from 43m downhole in East Kavanagh (23KVUG064)
    - 45.4m @ 1.19% Cu and 0.12g/t Au from Spitfire from 428.5m downhole (KTD243_W1)
    - 40m @ 1.27% Cu from 43m downhole in Central Kavanagh (23KVUG072)
    - 33.23m @ 1.46% Cu from 42m downhole in East Kavanagh (23KVUG083)

[1] *ASX Announcement 11/10/23. 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.*

[2] *ASX Announcements 13/11/23, 28/8/23*

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MANAGING DIRECTOR'S STATEMENT

"The first copper production from the Kanmantoo underground marks a significant achievement for Hillgrove Resources as we complete the transition from explorer to cash generating producer. To do this within eight months of the Final Investment Decision reinforces the Company's ability to deliver on stated objectives.

The ramp up of the underground production remains on plan. Over the course of the next quarter, we will focus on increasing the mining rate towards steady state, as the underground development matures and multiple stopes are mined concurrently.

The increase in the copper production between the February and March milling campaigns reflects the improving operational control in the processing plant, which will be further enhanced in April with the commissioning of the onstream analyser. With the copper price increasing during the quarter, it is certainly an excellent time to be ramping up copper production.

Following the successful capital raise, resources have been mobilised to undertake downhole geophysical surveys at Kanmantoo Deeps to assist in drill targeting. Kanmantoo Deeps is a very exciting prospect that 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."

KANMANTOO UNDERGROUND

Development of 1,404 metres was completed during the quarter (up from the previous quarter of 1,209 metres). Bulk mining from underground started in January, which led to an increase of total ore mined from 25kt in the prior quarter to 122kt in the March 2024 quarter.

Following successful commissioning, the first copper production of 239 tonnes occurred in February. The production rate ramped up to 589 tonnes in March and will continue to increase over the course of the next two quarters as the operation ramps up to steady state.

Mains power was delivered to the underground portal, reducing power costs and taking advantage of the high penetration of renewables in the State electricity grid to reduce the operation's carbon footprint. The mains power also increased the overall power delivery to the underground, enabling more activities to run concurrently. Removing electricity supply as a constraint is an important milestone in the underground development, as the Company prepares to increase mining productivity.

Figures 1-7 highlight some of the many activities underway at the Kanmantoo underground.

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Figure 1 Scaling the backs of an ore drive

Figure 2 Loading explosives

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Figure 3 Hauling ore to the stockpile

Figure 4 Feeding the crusher

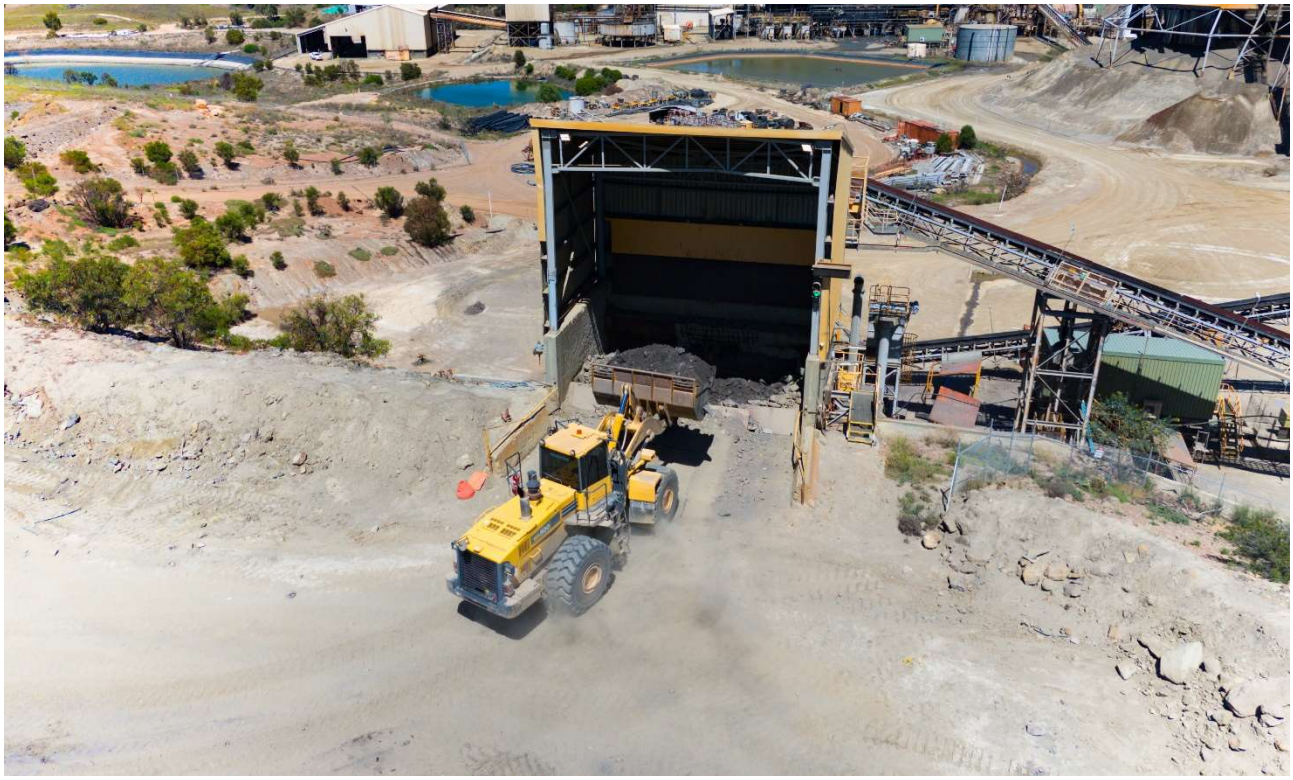

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Figure 5 Copper concentrate

Figure 6 Copper concentrate through the floatation circuit

Figure 7 Copper concentrate stockpile

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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

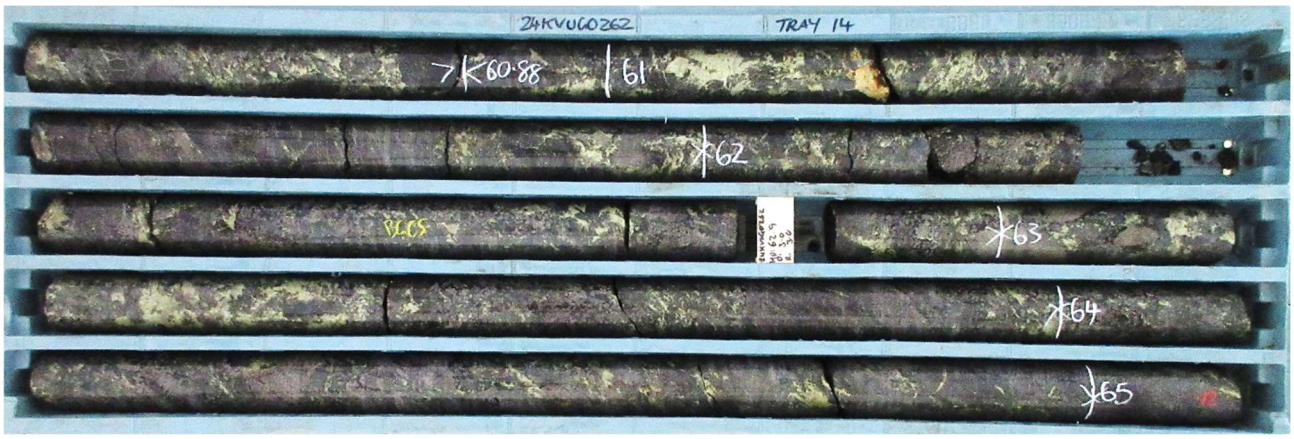
The Cu-Au targets within the Kanmantoo Mine Lease, and within 1 km of Hillgrove's processing plant, include the strike and down-dip extensions of the main Kavanagh and Nugent Cu-Au mineral resources, the Emily Star, Valentine and Paringa Cu-Au deposits located south of the Kavanagh underground Cu-Au 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 Drilling

Underground diamond drilling to confirm the copper mineral systems and enable detailed mine design is continuing.

From 1st January to 31st March 2024, the Company drilled a further 45 holes from underground for 3,372 samples for assay within the Kavanagh-Spitfire mineral system. There are now a total of an additional 14,328 assays from underground diamond drilling compared to the 11,570 assays from the surface drilling during 2019 to 2023. An update to the Mineral Resource Estimate is expected to be released in the third quarter of calendar year 2024.

Figure 8 Underground drill core showing high grade copper intercepts



The interval shown is from 24KVUG0262 from 60.53m to 65.12m

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 centred approximately 400 metres north and 600 metres 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.

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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 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.

Figure 9 Geophysical interpretation of the Kanmantoo Deeps Target

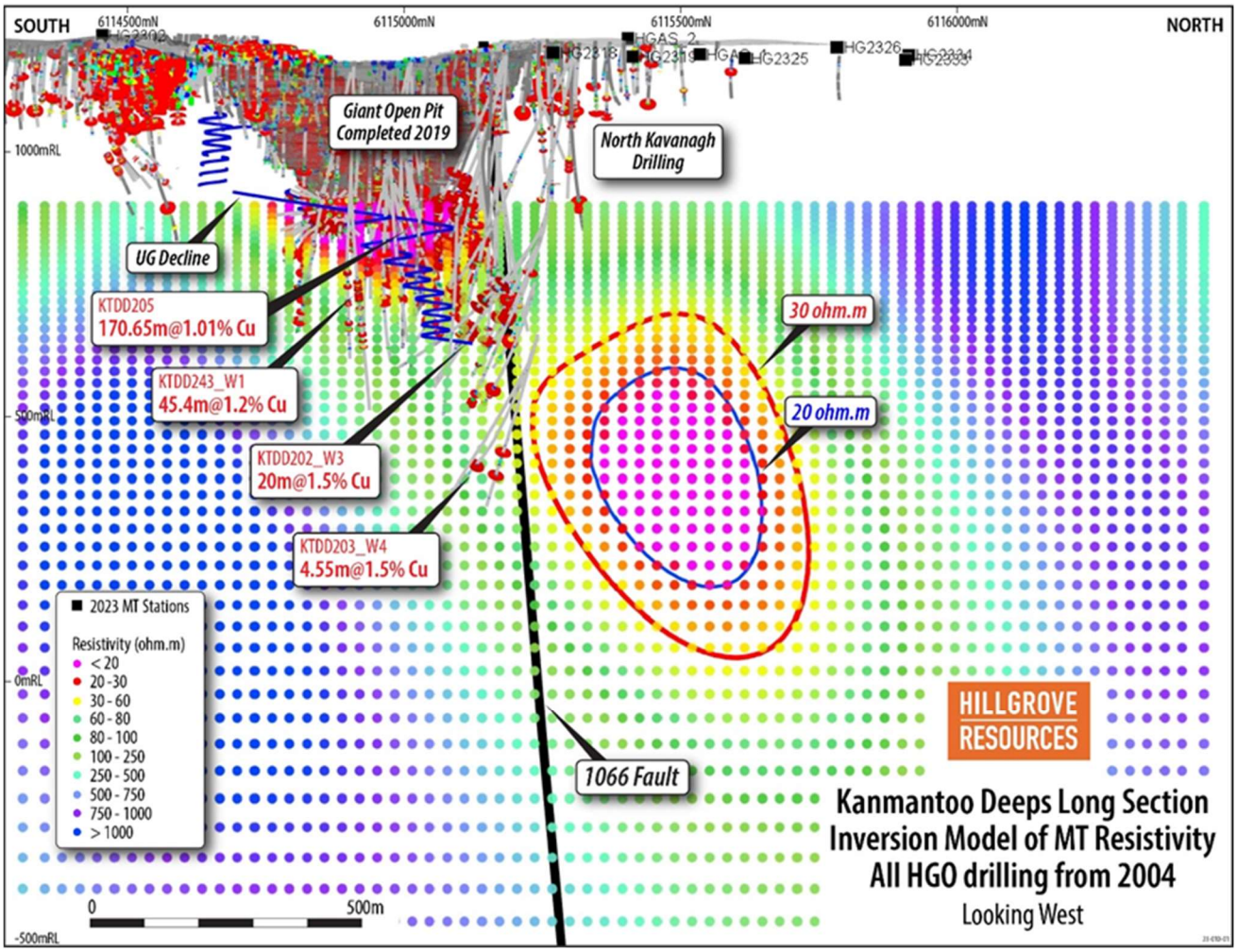

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Table 1 Summary of Exploration Target by Zone

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 was no work undertaken 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 copper 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 document that relates to all Exploration and Drilling Results, and Exploration Targets is based upon information compiled by Mr Peter Rolley. Mr Rolley is a full-time employee of Delrio Pty Ltd, a shareholder of the Company and a Member of The Australasian Institute of Geoscientists. Mr Rolley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Exploration Results, Exploration Target and Resource Estimates continue to apply and have not materially changed.

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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. Mr Rolley consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

The Information in this document 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. Mr Rolley is a full-time employee of Delrio Pty Ltd, a shareholder of the Company and a Member of The Australasian Institute of Geoscientists. Mr Rolley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Exploration Results, Exploration Target and Resource Estimates 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. Mr Rolley consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

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HILLGROVE CORPORATE

Capital Raising

The Company successfully completed a Placement during the quarter, which was conducted at a price of $0.060 per share and comprised of the following[3]:

- Tranche 1 Placement – raising circa $8.0m from several new institutional and sophisticated investors, along with strong ongoing support from existing shareholders.
- Tranche 2 Placement – raising circa $2.2m from Freepoint Metals and Concentrates LLC (subject to FIRB approval). FIRB approval and funds for this tranche was received in the quarter.

Both tranches were raised pursuant to the Company's available placement capacity under ASX Listing Rules 7.1

Exploration and Development Expenditure

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

- Exploration of $0.4 million; and
- Development of $10.4 million.

Payments to Related Parties of the Company

The Company paid executive director salaries and non executive director fees of $201,000 during the quarter.

[3] *Refer ASX announcement of 1 March 2023 for further details.*

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CORPORATE INFORMATION	
Issued Share Capital at 31 March 2024	
Ordinary shares	2,093,555,567
Unlisted Options	79,000,000
Employee Performance Rights	32,000,000
Share price activity for the Quarter	
High	0.096
Low	0.057
Last (31 March 2024)	0.068

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 MARCH 2024

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%