QUARTERLY REPORT

HILLGROVE RESOURCES

Hillgrove Resources Limited (ASX: HGO) report for the quarter ended 30 June 2024

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Liquidity generating quarter with commercial production declared.

- 31% improvement in liquidity from March Quarter of A$11.7m to A$15.3m in the June Quarter.
- The Kanmantoo Copper Mine reached commercial production, with 2,584 tonnes of copper produced in the quarter.
- First concentrate sales completed within 12 months of commencing underground development.

Figure 1 Cu Production and AISC

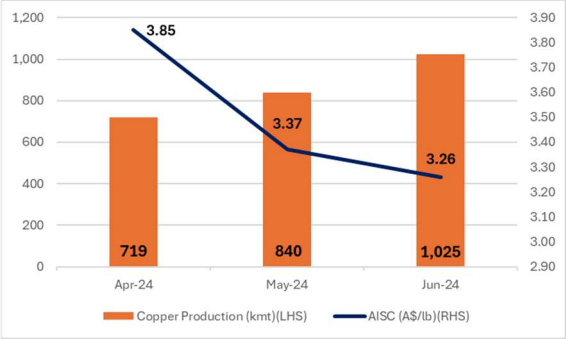

Table 1 Company Liquidity

Unaudited (A$M)	June 2024 Quarter	March 2024 Quarter
Cash	7.4	7.4
Receivables	3.5	2.6
Unsold Concentrate	4.4	1.7
TOTAL	15.3	11.7

MANAGING DIRECTOR'S STATEMENT

"As my inaugural quarterly commentary, I would like to say how excited I am about the opportunity at Hillgrove. My first couple of weeks have been with our employees and stakeholders. I would like to thank everyone for their open welcome. The recurring question I am asked is "why", the answer is simple, the geology is exciting.

Our focus in the next quarter is to grow the operations stability and improve production, whilst continuing the down dip and along strike diamond drilling to increase mine life.

Finally, I would like to thank outgoing Managing Director, Lachlan Wallace, his commitment to establishing the Kanmantoo underground has provided Hillgrove with an excellent platform for growth, thanks Lachlan for the handover and continued support."

KANMANTOO UNDERGROUND OPERATIONS

The Kanmantoo Copper Mine is in the Adelaide Hills region of South Australia, being 55 kilometres from Adelaide and 3 kilometres from the main dual carriageway leading to Port Adelaide. Its location brings inherent operating and capital cost advantages and helps to attract and retain a high-quality workforce who predominantly live within the region.

Safety and Environment

The Total Recordable Injury Frequency (TRIF) for Hillgrove was 12.0.

During the quarter we reported a minor dust exceedance which occurred during a high wind event. Corrective actions have been implemented to mitigate this risk going forward.

Production and Costs

Kanmantoo produced 2,584 tonnes of copper in 11,102 dmt of concentrate, at an All In Sustaining Cost of A$3.46 per pound of copper after by-product credits. With reference to table 2 below, the key metrics (mining physicals, processing physicals, production, C1 Cash Cost, All In Sustaining Cost, and All In Cost) improved month on month during the quarter.

The main ore sources for the quarter were from the Kavanagh 860 level and the Spitfire 865 level (ore mined of 211kt), whilst the Underground development focussed on the Kavanagh 860 and 835 levels along with the commencement of the Nugent incline (total development of 1,238m). As the operation continues to ramp up, additional work areas will become available, enabling an increase in the development metres and ore mined.

The processing plant performed well, with operational improvements seen during the quarter. This led to an increase in all key processing metrics, including milled tonnes, feed grade, and recoveries – culminating in reaching commercial production, with over 1,000 tonnes of copper produced in the month of June.

Table 2 below highlights the key mining and processing physical as well as cost metrics for the operation.

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Table 2 Kanmantoo Physical, Production, and Cost Metrics

Kanmantoo Physical and Cost Metrics	Units	June 2024	May 2024	April 2024	June 2024 Quarter
Mining Physicals					
Total Development	m	427	414	397	1,238
Inventory Mined	kt	79	67	65	211
Grade Mined	%	1.50	1.00	1.25	1.24
Processing Physicals					
Tonnes Processed	kt	90	85	81	256
Grade Processed	%	1.22	1.09	0.98	1.10
Recoveries	%	93.5	90.7	90.0	91.4
Production					
Copper Produced	t	1,025	840	719	2,584
Gold Produced	oz	204	166	165	535
Silver Produced	oz	9,691	7,349	6,337	23,377
C1 Cash Cost					
Mining	A$/lb	1.34	1.54	1.87	1.55
Processing	A$/lb	0.70	0.90	1.13	0.88
Site G&A	A$/lb	0.19	0.24	0.23	0.22
Transport and Offtake Charges	A$/lb	0.74	0.40	0.39	0.53
Inventory Movements	A$/lb	0.41	0.42	0.34	0.40
By-Product Credits	A$/lb	(0.33)	(0.41)	(0.36)	(0.37)
C1 Cash Cost	A$/lb	3.05	3.08	3.60	3.21
All In Sustaining Cost					
Government Royalties	A$/lb	0.21	0.29	0.25	0.25
Sustaining Capital	A$/lb	0.00	0.00	0.00	0.00
All In Sustaining Cost	A$/lb	3.26	3.37	3.85	3.46
All In Cost					
Major Capital	A$/lb	1.48	1.75	1.79	1.65
All In Cost	A$/lb	4.74	5.12	5.64	5.11

Major Capital includes underground mine development capital as well as surface infrastructure capital.

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HILLGROVE GROUP

Company Liquidity

At the end of the quarter, Hillgrove had cash, receivables, and unsold concentrate of $15.3m.

Table 3 Company Liquidity

Unaudited (A$M)	June 2024 Quarter	March 2024 Quarter
Cash	7.4	7.4
Receivables	3.5	2.6
Unsold Concentrate	4.4	1.7
TOTAL	15.3	11.7

Hedging

During the quarter, the Company added 7,000 tonnes of hedging at an average weighted price (after hedge margins) of A$14,209. The Company now has total hedging of 10,000 tonnes, with deliveries between July 2024 and August 2026.

Exploration and Development Expenditure

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

- Exploration of $1.2 million; and
- Development of $16.8 million.

Payments to Related Parties of the Company

The Company paid executive director salaries and non executive director fees of $213,000 during the quarter.

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KANMANTOO EXPLORATION

Mine Lease Exploration

The exploration copper targets on the Kanmantoo mine lease remain extensive and include: along strike and down-dip extensions of the main Kavanagh and Nugent Cu-Au mineral resources, the Emily Star down dip extension, Valentine and Paringa and the Coopers and North Kavanagh deposits north of the Kavanagh underground development. These are classified as the North and South copper hubs.

The focus during the coming quarters will be on the near mine extensional with drilling to occur predominantly at Kavanagh, Spitfire and Nugent. With the Nugent incline progressing nicely to establish the first underground drilling platform which will enable extensive drilling to occur with an improved drill angle and easier depth extension in comparison to surface drilling.

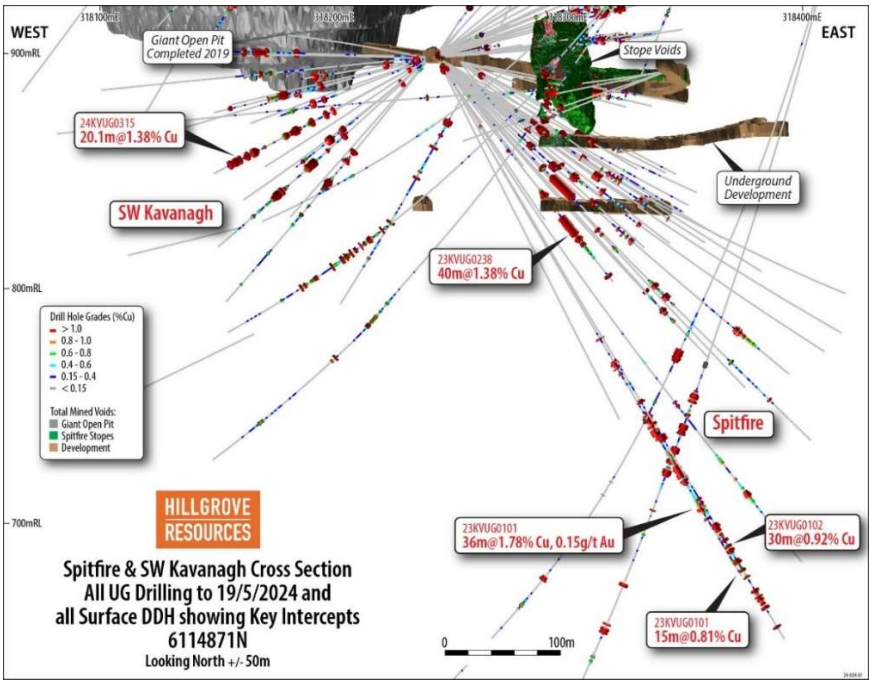
Kavanagh Mineral Resource Drilling

From 1st April to 30 June 2024, the Company drilled a further 52 holes from underground achieving 7,730m of drilling within the Kavanagh-Spitfire mineral system. An update to the Mineral Resource Estimate is expected to be released in the second half of this calendar year.

Underground diamond drilling to map the grade continuity of the main Kavanagh-Spitfire mineral system has returned outstanding results and has continued to extend the continuity of the Spitfire and South West (SW) Kavanagh mineral systems within the underground mining footprint. For a list of results, refer to ASX release of 23 May 2024. The results include:

- 40.0m @ 1.38% Cu (uncut) from 74m downhole in Spitfire (23KVUG0238);
- 36.0m @ 1.78% Cu, 0.15g/t Au (uncut) from 175m downhole in Spitfire (23KVUG0101);
- 20.1m @ 1.38% Cu from 87m downhole from SW Kavanagh (24KVUG0315); and
- 16.0m @ 1.05% Cu (uncut) from 90m downhole from SW Kavanagh (24KVUG0319).

Figure 2 Cross section showing all UG drill holes through SW Kavanagh and Spitfire with All Surface DDH



Kanmantoo Geophysical Anomaly

During the quarter, drilling was undertaken to review the geophysical anomaly approximately 400 metres north and 600 metres beneath the northern extension of the Kanmantoo open pit. The drilling and logging results are pending as at the end of the quarter.

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. 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. Drilling to date has identified the alteration system and additional work is underway to understand the mineralisation distribution through the target. A review of the exploration target will be completed once work is completed and assays are returned. Work is ongoing as at the end of the quarter.

Near Mine Exploration

The Cu-Au targets within 10 kilometres 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.

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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.

Continued interpretation of new mineral system models operating within the Kanmantoo Province has been a focus for Hillgrove's 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 Caitlin Rowett, who is a Member of The Australasian Institute of Mining and Metallurgy. Caitlin Rowett is a fulltime 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)'. 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. Caitlin Rowett 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 Caitlin Rowett, who is a Member of The Australasian Institute of Mining and Metallurgy. Caitlin Rowett is a fulltime 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)'. 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. Caitlin Rowett 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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CORPORATE INFORMATION	
Issued Share Capital at 30 June 2024	
Ordinary shares	2,095,555,567
Unlisted Options	84,000,000
Employee Performance Rights	32,000,000
Share price activity for the Quarter	
High	0.089
Low	0.062
Last (30 June 2024)	0.067

SHARE REGISTRY	REGISTERED OFFICE
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For more information contact:

Bob Fulker, *Managing Director*
Joe Sutanto, *Chief Financial Officer*

SCHEDULE OF TENEMENTS AS AT 30 JUNE 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 6294	Wynarka, South Australia	100%
EL 6397	Laffer, South Australia	100%

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 June 2024

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	28,203	37,743
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(18,702)	(28,893)
	(d) staff costs	(5,616)	(10,607)
	(e) administration and corporate costs	(856)	(1,563)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	26	53
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)	2,658	4,942
1.9	**Net cash from / (used in) operating activities**	**5,713**	**1,675**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(4,788)	(11,888)
	(d) exploration & evaluation	(289)	(671)
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	200	200
	(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**	**(4,877)**	**(12,359)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	156	10,287
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	(52)	(590)
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)	(949)	(1,826)
3.10	**Net cash from / (used in) financing activities**	**(845)**	**7,871**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,436	10,240
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,713	1,675
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,877)	(12,359)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(845)	7,871

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**7,427**	**7,427**

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	7,427	7,436
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)**	**7,427**	**7,436**

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	213
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)	5,713
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(289)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	5,424
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,427
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	7,427
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	N/A

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?

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?

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?
Yes.	

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: 29 July 2024

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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