

**HILLGROVE
RESOURCES**

Annual Report

for the year ended
31 DECEMBER

2023

www.hillgroveresources.com.au

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Hillgrove Resources Limited ACN 004 297 116

CORPORATE DIRECTORY

Corporate and Registered Office

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Kanmantoo Copper Mine

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Kanmantoo S.A. 5252, Australia

Tel: + 61 8 8538 6800

Share Registry

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Tel: + 61 2 9290 9600

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Bankers

Westpac Banking Corporation
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Crows Nest N.S.W. 2065, Australia

Auditors

PricewaterhouseCoopers
70 Franklin Street
Adelaide S.A. 5000, Australia

Web Site

www.hillgroveresources.com.au

General Enquiries

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Chairman and Managing Director's Statement

Dear Shareholders,

At the beginning of the 2023 year, the Company set out to become Australia's next copper producer, which we're pleased to say became a reality when first concentrates were produced and sold post year end in February 2024¹. In achieving this goal, the Company completed a number of significant milestones during the year. These include:

- The release of an Updated Economic Assessment in February 2023²;
- A successful capital raising to fund the restart at Kanmantoo in March 2023;
- Commencement of Underground development in May 2023;
- The Board formally announcing a positive final investment decision in June 2023;
- Commencement of bulk mining in December 2023; and
- Commissioning of the crusher in December 2023.

Whilst the Company is focussed on delivering the Underground, we continue to also look to add value by expanding mine life and annual copper production through on-lease exploration. In 2023, we drilled around 25km, aimed at both infill drilling for stope definition and expanding the mine life with some excellent results including:

- A step out hole in Spitfire more than 100m from any previous copper intercept which returned 45.4 metres at 1.19% Cu and 0.12g/t Au³; and
- Down dip extensions in Emily Star that include 71.7 metres at 0.89% Cu and 68.8 metres at 0.9% Cu⁴.

Furthermore, in October we announced the discovery of Kanmantoo Deeps, a large and low resistivity anomaly, 1km in strike length, which is coincident with both a strong ground gravity and heli-magnetic anomaly.



Mr Derek Carter
Independent Non-Executive
Chairman



Mr Lachlan Wallace
Chief Executive Officer and
Managing Director

It returns a similar resistivity signature to the main lode system and is potentially a northern continuation that has been offset down plunge by a recently identified fault. The Exploration Target immediately around the process plant is now 60 to 100 million tonnes at 0.9% to 1.2% Cu and 0.1g/t to 0.2g/t Au⁵, which is an order of magnitude above our existing mining inventory and represents a material opportunity for the Company.

With the restart of operations at Kanmantoo, we continue to enjoy strong support from the local Kanmantoo and Callington communities where the company has a long-standing positive presence, due in large part to our record on environmental stewardship. This was demonstrated again this year as we assisted local landholders and community groups to secure a \$1.3m grant from the Native Vegetation Council to create an important regional greenbelt. The grant enables a multi-kilometre greenbelt which connects the existing mining rehabilitation works at Kanmantoo with regional vegetation initiatives across multiple private landholdings, including parcels of Hillgrove's land surrounding the mine site, providing linkages for ground-based fauna and birdlife between disparate vegetation patches, and restoring important ecological diversity to the region.

Finally, we would like to thank all the various stakeholders that have helped us achieve our goal of becoming Australia's latest copper producer – and in particular all our shareholders, our employees and staff, the local and state governments, and our contractors for their dedicated efforts and support to the Company.

Mr Derek Carter
Chairman

Mr Lachlan Wallace
Managing Director

¹ Refer ASX announcement 12 February 2024.

² Refer ASX announcement 27 February 2023.

³ Refer ASX announcement 28 August 2023.

⁴ Refer ASX announcement 3 July 2023.

⁵ Refer ASX announcement 11 October 2023. 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.

Hillgrove Projects

KANMANTOO UNDERGROUND DEVELOPMENT

Hillgrove Resources Limited's (Hillgrove) flagship project is the Kanmantoo Copper Mine in South Australia, located 55 kilometres from Adelaide. The site is in an enviable position, being close to road, rail, power, water, port facilities, and enjoying access to a large pool of specialised contractors and potential employees.

The exploration and mining lease is scattered with historical copper and base metal operations and includes the former Kanmantoo Copper Mine, a medium sized copper mine that operated from 1971 to 1976 as an open pit and underground operation. Hillgrove re-opened the mining operations in 2011 and operated an open pit operation until 2020. With the completion of the open pit, the plant was placed on care and maintenance as exploration and economic assessments were undertaken for the Kanmantoo Underground (Underground).

Following the release of the Updated Economic Assessment for the Underground, the Company announced a successful capital raising in March 2023. Early works commenced immediately thereafter, culminating in a formal positive final investment decision in June 2023 and the commencement of Underground development.

As the underground development commenced, the ground conditions proved to be very competent, helping to turn the development faces over quickly and enabling the development rates to ramp up to plan immediately. In late 2023, the primary ventilation circuit and a secondary means of egress were established, enabling stoping activities to commence, with first stope blast occurring towards the end of 2023.

Post year-end, the processing plant was commissioned, copper production commenced, and the first copper concentrate from the underground was delivered to the point of sale at Port Adelaide, thus making Hillgrove Australia's newest copper producer.

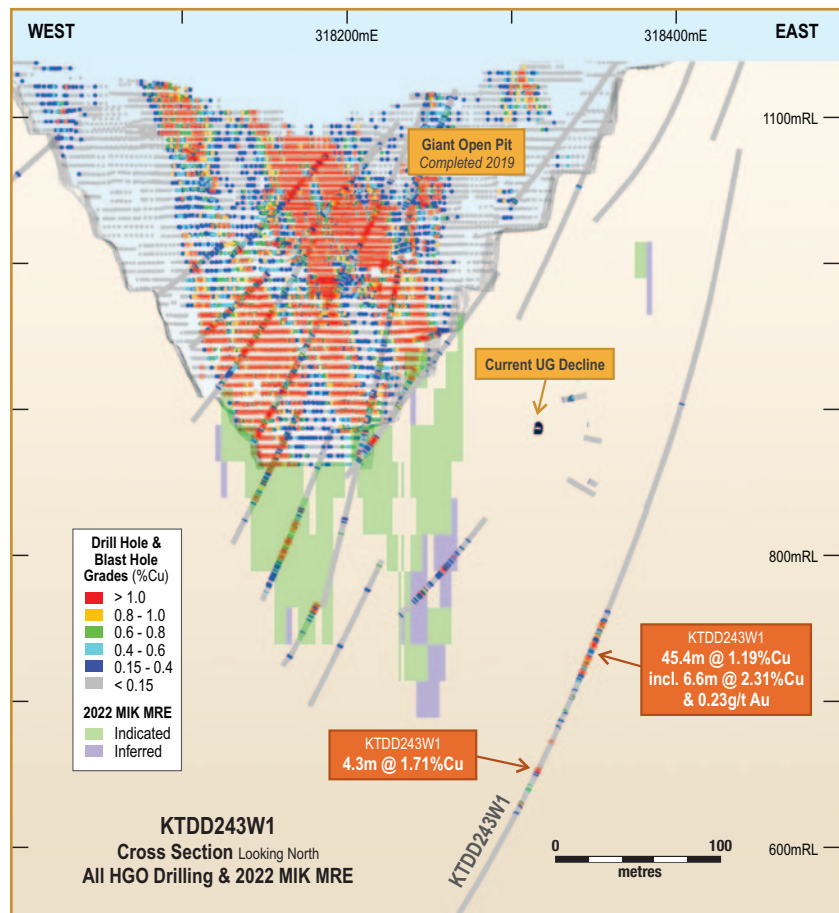


Figure 1: Cross Section of KTDD243W1.

KANMANTOO MINE LEASE EXPLORATION

The Company has continued to explore the Cu-Au endowment on the Kanmantoo Mine Lease. In 2023, two zones of special interest have been drilled (Spitfire and Emily Star) and a large new zone has been identified (Kanmantoo Deeps). All zones are accessible via the newly established underground development, showcasing promising prospects for future utilisation.

Spitfire

Exploration drilling to explore the down dip of the Spitfire Cu-Au zone intersected by the underground diamond drilling, returned⁶:

- 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 Spitfire drilling demonstrates that there are wide zones of higher grade Cu-Au breccia within 100m from and adjacent to, the planned Underground development and which are not included in any current mineral resource estimate.

6 ASX release 28 August 2023 100m step out hole hits 45.4m @ 1.2% Cu.

Hillgrove Projects (cont.)

Emily Star

The Company drilled four holes into the Emily Star lode system⁷ located in the South Hub area. Drilling has continued to intersect strongly mineralised alteration zones hosting higher grade Cu-Au breccia zones and include⁸:

- KTDD239 – 71.7m @ 0.89% Cu including:
 - 9.7m @ 1.29% Cu, 0.14 g/t Au from 135.6m downhole
 - 4.0m @ 2.9% Cu, 0.61 g/t Au from 159.3m downhole
 - 20.2m @ 1.7% Cu, 0.69 g/t Au from 178.8m downhole
- KTDD239 – 8.4m @ 0.96% Cu, 0.06 g/t Au from 277.2m downhole
- KTDD240 – 68.75m @ 0.9% Cu including:
 - 4.8m @ 1.39% Cu, 0.09 g/t Au from 169.5m downhole
 - 35.1m @ 1.29% Cu, 0.08 g/t Au from 192.2m downhole.

KANMANTOO DEEPS

Geophysical surveys on the Kanmantoo Mine Lease have discovered a coincident conductivity, gravity, magnetic target that is 400 metres along strike of the known Kanmantoo Cu-Au mineralisation and may represent a repeat of the entire Kanmantoo Cu-Au deposit⁹.

The Kanmantoo Deeps zone has been identified by a 3D AMT/MT¹⁰ geophysical survey undertaken at Kanmantoo in 2023. Inversions of the MT resistivity data all identified a zone of high conductivity (<30 ohm.m) located around 400 metres north of the underground operation and along strike of the known Kavanagh Cu-Au mineral system. The recent drilling of the North Kavanagh Cu-Au zone¹¹ is now interpreted as the stringer mineralisation up-dip of the Kanmantoo Deeps conductivity zone.

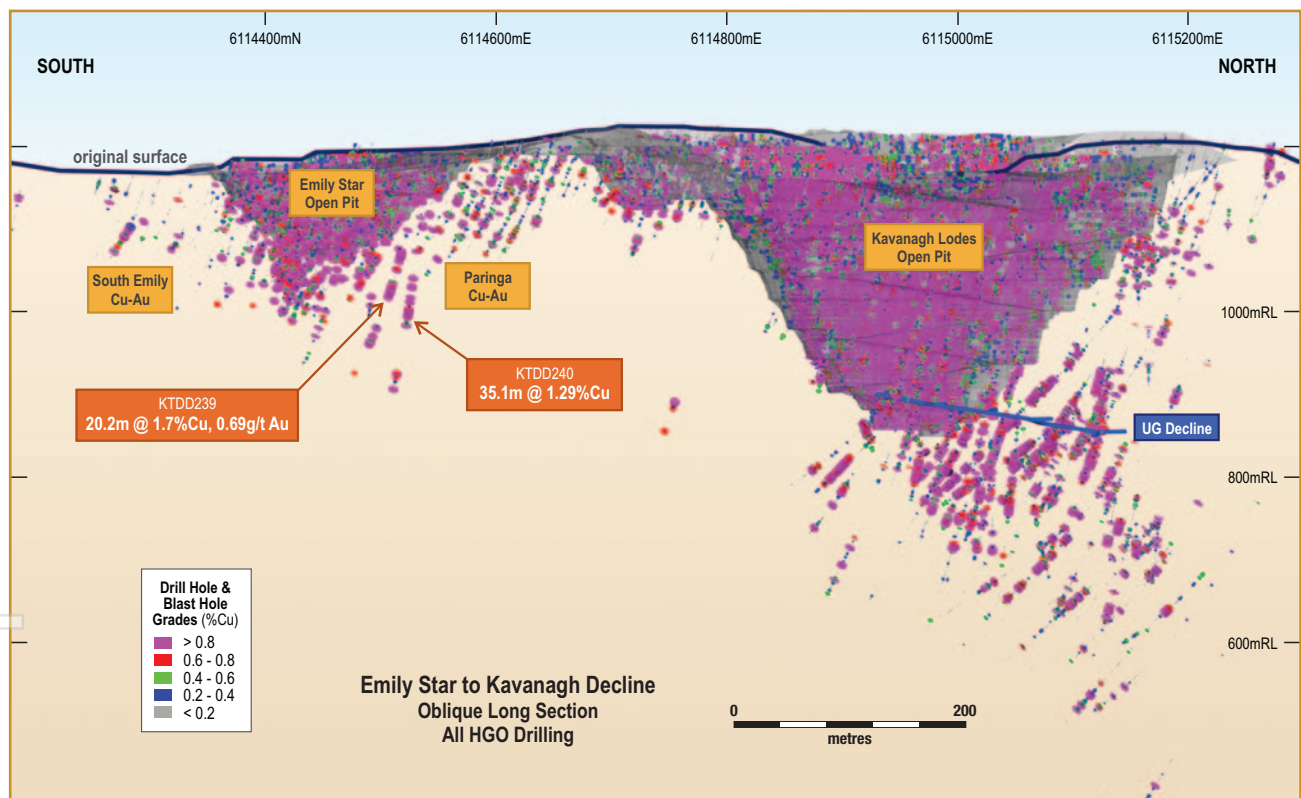


Figure 2: Long section of KTDD239 and KTDD240.

⁷ Refer ASX announcement 3 July 2023.

⁸ Intercepts tabulated in the Highlights table are amalgamated over a minimum down hole length of 2m > 0.4% Cu with a maximum of 2m internal dilution < 0.4% Cu. No assays were cut before amalgamating for the intercept calculation.

⁹ Refer ASX announcement 11 October 2023.

¹⁰ Magnetotellurics (MT) and Audio-frequency MT (AMT) are electro-magnetic survey and imaging techniques that use naturally-occurring ionospheric current sheets and lightning storms — passive energy sources — to map geologic structures to depths of 1500 meters or more.

¹¹ Refer ASX announcement 27 February 2023.

Hillgrove Projects (cont.)

KANMANTOO DEEPS (cont.)

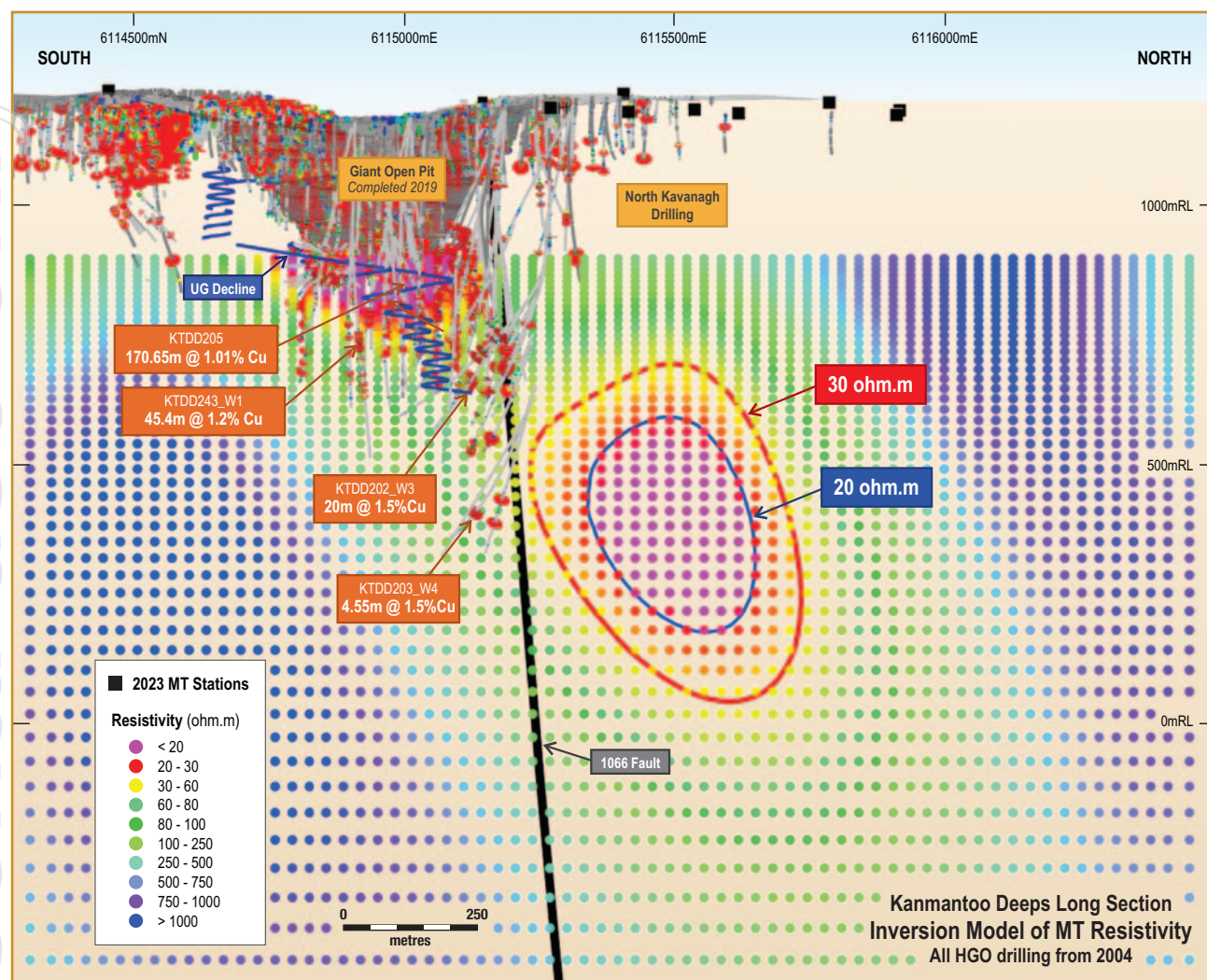
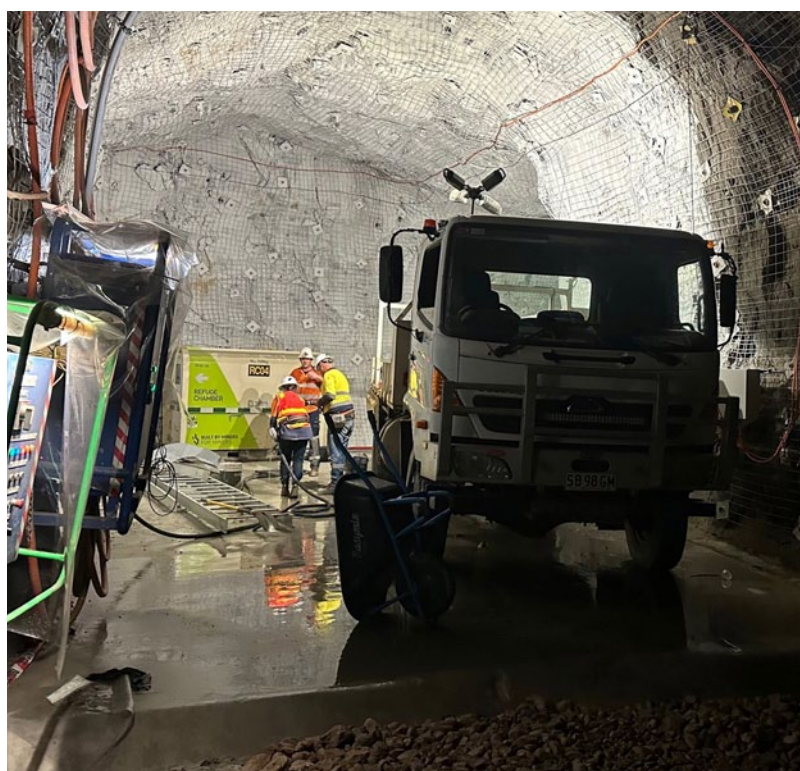


Figure 3: Kamantoo Deeps Long Section.

Geophysically, the MT conductivity zone is coincident with the high gravity anomaly reported by HGO in 2015¹², and with a high magnetic zone reported in 2018¹³. These geophysical responses are all consistent with geology of the mineralisation where the Cu-Au is associated with pyrrhotite/chalcopyrite, magnetite and garnet alteration.

The discovery of the Kanmantoo Deeps zone beneath the stringer style mineralisation at North Kavanagh has resulted in a re-evaluation of numerous Cu-Au zones on the Kanmantoo Mine Lease and in the Near Mine Exploration Prospects.

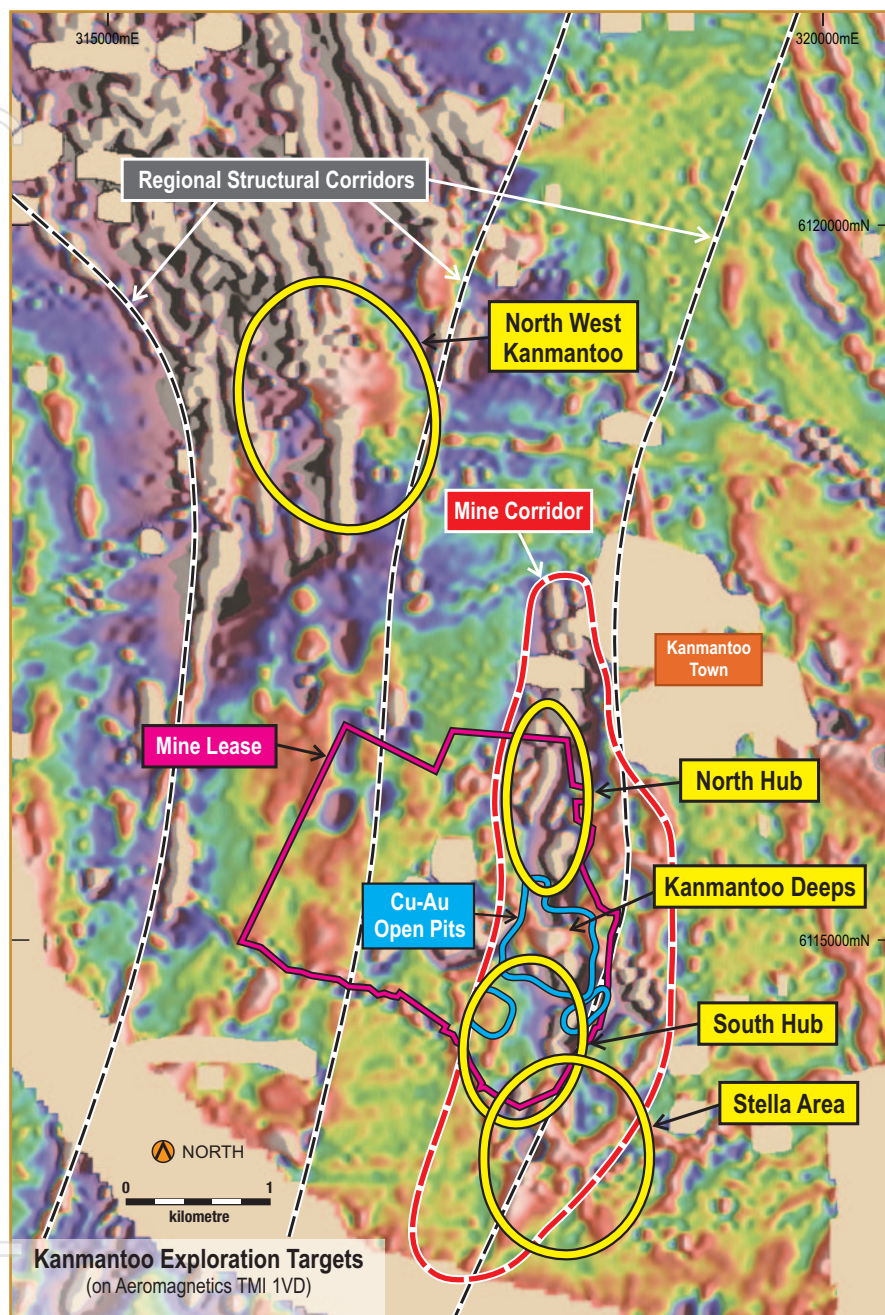


¹² Refer ASX announcement 13 April 2015.

¹³ Refer ASX announcement 8 May 2018.

Hillgrove Projects (cont.)

NEAR MINE EXPLORATION



The Company continues to hold the Cu-Au prospects within 10 kms of the Kanmantoo processing plant as high value targets for future drilling and evaluation for processing options. These include the previously announced¹⁴ South Kanmantoo, Stella, Mullewa and North West Kanmantoo geochemical and geophysical targets. These prospects all have similar geochemical and geophysical signatures as the Kanmantoo and the Kanmantoo Deeps MT mineral system.

¹⁴ Refer ASX announcement 29 April 2019.

Figure 4:
Plan view of the location of projects within 10km of Kanmantoo Copper Mine



Hillgrove Projects (cont.)

REGIONAL EXPLORATION

Dukes Project and Milendella Project (South East Kanmantoo Province)

The Regional area comprises 5,652 sq kms of exploration licences in the south-east of South Australia over a mineralised sequence of Cambro-Ordovician sediments, volcanics and felsic intrusives known as the Kanmantoo Province. The Company's tenements have been divided into two Project areas reflecting both geography and geology differences as shown on Figure 5. The Milendella Project as centre along the Coorong Shear Zone and is prospective for porphyry Cu-Au mineral systems. The Dukes Project is focused along the Dundas-Flinders Shear Zone and is prospective for "Winu" style sediment hosted Cu-Au Mineral Systems.

DUKES PROJECT

The Dukes Project is centred approximately 150kms via existing roads from the Kanmantoo processing plant.

Over the past few years, Hillgrove has collected petrological and whole rock assay data from legacy drill core throughout the Project area and integrated this data with the Company's data and mapping at Kanmantoo. As a result, a new preliminary Mineral System Model has been proposed that is similar to the "Winu"¹⁵ mineral system model in the Paterson province of northern WA.

The key elements of the model are:

1. Copper fertile basement of Truro volcanics (identified by WMC in their early search for Cu in Sth Aust).
2. Sedimentary basin of turbidite to carbonate sequences.
3. Proximal to major lineament/crustal structure.
4. At least two periods of dynamic deformation.
5. Significant multiphase intrusive activity, with one phase being oxidised.
6. A contact metamorphic system that overprints the first dynamic deformation (characterised by biotite & andalusites).
7. A retrograde magmatic thermal alteration system along the same structural zones.
8. Mineralisation with a retrograde thermal paragenesis within dilational structures within the thermal plume.

All of these elements occur in the Dukes Project area, and previous geochemical and structural targets are being re-evaluated in view of this new Mineral System Model. The resulting set of Cu-Au prospects with "Winu" style alteration systems is shown in Figure 6. Over the past year Hillgrove has commenced soil geochemical sampling to assist in prioritising copper prospects for further prospect scale geophysical targeting.

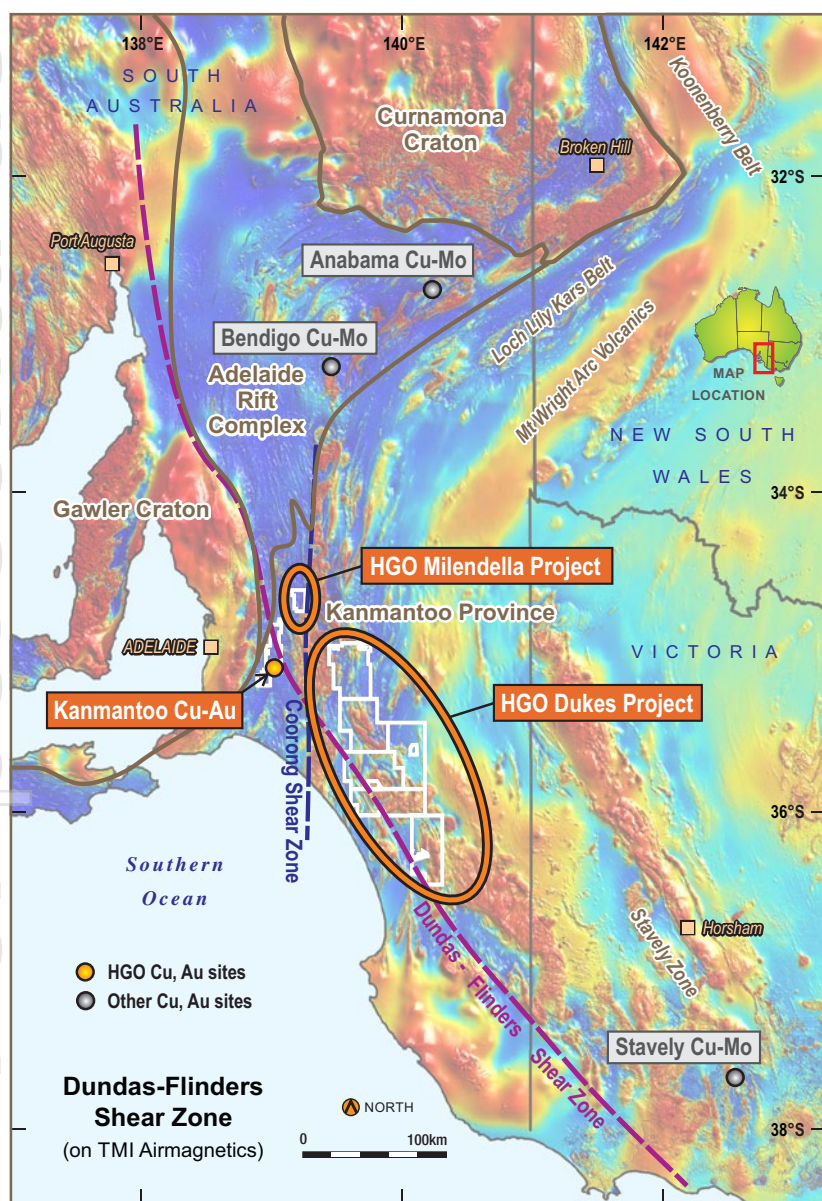


Figure 5: Dukes and Milendella Projects.

15 Geology of Winu-Ngapakarra, Great Sandy Desert of Western Australia, a recently discovered intrusion -related Cu-Au deposit. *Economic Geology* 2023, V 118: N 5, pp 967-998.

Hillgrove Projects (cont.)

REGIONAL EXPLORATION (cont.)

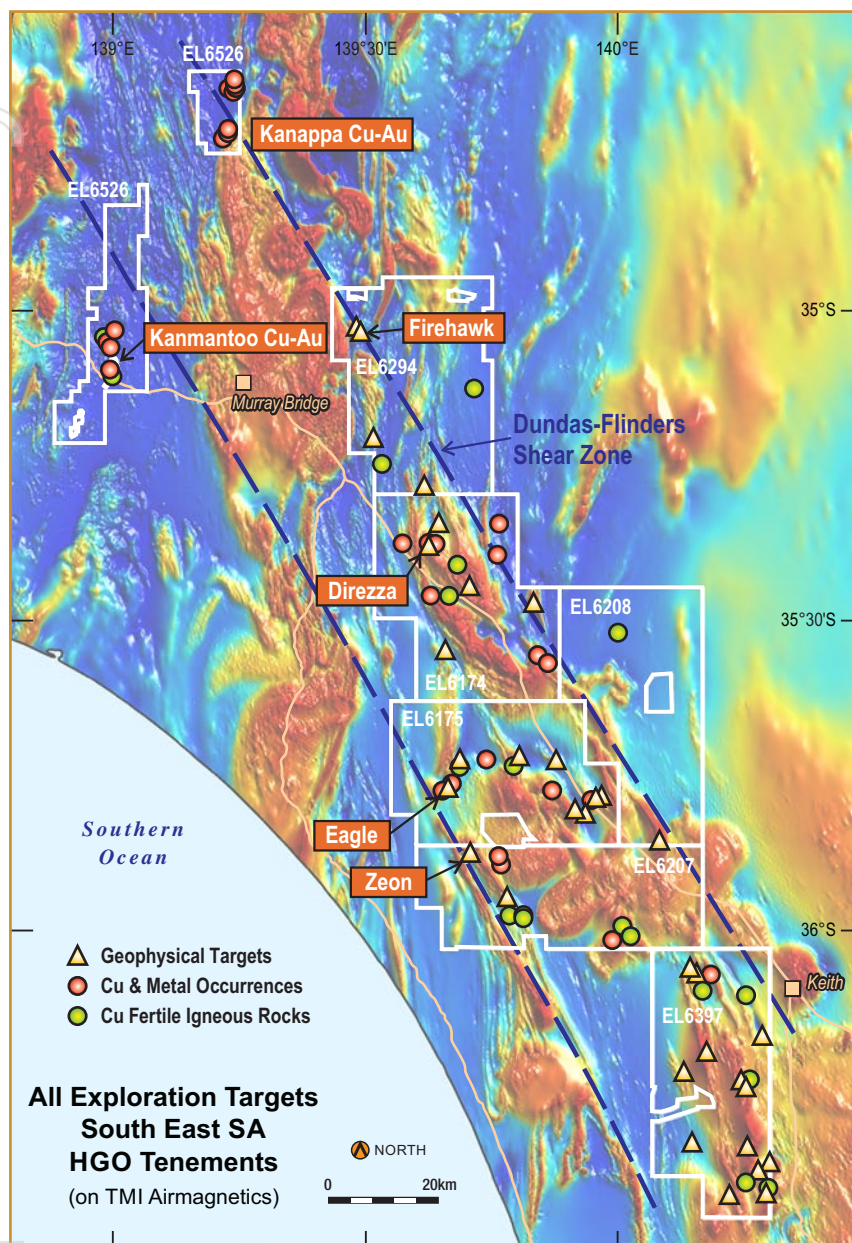


Figure 6: Dukes Project.

MILENDELLA PROJECT

- Kanappa and Mt Rhine Copper-Gold Prospects

In recent presentations and publications by the Geological Survey of South Australia (GSSA)¹⁶ and CODES, University of Tasmania the similarities between the tectonic setting and its high-level granitic to dioritic intrusives in the Kanmantoo Province of south-east South Australia, with the geology of the large Porphyry Cu systems in the Macquarie Arc of eastern Australia has been noted. The Milendella Project along the Coorong Shear Zone is an area of Cu fertile magmatic systems within two prospects, Kanappa and Mt Rhine. Activities in this Milendella Project are being undertaken in conjunction with the GSSA and Minex-CRC's South-East South Australian magmatic related copper-gold initiative.

Hillgrove has previously reported the results of the diamond drilling at Kanappa that intersected copper-gold mineralisation within a skarn mineralising system. KPDDH003¹⁷ intersected 45 metres at 0.2% copper, from 47 metres, including two higher grade zones:

- 5.5m @ 0.47% Cu from 69.5m downhole; and
- 4.5m @ 0.65% Cu from 85.0m downhole.

A review of the whole rock geochemistry of the monzonites intersected by the drill holes shows that the magmatic system is classified as a Volcanic Arc Granite and classified within the Loucks (2014) porphyry fertility field.

These drill results confirm the Company's view that the Kanappa area is prospective for large scale magmatic related copper-gold mineral deposits and is consistent with GSSA's stated views of the prospectivity of this portion of the Kanmantoo Province for Cu porphyry systems. Further work is continuing in the area.

The Mt Rhine prospect is 15 kms north of Kanappa where surface rock chips have shown Cu-Au mineralisation over a 1.7km long zone of skarn alteration and sulphides. Peak rock chips include 49.8 g/t Au and 13.1% Cu (different samples)¹⁸.

¹⁶ *Metallogenic setting and temporal evolution of porphyry Cu-Mo mineralization and alteration in the Delamerian Orogen. Economic Geology 2023 V118, N 6, pp 1291 - 1318.*

¹⁷ *Refer ASX announcement 30 January 2019.*

¹⁸ *Refer ASX announcement 25 October 2017.*

Mineral Resource

MINERAL RESOURCES FOR KANMANTOO

As at 31 December 2023

The Table below summarises the Kanmantoo Mineral Resource Estimates (MRE) which includes the updated 2022 Kavanagh and 2022 Nugent MRE¹⁹ below the Giant and Nugent open pits respectively.

Table 1: Mineral Resource Estimate for the Underground

	JORC 2012	Tonnage	Cu	Au	Cu Metal
Deposits	Classification	(kt)	(%)	(g/t)	(kt)
Kavanagh 2022 (0.6% Cu COG)	Measured	780	1.28	0.1	9.9
	Indicated	3,640	1.03	0.06	38
	Inferred	1,300	1	0.1	10
	Sub-Total	5,750	1.1	0.1	61
Nugent 2022 (0.7% Cu COG)	Indicated	865	1.19	0.64	10.3
	Inferred	400	1.1	0.3	5
	Sub-Total	1,270	1.18	0.54	15
Totals	Measured	780	1.28	0.1	9.9
	Indicated	4,505	1.06	0.2	48
	Inferred	1,700	1	0.1	15
	Total	6,985	1.08	0.16	75.9

Note: Due to appropriate rounding, numbers may not sum.

The information in this release that relates to the Exploration Results and Mineral Resource Estimates is based upon information compiled by Mr Peter Rolley, who is a Member of The Australian 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 they appear.



¹⁹ Refer ASX announcement 11 May 2022 and 26 July 2022 respectively.

Exploration Target

EXPLORATION TARGET FOR KANMANTOO as at 31 December 2023

The Table below summarises the Kanmantoo Exploration Target which excludes the updated 2022 Kavanagh and 2022 Nugent MRE's and was updated during 2023²⁰.

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 Exploration Targets fall into three regions (see Table 2).

Region A comprises six zones that are all located on the Mine Lease and are outside of the current Mineral Resource Estimates and outside of the past open pit mining operations. The identification and location of these six target zones is predominantly based upon depth and strike extensions of copper-gold zones that have been mined within the open pit or intersected by diamond drilling undertaken by Hillgrove. These zones include Kavanagh, Nugent, Emily Star, Paringa, North Kavanagh and Coopers. The Exploration Target for these zones has been previously described and reported and is unchanged (23/03/2023).

Region B are two zones that are located on the adjacent Exploration Licence at Kanmantoo that surrounds the Mine Lease. These zones are within 500m of the Kanmantoo Mine Lease boundary and comprise South Kanmantoo and Stella. The identification of these two target zones is based upon depth and strike extensions of copper-gold zones that have been intersected by percussion and/or diamond drilling undertaken by Hillgrove. The Exploration Target for these two zones has been previously described and reported and is unchanged (23/03/2023).

Region C is the new Kanmantoo Deeps zone that has been identified by the recent 3D AMT/MT geophysical survey at Kanmantoo as described above.

Table 2: Summary of the Exploration Target by zone

	Exploration Target			
	Max RL	Tonnage Range	Grade Range	Grade Range
Deposit	Depth	(Mt)	(Cu %)	(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

The information in this report that relates to Exploration Target and Exploration Results is based on and fairly represents information and supporting documentation compiled by Peter Rolley, a Competent Person, a full-time employee of Hillgrove Resources Limited, and a member of the Australian Institute of Geoscientists. Mr Rolley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Mr Rolley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

20 Refer ASX announcement 11 October 2023.

Exploration Target *(cont.)*

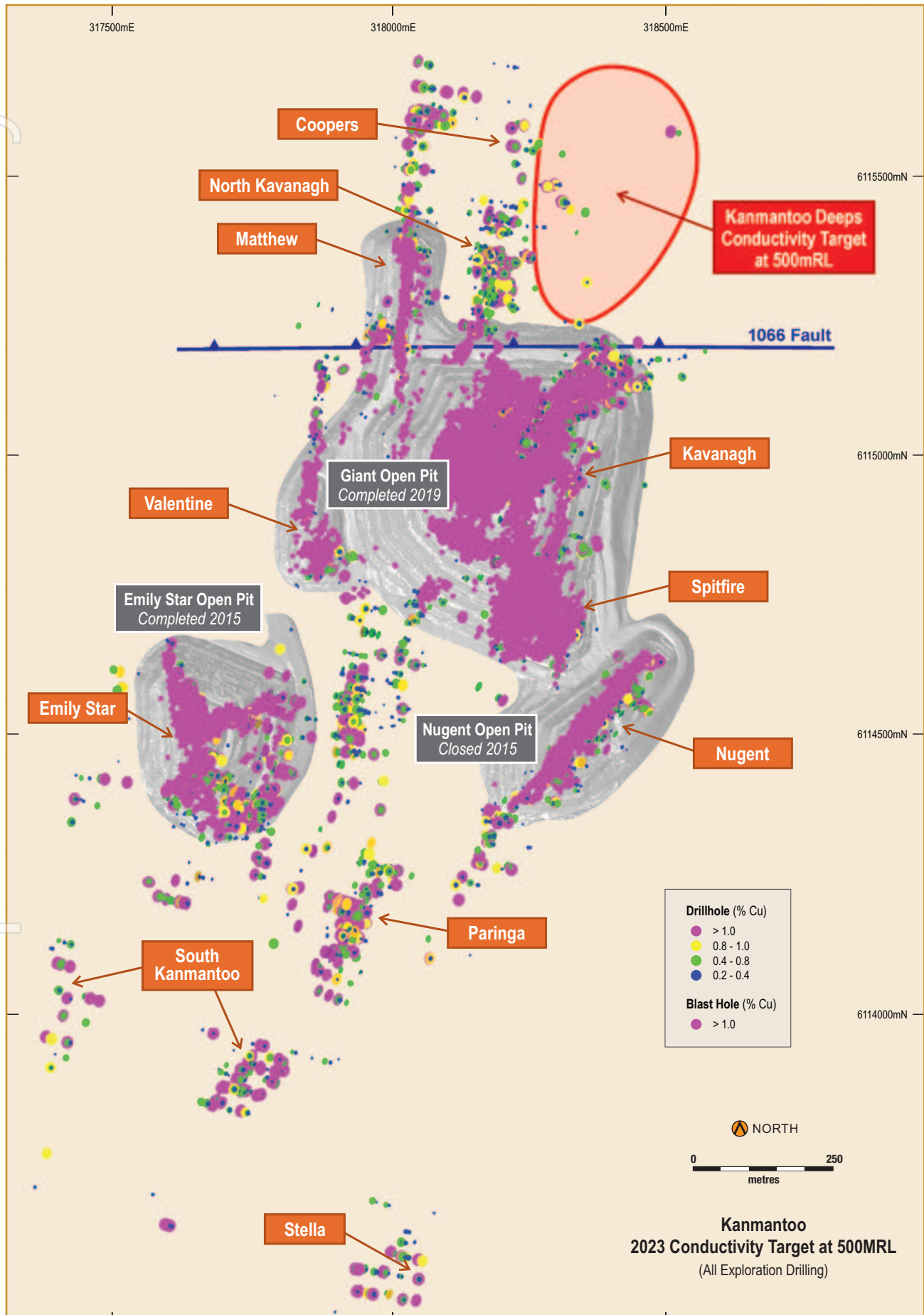


Figure 7: Plan view of Kanmantoo 2023 Conductivity Target at 500mRL.

FINANCIAL REPORT for the year ended 31 DECEMBER 2023

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These financial statements are the consolidated financial statements for the consolidated entity consisting of Hillgrove Resources Limited and its subsidiaries. The financial statements are presented in Australian dollars.

Hillgrove Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Hillgrove Resources Limited

Ground Floor, 5-7 King William Road, Unley, South Australia 5061

The financial statements were authorised for issue by the Directors on 26 February 2024. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at the Investors page on our website www.hillgroveresources.com.au.

Directors' Report

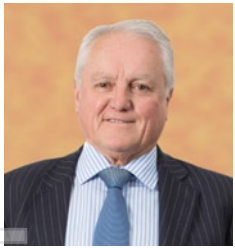
The Directors present their report on the consolidated entity (referred to hereafter as “the Group”) consisting of Hillgrove Resources Limited (Hillgrove or the Company) and the entities it controlled during the 12 months ended 31 December 2023.

PRINCIPAL ACTIVITIES

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) and focused on the development of the Kanmantoo Underground Copper Mine in South Australia and mineral exploration in the south-east of South Australia. The Kanmantoo Copper Mine is located 55 kilometres from Adelaide in South Australia.

DIRECTORS AND OFFICERS

The Directors and Officers of the Company during the whole of the financial year and up to the date of this report are:

Name/Qualifications	Experience and Special Responsibilities
Mr Derek Carter	Independent Non-Executive Chairman / Chairman Nomination and Remuneration Committees
Qualifications	BSc, MSc, FAusIMM
Experience	Derek has over 50 years' experience in exploration and mining geology and management. He held senior positions in Burmine Ltd and the Shell Group of Companies where he was responsible for discovering the Los Santos tungsten deposit in Spain, before founding Minotaur Gold NL in 1993. He resigned as Chairman of Minotaur Exploration Ltd in November 2016. Derek was awarded AMEC's Prospector of the Year Award (jointly) in 2003 for the discovery of the Prominent Hill copper-gold deposit, the AusIMM President's Award and is a Centenary Medallist. Derek is currently the Chairman of Petratherm Limited (ASX: PTR).
	Derek is a member of the Audit and Risk Committee. Appointed 24 April 2020.
Mr Murray Boyte	Independent Non-Executive Director / Chairman Audit and Risk and Treasury Committees
Qualifications	BCA, CA, MAICD
Experience	Murray has over 35 years' experience in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. Murray holds a Bachelor of Commerce and Administration from the Victoria University in Wellington and is a member of the Australian Institute of Company Directors, the Institute of Directors of New Zealand and Chartered Accountants Australia & New Zealand. In addition, Murray has held executive positions and directorships in the transport, horticulture, finance service, investment, health services and property industries. Murray is currently the Chairman of Eureka Group Holdings (ASX: EGH), Chairman of National Tyre & Wheel Limited (ASX: NTD), and a Non Executive Director of Eumundi Group (ASX: EBG).
	Murray is a member of the Nomination and Remuneration Committees. Appointed 10 May 2019.
Mr Roger Higgins	Independent Non-Executive Director
Qualifications	BE (Hons), MSc, PhD, FAusIMM, FIEAust
Experience	Roger has over 50 years of experience in the resources industries, including being a former Managing Director of Ok Tedi Mining Limited in Papua New Guinea and Senior Vice President Copper at Canadian metals and mining company Teck Resources Limited. He was also Vice President and Chief Operating Officer with BHP Base Metals (Australia) and held senior operations and project positions with BHP in Chile. He is an Adjunct Professor with the Sustainable Minerals Institute, University of Queensland. Roger is currently a Non Executive Director of Worley Limited. He was also recently the Chairman of both Minotaur and Demetallica Limited and a Non Executive Director of Newcrest Mining Limited.
	Roger is a member of the Nomination, Remuneration, Audit & Risk, and Treasury Committees. Appointed 6 June 2023.

Directors' Report (cont.)

DIRECTORS AND OFFICERS (cont.)

Name/Qualifications		Experience and Special Responsibilities
Mr Lachlan Wallace		Chief Executive Officer and Managing Director
Qualifications		BEng (Mining Hons), MSc (Mineral & Energy Economics), MBA, MAusIMM, GAICD
Experience		Since joining Hillgrove in 2012, Lachlan held various operational roles at the Kanmantoo Copper Mine including General Manager before becoming the Chief Executive Officer and Managing Director in 2019. Previously, Lachlan was responsible for Stemcor's global mining assets, developing their iron ore and manganese portfolio in India and nickel project in Indonesia at a time when Stemcor's annual turnover exceeded £6Bn. In addition, Lachlan chaired a JV between Stemcor and an Indonesian partner to facilitate thermal coal trade flows ex-Indonesia. Lachlan has held technical, managerial and consulting roles in Africa and Australia, including Anglo Gold Ashanti's Siguiri gold project in Guinea, the Lumwana copper mine in Zambia, and the Savage River iron ore mine in Tasmania.
		Lachlan is a member of the Treasury Committee. Appointed 24 May 2019.
Mr Joe Sutanto		Chief Financial Officer and Company Secretary
Qualifications		BCom, MBA, CPA
Experience		Joe joined Hillgrove in 2011 and has held a number of roles within the finance team, which spanned commercial and planning to financial control before becoming the Company Secretary and Chief Financial Officer in 2023. Prior to Hillgrove, Joe held a number of roles which included as a corporate finance executive at PwC Corporate Finance, commodities trader at Glencore, and as an auditor at KPMG. A CPA qualified accountant, Joe completed his MBA at HKUST and London Business School.
		Joe is a member of the Treasury Committee. Appointed 16 June 2023.

Directors' Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the twelve month period are:

Meetings Held Director	Board		Remuneration Committee		Audit & Risk Committee		Nomination Committee		Treasury Committee	
	A	B	A	B	A	B	A	B	A	B
Mr D Carter	12	12	2	2	4	4	2	2	1	1
Mr M Boyte	12	12	2	2	4	4	2	2	1	1
Mr R Higgins	5	5	1	1	2	2	-	-	1	1
Mr L Wallace	12	12	-	-	-	-	-	-	1	1

A – Number of meetings held during the Directors time in office

B – Number of meetings attended

Directors' Report (cont.)

RESULTS

	FY23	FY22
Revenue from ordinary activities	-	-
Profit / (Loss) from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited	(\$16.3m)	(\$6.0m)
Profit / (Loss) for the period attributable to the owners of Hillgrove Resources Limited	(\$16.3m)	(\$6.0m)

For the year ended 31 December 2023, the net loss after tax was \$16.3 million compared to a net loss after tax of \$6.0 million for the year ended 31 December 2022.

Income Statement Overview

	12 mths	12 mths	
\$ million	Dec 2023	Dec 2022	Change
Copper revenue	-	-	-
Gold revenue	-	-	-
Silver revenue	-	-	-
Less: Treatment and refining costs	-	-	-
NET REVENUE FROM SALE OF CONCENTRATE	-	-	-
Mining costs	(6.0)	-	-
Processing plant costs (commissioning)	(1.3)	-	-
Transport and shipping costs	-	-	-
Care and maintenance costs	(2.1)	(1.3)	(0.8)
Other direct costs	(2.7)	(1.3)	(1.4)
Inventory movements	1.0	-	1.0
Royalties	-	-	-
Corporate costs	(3.8)	(1.9)	(1.9)
TOTAL COSTS	(14.9)	(4.5)	(10.4)
Net realised gains/(losses)	0.1	-	0.1
Other income	0.8	0.1	0.7
EBITDA	(14.0)	(4.4)	(9.6)
Depreciation and amortisation	(0.7)	(0.1)	(0.6)
Exploration and project costs written off	(0.1)	-	(0.1)
EBIT	(14.8)	(4.5)	(10.3)
Net interest and financing charges	(0.8)	(1.5)	0.7
Income tax benefit/(expense)	(0.7)	-	(0.7)
NET PROFIT / (LOSS) AFTER TAX	(16.3)	(6.0)	(10.3)

There was no revenue generated during the year, with the Company's focus being on development activities.

The underlying EBITDA for the year resulted in a loss of \$14.0 million, compared to a loss of \$4.4 million in 2022. This increase in loss was primarily driven by additional costs associated with care and maintenance of the processing plant leading up to commissioning, other direct site expenses (including non-capital mining works), and the operational expenses of the head office.

Cash Flow Overview

\$ million	12 months Dec 2023	12 months Dec 2022	Change
Net cash flows from operating activities	(9.5)	(5.8)	(3.7)
Net cash used in investing activities	(22.5)	(5.5)	(17.0)
Net cash flows from financing activities	36.9	5.9	31
Net increase/(decrease) in cash held	4.9	(5.4)	10.3
Cash and cash equivalents at the end of the year	10.2	5.3	4.9

Directors' Report (cont.)

RESULTS (cont.)

Operating Activities Cash Flow

Cash payments within operational activities amounted to \$9.5 million, covering expenses such as corporate and administration overheads, along with costs associated with care and maintenance activities. The increase of \$3.7 million primarily stemmed from the operational expansion post-FID, leading to a substantial increase in the workforce and engagement of suppliers to support underground development and mining operations.

Investing Activities Cash Flow

The net cash outflow from investing activities amounted to \$22.5 million, compared to an outflow of \$5.5 million in the previous corresponding period. Of the \$22.5 million, \$0.7 million was allocated to expenditure on exploration licenses, while the remaining \$21.8 million was invested in property, plant, and equipment.

Financing Activities Cash Flow

The company experienced a positive cash inflow of \$36.9 million from financing activities. This was primarily due to \$36.8 million generated from the issuance of shares (after deducting transaction costs). Additionally, the company earned \$0.8 million in interest from bank-held cash. These gains were partially offset by \$0.7 million in lease payments made during the financial year.

Consolidated Statement of Financial Position Overview

\$ million	31 Dec 2023	31 Dec 2022	Change
Cash	10.2	5.3	4.9
Receivables	1.5	0.9	0.6
Inventories	3.2	1.9	1.2
Property, plant & equipment	69.1	40.0	29.1
Right-of-use assets	11.8	-	11.8
Exploration	5.3	4.8	0.5
Total assets	101.1	52.9	48.1
Trade payables	13.7	0.7	13.0
Provisions	9.6	9.8	(0.2)
Lease liabilities	11.8	-	11.8
Employee benefits	1.6	0.6	1.0
Deferred income (government grant)	2.0	2.0	-
Financial liabilities (Freepoint royalty)	7.5	7.2	0.3
Total Liabilities	46.2	20.3	25.9
NET ASSETS / EQUITY	54.9	32.6	22.2

Total assets saw a significant increase of \$48.1 million, reaching \$101.1 million. This increase was primarily driven by the capital raising during the period, resulting in a cash inflow of \$36.9 million. Subsequently, these funds were utilised to finance the acquisition of property, plant, and equipment. Additionally, there were multiple right-of-use assets recognised in the current financial year amounting to a closing balance of \$11.8 million, compared to nil in the prior year.

Total liabilities rose by \$25.9 million, reaching \$46.2 million. This increase included the recognition of corresponding lease liabilities, alongside the right-of-use assets, accounting for \$11.8 million of the total liability growth. Additionally, there was a \$13.0 million increase in trade payables, attributed to the operational expansion post-FID, which has also resulted in additional employee benefits payable due to the expanded workforce.

Directors' Report (cont.)

RESULTS (cont.)

OPERATING REVIEW

In March 2023, the Company announced a successful capital raising to fully fund the restart of mining and processing operations at Kanmantoo, which was subject to Shareholder and Foreign Investment Review Board approval. Both these approvals were received in April and June 2023 respectively.

Subsequently, the Board announced a positive final investment decision, leading to the commencement of mine development activities and works on the processing plant, in readiness for the production of copper concentrates in the first quarter of 2024.

OUTLOOK AND FUTURE DEVELOPMENTS

The focus of the Company will be the safe and sustainable production of copper concentrates from Kanmantoo. In addition, the Company will continue to explore and evaluate its near mine prospects, enabling it to expand its production and mine life beyond the existing mine plan as outlined in the Updated Economic Assessment.

MATERIAL BUSINESS RISKS

The material business risks faced by the Company that are likely to have an effect on the financial prospects of the Company, and how the Company manages these risks include:

- Insufficient cash reserves to complete development of the Kanmantoo Underground – this risk has been mitigated by the completion of a robust Updated Economic Assessment in February 2023, which was compiled on a first principles basis and based on current costs, which reflects the cost inflationary environment the mining sector has recently experienced. Additionally, subsequent to year end, the Company completed the commissioning of the processing plant and first concentrates were produced in February 2024.
- Price and currency volatility leading to reduced life of mine economics – there is an ability for the Company to adjust the cut-off grade to assist in preserving value. In addition, a portion of the Company's forward production sales price has been fixed.
- Pit wall failure leading to loss of access to the Kanmantoo Underground – this has been mitigated through conservative stope designs and the ongoing void monitoring to provide real time response and prediction to void risks. In addition, peer review for the geotechnical work has been conducted.

CAPITAL RAISINGS

In March 2023, the Company announced an institutional placement and a share purchase plan to raise the funds for the restart at Kanmantoo. This was completed at 5.3 cents per share via the following tranches:

- Tranche 1 Placement for \$15.6 million in March 2023;
- Share Purchase Plan for \$2.2 million in April 2023; and
- Tranche 2 Placement for \$20.8 million in June 2023.

All proceeds were received in 2023.

DIVIDENDS

There were no dividends paid during the current period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those matters listed in this report there have been no significant changes in the affairs of the Group during the period.

EVENTS SUBSEQUENT TO BALANCE DATE

The Company completed a successful capital raising on 26 February 2024, which received firm commitments for gross proceeds of \$10.0 million, split as follows:

- Tranche 1 Placement of \$8.0 million; and
- Tranche 2 Placement of \$2.0 million, which is subject to Foreign Investment Review Board approval.

Furthermore, in January 2024, the company consolidated certain supplier leasing agreements, leading to the relinquishment of approximately \$2.5 million in future lease liabilities.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the group in the short to medium term will largely be focussed on production from the Kanmantoo Underground and increasing the mine life beyond that outlined in the Updated Economic Assessment. For further details on each of these, refer to the Hillgrove Projects section of this report.

ENVIRONMENTAL REGULATION

Closure of an operation brings with it potential significant financial, environment, and social impacts. Recognising this, a closure management plan for Kanmantoo has been prepared, which includes long term monitoring to verify that controls are effective and standards are maintained.

Directors' Report (cont.)

ENVIRONMENTAL REGULATION (cont.)

The consolidated entity has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration and development activities. There have been no reports of material breaches of environmental regulations in the financial period at the date of this report, however elevated metals in groundwater detected in a borehole on the mining lease was reported to the Regulator in October 2021. Whilst this is currently immaterial, and there were no notable changes to the levels during 2023, Hillgrove continues to monitor the borehole to ensure that it does not lead to a material breach of any environmental regulations.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Officers' Indemnity

Article 102 of the Company's Constitution provides that "To the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company (including liabilities incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment)."

Indemnity of Auditors

Hillgrove Resources Limited has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from Hillgrove Resources Limited's breach of their agreement. The indemnity stipulates that Hillgrove Resources Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Directors' and Officers' Insurance

During the financial year, the Company paid a premium in respect of a contract for directors' and officers' liability insurance. It is a condition of this Policy that each Insured and/or any persons at their direction or on their behalf shall not disclose the existence of any Coverage Section, its Limits of Liability, the nature of the liability indemnified, or the premium payable.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the period are set out in Note 6(e).

The Audit and Risk Committee has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001*.

None of the services provided undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards. A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

Corporate Governance

The Board is committed to following ASX Corporate Governance Council *Corporate Governance Principles and Recommendations*. The Company adopts these best practice recommendations in its policies and procedures where it is appropriate to do so, given the size and type of Company and its operations.

The Board has a process of reviewing all policies and corporate governance processes. Charters are reviewed and updated periodically. These charters provide the framework and roles of respective committees for the appointment of Non-Executive Directors to undertake specific responsibilities on behalf of the Board.

Details of the corporate governance policies adopted by the Company and referred to in this statement are available on the Company's website at www.hillgroveresources.com.au.

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED)

The Directors of Hillgrove Resources Limited and its Consolidated Entities present the Remuneration Report for the Company for the year ended 31 December 2023, which forms part of the director's report and has been audited in accordance with section 308 (3C) of the *Corporations Act 2001*.

1.0 Key Management Personnel

Key management personnel comprise the Non-Executive Directors, Executive Director and CFO (KMP). Details of the KMP are set out in the table below.

Non-Executive Directors	Title (At Year End)	Change in 2023 Financial Year
Mr D Carter	Chairman Chairman Nomination Committee Chairman Remuneration Committee Member Audit and Risk Committee	Full Year
Mr M Boyte	Director Chairman Audit and Risk Committee Chairman Treasury Committee Member Nomination Committee Member Remuneration Committee	Full Year
Mr R Higgins	Director Member Nomination Committee Member Remuneration Committee Member Audit and Risk Committee Member Treasury Committee	Appointed Director 6 June 2023
Executive Directors	Title (At Year End)	Change in 2023 Financial Year
Mr L Wallace	CEO and Managing Director Member Treasury Committee	Full Year
Mr J Sutanto	Chief Financial Officer and Company Secretary Member Treasury Committee	Appointed 16 June 2023

2.0 Role of the Board and the Remuneration Committee

The Board is responsible for the Company's remuneration strategy and policy. Consistent with this responsibility, the Board has established a Remuneration Committee which is chaired by an Independent Non-Executive Director.

The role of the Remuneration Committee is set out in its Charter and in summary is to:

- Review and approve the Company's remuneration strategy and policy;
- Consider and propose to the Board the remuneration of the CEO and consider and approve the remuneration of all designated senior executives;
- Review and approve Hillgrove Resources' short term incentive (STI) and long term incentive (LTI) schemes, including amounts, terms and offer processes and procedures;
- Determine and approve equity awards in accordance with policy and shareholder approvals, including testing of vesting and termination provisions; and
- Review and make recommendations to the Board regarding remuneration of non-executive directors.

Further information on the Remuneration Committee's role, responsibilities and membership is contained on the Company's website www.hillgroveresources.com.au.

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

2.1 REMUNERATION AND BENEFITS POLICY

The Company's approach to remuneration is outlined in the Remuneration and Benefits Policy and is based on providing competitive rewards that motivate talented employees to deliver superior results.

The Remuneration and Benefits policy aims to:

- Align employee remuneration to the principles and measurement of Total Shareholder Return (TSR);
- Present progressive incentive structures to encourage outstanding performance, and hence improved TSR; and
- Mitigate the business risks associated with poor performance, market movements and employee turnover.

The Remuneration Committee Charter and Remuneration and Benefits Policy can be viewed in the Company's website www.hillgroveresources.com.au.

2.2 USE OF REMUNERATION CONSULTANTS

The Remuneration Committee is briefed by management however, makes all decisions free of influence of management.

Further to the management briefings, to assist in its decision making, the Committee may, from time to time, seek independent advice from remuneration consultants, and in so doing will directly engage with the consultant without management involvement.

In the year ending 31 December 2023, the Remuneration Committee engaged advisors Egan & Associates. Their analysis relating to the remuneration for the Chief Executive Officer & Managing Director (CEO & MD) and the Chief Financial Officer (CFO) was considered by the Remuneration Committee and the Board in forming their views on remuneration matters. The work completed did not constitute a remuneration recommendation in accordance with the *Corporations Act 2001*.

3.0 Non-Executive Director Remuneration

Elements	Details		
Aggregate Board and Committee Fees	The total amount of fees paid to non-executive directors in the year ended 31 December 2023 is within the aggregate amount approved by shareholders of \$450,000 a year.		
Board/Committee Fees Per Annum	Board Chairman Fee	\$120,000	
	Board NED Base Fee	\$75,000	
	Remuneration Committee Chairman Fee	\$5,000	
	Audit and Risk Committee Chairman Fee	\$5,000	
Post-Employment Benefits	Details		
Superannuation	Superannuation contributions were made at a rate of 10.5% until 30 June 2023 and have been made at a rate of 11.0% of base fee from 1 July 2023 (but only up to the Government's prescribed maximum contributions limit) which satisfies the Company's statutory superannuation contributions. Contributions are included in the total fee.		
Other Benefits	Details		
Equity Instruments	Non-Executive Directors may receive performance related remuneration or performance rights. In May 2021, there were two LTI Plans granted to Mr Derek Carter and Mr Murray Boyte, which at balance date remains outstanding:		
	➤ Tranche 1 = 8,000,000 options		
	➤ Tranche 2 = 6,000,000 options		
	Further information on Tranche 1 and Tranche 2 is as follows:		
		Tranche 1 Options	Tranche 2 Options
	Exercise Price	\$0.10/share	\$0.15/share
	Grant Date	14 May 2021	14 May 2021
First Exercise Date	14 May 2023	14 May 2024	
Last Exercise Date	14 May 2025	14 May 2026	
Other Fees/Benefits	No payments were made to Non-Executive Directors during the 2023 financial year for extra services or special exertions. Directors are entitled to be reimbursed for approved Company related expenditure e.g. flights and expenses to attend Board meetings.		

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

4.0 Executive Remuneration

4.1 EXECUTIVE KMP REMUNERATION FRAMEWORK

Hillgrove Resources' executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced group of Executives.

4.2 TOTAL FIXED REMUNERATION

Total Fixed Remuneration (TFR) includes all remuneration and benefits paid to an Executive KMP calculated on a Total Employment Cost (TEC) basis and includes base salary and superannuation benefits paid in line with the prevailing statutory Superannuation Guarantee legislation.

4.3 REMUNERATION COMPOSITION MIX AND TIMING OF RECEIPT

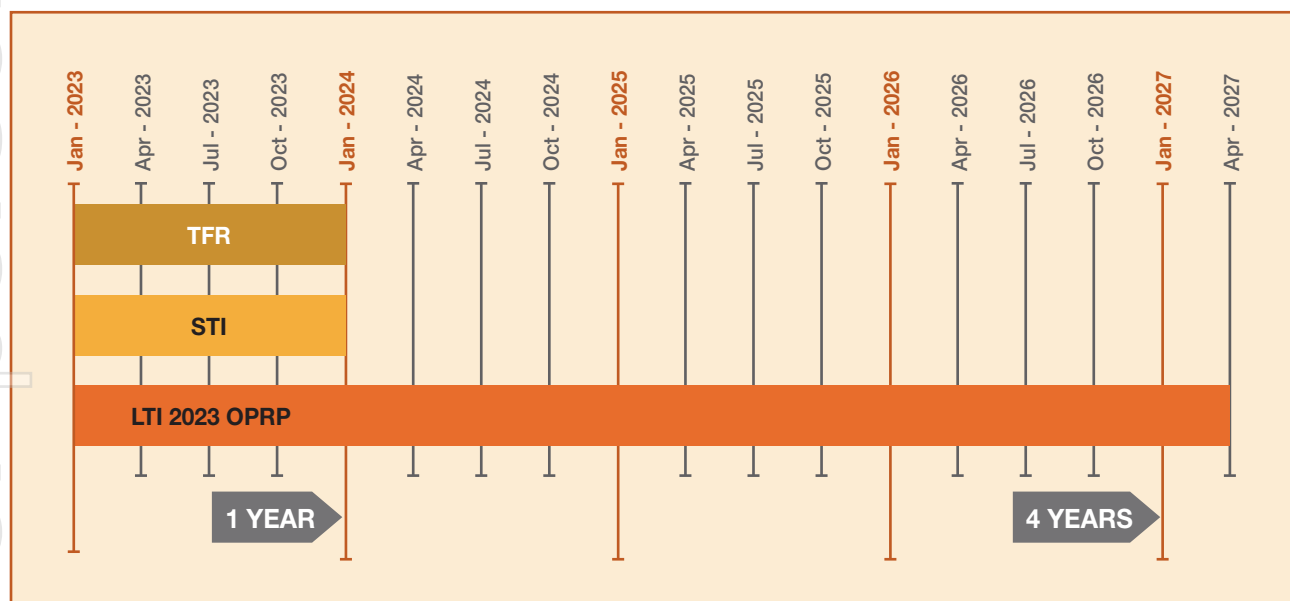
The Company endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and 'at risk'. The remuneration composition mix of the Company's Executive KMP can be illustrated as follows:

Remuneration Mix CY 2023

Position	TFR (Cash)	STI (Cash)	LTI (Equity)
CEO & MD	100%	Up to 50% of TFR	Up to 50% of TFR
CFO	100%	Up to 50% of TFR	Up to 50% of TFR

Note KMPs are classified as Executives for the purposes of remuneration disclosures under the Corporations Act.

The three complementary components of Executive KMP remuneration are 'earned' over multiple time ranges. This is illustrated in the following chart.



Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

4.4 VARIABLE 'AT RISK' REMUNERATION

As set out in Section 4.3, variable remuneration forms a portion of the CEO & MD's and CFO's remuneration. Apart from being market competitive, the purpose of variable remuneration is to direct Executive's behaviours towards maximising Hillgrove Resources' value and return value to shareholders, by targeting short, medium and long term performance measures. The key aspects are summarised below.

4.4.1 Short Term Incentives (STI)

STI Programme	
Purpose	The STI arrangements are designed to reward executives for the achievement against annual performance targets set by the Board at the beginning of the performance period. The STI programme is reviewed annually by the Remuneration Committee and approved by the Board.
Performance Target Areas	The key performance objectives of the Company vary by level but are currently directed to achieving ambitious targets.
Rewarding Performance	The Board adopted a Balanced Scorecard approach to determine 2023 STI performance. The Balanced Scorecard measures performance against the Company's internal goals, which includes ESG metrics, resource and reserves, mine plan, and securing funding.
	A threshold and target are set for each STI outcome. Specific targets are not provided in detail due to commercial sensitivity.
	Validation of performance against the Balanced Scorecard measures set for the KMPs involves a review calculation and recommendation by the CEO & MD, reviewed and approved by the Remuneration Committee with final Board sign-off.

4.4.2 Performance Based Remuneration Granted and Forfeited During the Year

The following table shows how much of the STI cash bonus was awarded and how much was forfeited for each KMP.

KMP	2023 Performance		
	Opportunity (\$)	Awarded (%)	Forfeited (%)
Mr L Wallace	262,500	56.25% ⁽¹⁾	43.75%
Mr J Sutanto	175,000	56.25% ⁽¹⁾	43.75%

(1) Whilst awarded, payment has been deferred.

4.4.3 Long Term Incentives (LTI) Plans

The LTI provides an annual opportunity for executives and key staff to receive an equity award that is intended to align a significant portion of an executive's overall remuneration to shareholder value over the longer term. All LTI awards remain at risk and subject to clawback (forfeiture or lapse) until vesting and must meet or exceed share price hurdles over the vesting period, along with other performance criteria.

As at the end of the 2023 financial year, there were three LTI Plans outstanding to Executive KMP:

- 2021 Option and Performance Rights Plan (2021 OPRP) = 8,000,000 performance rights;
- 2022 Option and Performance Rights Plan (2022 OPRP) = 8,000,000 performance rights; and
- 2023 Option and Performance Rights Plan (2023 OPRP) = 8,000,000 performance rights.

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

4.4.3 Long Term Incentives (LTI) Plans (cont.)

2021, 2022, and 2023 OPRP Description

Detail	2021 OPRP	2022 OPRP	2023 OPRP
Purpose	To retain key executives and align their remuneration with shareholder value.		
Award	Under the LTI, executives and key staff are offered performance rights (to acquire ordinary shares of Hillgrove Resources Limited).		
Exercise Price	Exercise price of nil in the event performance hurdles are met.		
Voting Rights	There are no voting rights attached to performance rights.		
LTI Allocation	The size of individual LTI grants for the CEO/MD and CFO is determined in accordance with the Board approved remuneration strategy mix. See Section 4.3.		
Service Period	To the later of 1 March 2024 or when the Performance Hurdles are met	To the later of 1 March 2025 or when the Performance Hurdles are met	To the later of 1 March 2026 or when the Performance Hurdles are met
Performance Hurdles			
- Measurement Price	8.0 cents	10.0 cents	12.0 cents
- Price Calculation Methodology	10 day VWAP	10 day VWAP	10 day VWAP
- Start of Testing Date	1 March 2023	1 March 2024	1 March 2025
- First Exercise Date	1 March 2024	1 March 2025	1 March 2026
- Last Exercise Date	30 March 2025	30 March 2026	30 March 2027

4.4.4 Hedging and Margin Lending Prohibition

Under the Company's Share Trading Policy and in accordance with the Corporations Act 2001, equity granted under the Company's equity incentive schemes must remain at risk until vested, or exercised. It is a specific condition of the policy that no schemes are entered into, by an individual or their associates, that specifically protects the unvested value of shares, options or performance rights allocated.

The Company, as required under the ASX Listing Rules, has a formal policy outlining how and when employees may deal in Hillgrove Resources securities.

Hillgrove Resources Limited's Share Trading Policy is available on the Company's website www.hillgroveresources.com.au.

4.5 RELATIONSHIP BETWEEN PERFORMANCE AND EXECUTIVE KMP REMUNERATION

4.5.1 Hillgrove Resources Financial Performance (31 December 2019 to 31 December 2023)

	12 Months to 31 December				
	2019	2020	2021	2022	2023
Sales Revenue (\$M)	113.5	20.4	-	-	-
Underlying EBITDA (\$M)	12.1	(3.7)	(5.4)	(4.4)	(14.0)
Reported net profit / (loss) (\$M)	(10.0)	(5.9)	(5.9)	(6.0)	(16.3)
Return on equity (ROE) % ⁽¹⁾	(28.4%)	(24.0%)	(19.1%)	(17.0%)	(37.3%)
Basic earnings per share (EPS) (cents)	(1.7)	(1.0)	(0.6)	(0.5)	(1.0)
Diluted EPS (cents)	(1.7)	(1.0)	(0.6)	(0.5)	(1.0)
Dividends paid (cents per share)	1.5	-	-	-	-
Share price as at 31 December (cents)	6.0	3.2	5.4	5.4	9.4
Total shareholder return (TSR) % (Annual)	(16.7%) ⁽²⁾	(46.7%)	68.8%	0% ⁽³⁾	74.0%

(1) Based on average total equity.

(2) Hillgrove's TSR performance includes the \$0.015 dividend.

(3) Share price as at 31 December was 5.4c in 2021 and 2022, which results in a 0% TSR.

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

4.6 KMP REMUNERATION TABLES – AUDITED

		Fixed Remuneration					
		Short-term		Long-term			Total
		Year	Salary and Fees	Non-monetary Benefits	Super-annuation Benefits	Termination Benefits	
Non-Executive Directors							
Mr D Carter	CY23	112,867	-	12,133	-	-	125,000
	CY22	113,379	-	11,621	-	-	125,000
Mr M Boyte	CY23	72,235	-	7,765	-	-	80,000
	CY22	72,563	-	7,437	-	-	80,000
Mr R Higgins ⁽¹⁾	CY23	39,423	-	3,733	-	-	43,156
	CY22	-	-	-	-	-	-
Total (Non Executive Directors)	CY23	224,525	-	23,631	-	-	248,156
	CY22	185,942	-	19,058	-	-	205,000
Executive Directors							
Mr L Wallace	CY23	467,884	-	18,342	-	39,568	525,794
	CY22	397,270	-	22,498	-	16,843	436,611
Mr J Sutanto ⁽²⁾	CY23	174,703	-	15,163	-	-	189,866
	CY22	-	-	-	-	-	-
Total (Executive Directors)	CY23	642,587	-	33,505	-	39,568	715,660
	CY22	397,270	-	22,498	-	16,843	436,611
Total	CY23	867,112	-	57,136	-	39,568	963,816
	CY22	583,212	-	41,556	-	16,843	641,611

		Variable Remuneration			Total	Proportion of Total Remuneration	
		Year	Short-Term	Long-Term	Total	Fixed and Variable	Fixed %
Non-Executive Directors							
Mr D Carter	CY23	-	-	-	125,000	100%	0%
	CY22	-	-	-	125,000	100%	0%
Mr M Boyte	CY23	-	-	-	80,000	100%	0%
	CY22	-	-	-	80,000	100%	0%
Mr R Higgins	CY23	-	-	-	43,156	100%	0%
	CY22	-	-	-	-	-	-
Total (Non Executive Directors)	CY23	-	-	-	248,156	100%	0%
	CY22	-	-	-	205,000	100%	0%
Executive Directors							
Mr L Wallace	CY23	147,656	395,762	543,418	1,069,212	49%	51%
	CY22	-	243,099	243,099	679,710	64%	36%
Mr J Sutanto	CY23	53,669	129,587	183,256	373,122	51%	49%
	CY22	-	-	-	-	-	-
Total (Executive Directors)	CY23	201,325	525,349	726,674	1,442,334	50%	50%
	CY22	-	243,099	243,099	679,710	64%	36%
Total	CY23	201,325	525,349	726,674	1,690,490	57%	43%
	CY22	-	243,099	243,099	884,710	73%	27%

(1) Mr R Higgins was appointed a Non Executive Director of the Company on 6 June 2023.

(2) The table shows Mr J Sutanto's remuneration since 16 June 2023, when he was promoted to a KMP role.

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

5.0 Equity Plan Disclosures

5.1 EMPLOYEE SHARE SCHEMES (ESS) OPERATED BY THE GROUP

Plan Details	Type of Instruments	Details	Purpose
Employee share plan and share issues	General Employee Share Plan (GESP)		To incentivise and align part of employee remuneration to shareholder value. No employees, including KMP, were a participant in the GESP.
Hillgrove Resources Option and Performance Rights Plan	Option and Performance Rights Plan (OPRP)	Refer 4.4.3	To provide equity and cash incentive subject to meeting predetermined service and performance conditions.

5.2 ANALYSIS OF SHARE-BASED PAYMENTS GRANTED AS REMUNERATION TO KMP

Details of the vesting profile of the performance rights granted as remuneration to each Key Management Personnel, and the movements during the period are set out below:

KMP	Grant Date	Balance Held at 31/12/22		Granted	Number Vested	% Vested	Number Forfeited	% Forfeited	Balance held at 31/12/23	
		Vested	Unvested						Vested	Unvested
Non-Executive Directors										
Mr D Carter	May-21	-	7,000,000	-	-	0%	-	0%	-	7,000,000
Mr M Boyte	May-21	-	7,000,000	-	-	0%	-	0%	-	7,000,000
Mr R Higgins	-	-	-	-	-	-	-	-	-	-
TOTAL NON-EXECUTIVE DIRECTORS		-	14,000,000	-	-	0%	-	0%	-	14,000,000
Executive Directors										
Mr L Wallace	Jul-23	-	-	5,000,000	-	0%	-	0%	-	5,000,000
	Jul-22	-	5,000,000	-	-	0%	-	0%	-	5,000,000
	May-21	-	10,000,000	-	5,000,000	50%	-	0%	5,000,000	5,000,000
	TOTAL	-	15,000,000	5,000,000	5,000,000	33%	-	0%	5,000,000	15,000,000
Mr J Sutanto	Jul-23	-	-	3,000,000	-	0%	-	0%	-	3,000,000
	Jul-22	-	3,000,000	-	-	0%	-	0%	-	3,000,000
	May-21	-	3,000,000	-	-	0%	-	0%	-	3,000,000
	TOTAL	-	6,000,000	3,000,000	-	0%	-	0%	-	9,000,000
TOTAL EXECUTIVE DIRECTORS		-	21,000,000	8,000,000	5,000,000	24%	-	0%	5,000,000	24,000,000

5.3 EXERCISE OF PERFORMANCE RIGHTS GRANTED AS REMUNERATION TO KMP

5,000,000 performance rights which vested and were available to be exercised in 2023 were exercised.

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

5.4 VALUE OF PERFORMANCE RIGHTS GRANTED AND ON FOOT TO EXECUTIVE KMP as at 31 December 2023

KMP	Outstanding	Face Value per right ⁽¹⁾	Fair Value per right ⁽²⁾	Intrinsic Value ⁽³⁾	Fair Value
Non-Executive Directors					
Mr D Carter					
2021 Options Tranche 1	4,000,000	0.094	0.0384	\$376,000	\$153,440
2021 Options Tranche 2	3,000,000	0.094	0.0355	\$282,000	\$106,353
Mr M Boyte					
2021 Options Tranche 1	4,000,000	0.094	0.0384	\$376,000	\$153,440
2021 Options Tranche 2	3,000,000	0.094	0.0355	\$282,000	\$106,353
TOTAL NON-EXECUTIVE DIRECTORS	14,000,000			\$1,361,000	\$519,586
Executive Directors					
Mr L Wallace					
2021 OPRP	5,000,000	0.094	\$0.074	\$470,000	\$368,500
2022 OPRP	5,000,000	0.094	\$0.069	\$470,000	\$347,000
2023 OPRP	5,000,000	0.094	\$0.039	\$470,000	\$195,000
Mr J Sutanto					
2021 OPRP	3,000,000	0.094	\$0.074	\$282,000	\$221,100
2022 OPRP	3,000,000	0.094	\$0.069	\$282,000	\$208,200
2023 OPRP	3,000,000	0.094	\$0.039	\$282,000	\$117,000
TOTAL EXECUTIVE DIRECTORS	24,000,000			\$2,256,000	\$1,456,800

(1) The Face Value is the closing share price on 31 December 2023.

(2) The Fair Value has been based on a valuation in accordance with accounting standard AASB 2 "Share Based Payments". The fair values are used for accounting purposes only.

(3) Intrinsic value is the difference between the Face Value (\$0.094) and the exercise price (\$0.00).

5.5 MOVEMENT IN EQUITY HELD

The movement during the reporting period in the number of ordinary shares of Hillgrove Resources Limited held, directly, indirectly or beneficially, by each specified Director and executive KMP, including their personally-related entities:

		Held as at 31/12/22	Exercise of Rights	Net Other Changes	Held as at 31/12/23
Directors					
Mr D Carter	Shares	1,805,210	-	566,037	2,371,247
Mr M Boyte	Shares	3,482,216	-	566,037	4,048,253
Mr R Higgins	Shares	- ⁽¹⁾	-	-	-
Mr L Wallace	Shares	16,396,259	5,000,000	566,037	21,962,296
Mr J Sutanto	Shares	5,570,765 ⁽²⁾	-	-	5,570,765

(1) As at 6 June 2023, the date Mr R Higgins was appointed a Non Executive Director of the Company.

(2) As at 16 June 2023, the date Mr J Sutanto was appointed as CFO of the Company.

Directors' Report (cont.)

REMUNERATION REPORT (AUDITED) (cont.)

6.0 Service Contracts and Employment Agreements

The Company does not enter into service contracts for KMP Executives. The following sets out details of the employment contract for the Executive KMP as at 31 December 2023.

Employee	Mr L Wallace	Mr J Sutanto
Position	Chief Executive Officer and Managing Director	Chief Financial Officer and Company Secretary
Commencement	24 May 2019	16 June 2023
Fixed Remuneration	\$525,000 per annum reviewed periodically	\$350,000 per annum reviewed periodically
Short-term Incentive	Up to 50% of fixed remuneration	Up to 50% of fixed remuneration
Long-term Incentive	Up to 50% of fixed remuneration	Up to 50% of fixed remuneration
Contract Length	Indefinite	Indefinite
Notice Periods for Resignation or Termination	6 months	3 months
Redundancy Benefit	National Employment Standards and Group Redundancy Policy	National Employment Standards and Group Redundancy Policy
Death or Total and Permanent Disability Benefit	No specific benefit	No specific benefit
Change of Control	No effect	No effect
Termination for Serious Misconduct	No notice required, remuneration to the day less advance payments and return of Company property. No payment of STI/LTI	No notice required, remuneration to the day less advance payments and return of Company property. No payment of STI/LTI
Statutory Entitlements	All leave and benefits due per National Employment Standards	All leave and benefits due per National Employment Standards
Post-Employment Restraints	For 6 months: must not recruit employees or make adverse comments or actions by either party	For 6 months: must not recruit employees or make adverse comments or actions by either party

CORPORATE GOVERNANCE STATEMENT

The Company's Board is committed to achieving the highest standards of corporate governance.

The Company's Corporate Governance Statement for the year ended 31 December 2023 may be accessed from the Company's website at www.hillgroveresources.com.au/Corporate-Governance.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

Signed in accordance with a resolution of the Directors:

Dated at Adelaide this 26th day of February 2024.



Derek Carter
Chairman



Lachlan Wallace
Managing Director

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Hillgrove Resources Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hillgrove Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Julian McCarthy'.

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
26 February 2024

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

		31 Dec 2023	31 Dec 2022
	Note	\$'000	\$'000
Other income	5	779	67
Expenses	6(a)	(15,387)	(4,538)
Interest and finance charges	6(b)	(941)	(1,465)
Impairment charges	6(c)	(103)	(24)
(Loss) before income tax		(15,652)	(5,960)
Income tax (expense) / benefit	7	(675)	(13)
(Loss) for the year attributable to owners		(16,327)	(5,973)
Comprehensive income			
Items that may be reclassified to profit or loss:		-	-
Total comprehensive income for the period attributable to equity holders of Hillgrove Resources Limited		(16,327)	(5,973)
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	9	(1.0)	(0.5)
Diluted earnings per share (cents)	9	(1.0)	(0.5)

The Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 32 to 53.

Consolidated Statement of Financial Position

As at 31 December 2023

		31 Dec 2023	31 Dec 2022
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents	10	10,240	5,305
Trade and other receivables	11	1,461	905
Inventories	12	3,137	410
		14,838	6,620
Non-current assets			
Property, plant and equipment	13	69,089	40,031
Right-of-use assets	17	11,800	-
Exploration and evaluation expenditure	14	5,328	4,784
Inventories	12	-	1,464
		86,217	46,279
Total assets		101,055	52,899
Current liabilities			
Trade and other payables	15	13,694	703
Provisions	16	1,090	766
Lease liabilities	17	4,311	-
Employee benefits payable	18	1,594	663
Other financial liabilities	21	2,997	-
		23,686	2,132
Non-current liabilities			
Provisions	19	8,500	9,006
Lease liabilities	17	7,506	-
Deferred income	20	2,000	2,000
Other financial liabilities	21	4,487	7,195
		22,493	18,201
Total liabilities		46,179	20,333
Net assets		54,876	32,566
Equity			
Contributed equity	22	292,947	256,088
Reserves	23	31,166	29,388
Accumulated losses	24	(269,237)	(252,910)
Total equity		54,876	32,566

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the financial statements set out on pages 32 to 53.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

		Contributed equity	Reserves	Accumulated losses	Total equity
	Note	\$'000	\$'000	\$'000	\$'000
Balance 1 January 2022		256,118	28,762	(246,937)	37,943
Profit/(Loss) for the period		-	-	(5,973)	(5,973)
Transactions with owners:					
Contributions of equity, net of transaction costs and tax	22	(30)	-	-	(30)
Share-based payments	33	-	626	-	626
Balance 31 December 2022		256,088	29,388	(252,910)	32,566
Profit/(Loss) for the period		-	-	(16,327)	(16,327)
Transactions with owners:					
Contributions of equity, net of transaction costs and tax	22	36,859	-	-	36,859
Share-based payments	33	-	1,778	-	1,778
Balance 31 December 2023		292,947	31,166	(269,237)	54,876

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 32 to 53.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

		31 Dec 2023	31 Dec 2022
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of GST)		17	25
Cash payments in the course of operations (inclusive of GST)		(9,556)	(5,777)
Net cash used by operating activities	28	(9,539)	(5,752)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(689)	(605)
Grant income relating to exploration and evaluation		-	304
Payments for property, plant and equipment		(21,824)	(7,269)
Grant income relating to property, plant and equipment		-	2,000
Proceeds on disposal of property, plant and equipment		55	-
Net cash used in investing activities		(22,458)	(5,570)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)		36,834	(23)
Proceeds from borrowings		-	5,868
Lease payments		(664)	-
Interest received		762	45
Net cash from financing activities		36,932	5,890
Net increase / (decrease) in cash and cash equivalents		4,935	(5,432)
Cash and cash equivalents at the beginning of financial period		5,305	10,737
Cash and cash equivalents at the end of the financial period	10	10,240	5,305

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 32 to 53.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023*

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. Where an accounting policy is specific to one Note, the policy is described in the Note to which it relates. The financial statements are for the consolidated entity consisting of Hillgrove Resources Limited and its subsidiaries.

(a) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes the Group will be able to realise its assets and discharge its liabilities in the normal course of business. Based on the successful capital raising as outlined in Note 31, and the projected cashflows from the processing of copper inventory, the Directors consider that the cash inflows of the Group will be sufficient to cover forecast expenditure for at least the next twelve months.

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, Hillgrove Resources Limited is a for-profit entity.

(i) Compliance with International Financial Reporting Standards

Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of Hillgrove Resources Limited comply with International Financial Reporting Standards (IFRSs).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified when necessary by the revaluation of certain financial assets and liabilities to fair value through other comprehensive income or through profit or loss.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note 2.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Hillgrove Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

For the purpose of presenting consolidated financial statements, the assets and liabilities of Hillgrove Resources Limited's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange rate differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(d) Impairment of assets

The carrying value of property, plant and equipment is assessed for impairment whenever there is an indicator that the asset may be impaired. Determining whether property, plant and equipment is impaired requires an estimation of the recoverable value of the Cash Generating Unit ("CGU") to which property, plant and equipment has been allocated. Impairment is recognised when the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of an assets fair value less costs to sell and its value-in-use (VIU). In its impairment assessment, the Group determined the recoverable amount based on VIU. The assessment was undertaken using a discounted cash flow approach. Cash flow projections are based on the CGU's life of mine plan. In assessing the VIU, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessment of the time value of money and business risk.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES *(cont.)*

(d) Impairment of assets *(cont.)*

The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Assets that have undergone an impairment charge are reviewed for possible reversal of the impairment at each reporting date.

The specific methods and assumptions used to estimate the discounted future cash flows of the Group's CGU are outlined in more detail in Note 2 "Critical accounting estimates and judgements".

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(f) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The recognition treatment of the grant depends on the purpose of the grant as follows:

- i. Relating to an expense item - recognised as a reduction of the expense to which it relates.
- ii. Relating to property, plant and equipment – recognised as deferred income within the Consolidated Statement of Financial Position and released to the Consolidated Statement of Profit and Loss and Other Comprehensive Income over the life of the associated asset.
- iii. Relating to exploration activities – recognised as a reduction in the carrying value of the associated exploration asset.

(g) Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is the method of calculating the amortised cost of a financial liability and for the allocation and recognition of the associated interest expense in the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cashflows of the financial liability to its initial fair value.

(h) Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated).

(i) Standards and interpretations in issue

(i) Mandatory standards adopted in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these mandatory standards has not had a material impact on the Group's accounting policies or the amounts reported during the year.

(ii) Early adoption of standards

There are no standards on issue that are expected to have a material impact on the group in the current or future reporting periods.

(j) AASB 16 – Leases

Prior to the current period, the Group did not have any material lease obligations that required disclosure under AASB 16. The approval of the underground project has resulted in various contracts being entered into that require the introduction of "right-of-use assets" and "lease liabilities" disclosures in the current period, refer to Note 17.

Lease Identification:

In identifying whether a contract contains a lease component, The Group considers whether:

- The contract explicitly or implicitly conveys the right to control the use of an identified asset;
- The Group has the right to substantially all of the economic benefits from the use of the identified asset; and
- The Group has the right to direct the use of the identified asset.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES *(cont.)*

(j) AASB 16 – Leases *(cont.)*

Measurement of Lease Liabilities and Right-of-Use Assets:

As a lessee, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (present value of the lease liability), and subsequently at cost less any accumulated depreciation, impairment losses and adjustments for remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. However, if the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liabilities are initially recognised at the net present value of the lease payments expected to be paid over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions. Lease payments are allocated between principal and finance charge. The finance charge is expensed to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected against the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

Short-term Leases and Low-Value Leases:

The Group applies the short-term lease recognition exemption to its short-term leases. These are leases with a lease term of 12 months or less without a purchase option. The Group also applies the low-value (<\$5,000 USD) asset recognition exemption to leases such as IT and office equipment. Payments associated with short-term and low value leases are recognised on a straight-line basis as an expense in profit or loss.

Variable lease payments:

Some leases accounted for under AASB 16 contain variable payment terms that are linked to usage hours incurred and are payable in addition to the fixed payments. These variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

(a) Recoverability of non-current assets

The Group has a single Cash Generating Unit (CGU) being the Kanmantoo copper mine. The recoverable amount is based on value in use calculations which require the use of assumptions. The estimates of discounted future cash flows for the Kanmantoo CGU are based on significant assumptions including:

- Estimates of the quantities of resources, and the timing of access to those resources;
- Future production levels based on plant throughput and recoveries;
- Future copper, gold and silver prices based on spot pricing;
- Future exchange rates for the Australian dollar to US dollar based on spot prices;
- Future operating costs of production, capital expenditure and rehabilitation expenditure;
- The discount rate most appropriate to the CGU; and
- The timing and amounts to be received from the sale of processing equipment and land following completion of mining and processing activities.

(b) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely, either from development and commercial exploitation, or sale of the respective areas. Estimates and assumptions made may change if new information becomes available.

(c) Restoration, rehabilitation and environmental obligations

Provision is made for the costs of decommissioning and site rehabilitation costs when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs as outlined in Notes 16 and 19.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont.)*

(c) Restoration, rehabilitation and environmental obligations *(cont.)*

The provision represents management's best estimate of the costs that will be incurred, but significant judgement is required on cost estimates including inflation and discount rates and changes to the lives of operations, as many of these costs will not crystallise until the end of the life of the mine.

(d) Fair value of financial liabilities

During August 2022, the Group entered into a royalty funding agreement with Freepoint Metals and Concentrates LLC (Freepoint). \$5.9 million was received from Freepoint (\$6.0 million less transaction costs), and in return, the group will pay Freepoint 2.5% of net smelter returns for the first 85,000 tonnes of payable copper from the Kanmantoo underground project, reducing to 0.5% thereafter.

As FID for the underground project occurred during the period the potential payments to Freepoint have been classified as a financial liability, measured at amortised cost.

Financial liabilities at amortised cost are initially recognised at fair value less transaction costs and are thereafter carried at amortised cost using the effective interest method. The fair value was assessed at 31 December 2023 to be \$7.5 million (31 December 2022: \$5.9 million). The effective interest rate is the rate that discounts estimated future cashflows to the initial fair value and this was calculated to be 24.06%, which does not change throughout the life of the liability.

At each reporting period an interest expense will be recognised in the profit and loss representing the unwinding of the discount reflected in the amortised cost carrying value. In addition, recalculations may be required at reporting periods for any known changes i.e., updated copper pricing, ore reserves etc. When changes are not the result of movements in the market rates of interest, the cashflows are updated but continue to be discounted using the original effective interest rate. Any gain or loss on this recalculation is recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

At 31 December 2023, an interest expense of \$1.7 million was recognised for the unwinding of the discount. In addition, a recalculation was performed to revalue the liability based on the latest life of mine plan which includes forecasts for copper prices, resulting in an expense of \$1.4 million as at 31 December 2023.

Refer to Note 25(a) for analysis of the estimated impact of movements in the copper price on the financial liability valuation.

(e) Lease Liabilities

Certain contractual arrangements not in the form of a lease require the Group to apply significant judgement in evaluating whether the Group controls the right to direct the use of assets and therefore whether the contract contains a lease. Management considers all facts and circumstances in determining whether the Group or the supplier has the rights to direct how, and for what purpose, the underlying assets are used in certain mining contracts. Judgement is used to assess which decision-making rights mostly affect the benefits of use of the assets for each arrangement. Where a contract includes the provision of non-lease services, judgement is required to identify the lease and non-lease components.

Where the Group cannot readily determine the interest rate implicit in the lease, estimation is involved in the determination of the incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate reflects the rates of interest a lessee would have to pay to borrow over a similar term, with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Under the Group's portfolio approach to debt management, the Group does not specifically borrow for asset purchases. Therefore, the incremental borrowing rate is estimated referencing the latest data available to management based on relevant contracts that offer interest applied credit facilities.

3. DIVIDENDS

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Franked dividends paid	-	-
Amount of franking credits available to shareholders for subsequent financial years	17,556	17,556

4. FINANCIAL REPORTING BY SEGMENT

Through its ownership of the Kanmantoo copper mine, the Group has one operating segment in the resources industry, in Australia.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

5. OTHER INCOME

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Interest	763	44
Other – excess rehabilitation seed sale income	16	23
Total other income	779	67

6. EXPENSES

Profit or loss before income tax includes the following expenses:

(a) Expenses per profit or loss

		31 Dec 2023	31 Dec 2022
	Note	\$'000	\$'000
Costs of production	(i)	5,964	-
Depreciation and amortisation		-	-
Inventory movement		(974)	-
Cost of goods sold		4,990	
Corporate and other costs	(ii)	3,741	1,863
Care and maintenance costs and other direct site costs	(iii)	4,940	2,640
Processing plant commissioning		1,310	-
Depreciation and amortisation	(iv)	746	67
Rehabilitation adjustment	(v)	(115)	(32)
Gain on sale of fixed assets		(50)	-
Foreign exchange gain		(175)	-
Total expenses		15,387	4,538

- (i) Costs of production currently represent costs for underground mining activities.
- (ii) Reflects costs mainly associated with running the corporate head office, board of directors, and employee share option expenses.
- (iii) Costs incurred for care and maintenance of the plant and equipment prior to initial production.
- (iv) Includes depreciation related to P&E and ROU assets, offset by a portion of depreciation capitalised as part of the underground mining activities.
- (v) The decrease in the required rehabilitation provision has been credited to the profit or loss as the associated rehabilitation asset in Mine Development has been written down to nil in prior reporting periods.

(b) Interest and finance charges

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Discount on unwind of royalty financial liability	1,692	438
Discount on unwind of rehabilitation provision	360	130
Interest on leases	278	-
Borrowing costs, bank fees and charges	8	8
Interest on financial liabilities	6	-
Revaluation of royalty financial liability	(1,403)	889
Total interest and finance charges	941	1,465

(c) Impairment charges

		31 Dec 2023	31 Dec 2022
	Note	\$'000	\$'000
Exploration assets	(i)	103	24
		103	24

- (i) Expenditure on exploration areas of interest where the prospect of recoupment of costs capitalised through successful development and commercial exploitation is no longer considered likely, is charged to the profit or loss as an impairment charge.

(d) Other required disclosures

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Employee benefits (excluding share-based payments)	8,916	3,121
Employee share based payments (see Note 33)	1,036	626

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

6. EXPENSES *(cont.)*

(e) Assurance services

The following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	31 Dec 2023	31 Dec 2022
	\$	\$
(i) Audit Services		
PricewaterhouseCoopers:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	202,100	112,691
	202,100	112,691
(ii) Taxation Services		
Services by PricewaterhouseCoopers:		
Tax advice and tax compliance	48,270	27,360
	48,270	27,360

7. INCOME TAX

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
(a) Income tax expense		
Income tax expense comprises:		
- Current tax expense	-	-
- Deferred tax expense / (benefit)	675	13
Income tax expense / (benefit)	675	13
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense/(benefit)	(15,651)	(5,960)
Tax at the Australian tax rate of 30%	(4,695)	(1,788)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share based payments	311	188
- Non-deductible expenses	5	1
- Non-assessable income	-	-
- Tax temporary differences (recognised)/not recognised	5,054	1,612
Income tax expense/(benefit)	675	13
(c) Amounts recognised directly in equity		
Deferred tax – (credited) / debited directly in equity	675	13

(d) Tax consolidation legislation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

7. INCOME TAX (cont.)

Hillgrove Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Hillgrove Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. The entities in the tax-consolidated group entered into a tax sharing agreement and a tax funding agreement. On adoption of the legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity. The entities have also entered a tax funding agreement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to it under the tax consolidation legislation.

8. DEFERRED TAX

- (i) No deferred tax assets or liabilities have been recognised.
- (ii) Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

- (iii) Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable future taxable amounts will be available to utilise those temporary differences and losses.

The balance of deferred tax assets comprises temporary differences attributable to:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Tax losses and credits	77,772	70,515
Business related costs	717	376
Provisions and accruals	3,379	3,183
Financial liability	-	2,158
Deferred income	600	-
Lease liability	3,545	-
Total deferred tax assets	86,013	76,232

The balance of deferred tax liabilities comprises temporary differences attributable:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Exploration expenditure / PPE	154	9,346
Total deferred tax liabilities	154	9,346
Net deferred tax assets	85,859	66,886
Deferred tax assets not recognised	(85,859)	(66,886)
Recognised net deferred tax assets	-	-

The company has unrecognised capital losses of \$11.3 million (2022: \$11.3 million).

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Classification of securities as ordinary shares

Ordinary shares have been classified as ordinary shares and included in basic earnings per share.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

9. EARNINGS PER SHARE (cont.)

Classification of securities as potential shares

Outstanding performance rights have been classified as potential ordinary shares and included in diluted earnings per share.

(a) Weighted average number of shares used as the denominator

	31 Dec 2023	31 Dec 2022
	Number	Number
Weighted average number of ordinary shares used in calculating basic and dilutive EPS	1,685,663,053	1,173,953,754

(b) Reconciliation of earnings used in calculating earnings per share

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
(i) Basic earnings		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	(16,327)	(5,973)

(ii) Diluted earnings		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	(16,327)	(5,973)

	31 Dec 2023	31 Dec 2022
	Cents	Cents
(i) Basic earnings per share		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	(1.0)	(0.5)

(ii) Diluted earnings per share		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	(1.0)	(0.5)

10. CASH AND CASH EQUIVALENTS

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Cash at bank and on hand	9,924	4,758
Restricted cash	316	547
	10,240	5,305

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash cannot be accessed without consent and comprises two bank guarantees.

11. TRADE AND OTHER RECEIVABLES

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Prepayments	377	481
Other receivables	515	362
GST receivable	569	62
	1,461	905

12. INVENTORIES

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Current assets		
Stores and consumables	2,163	410
ROM stockpile	974	-
Total current inventory	3,137	410
Non-current assets		
Stores and consumables	-	1,464
Total non-current inventory	-	1,464

All inventory is recognised at the lower of cost and net realisable value.

The cost of ROM inventory is determined using the allocation of costs between production and development activities. Costs and activities are monitored at each stage of the production process and allocated to physical units.

Net realisable value is based on the estimated amount expected to be received when the inventory is completely processed and sold. The estimation of net realisable value of inventories involves judgements about the quantity of metal that can be recovered, future commodity prices, production costs and selling costs.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

13. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Land and buildings		
At cost	5,840	5,277
Accumulated depreciation and impairment	(379)	(379)
	5,461	4,898
Plant and equipment		
At cost	82,138	73,574
Accumulated depreciation and impairment	(60,465)	(59,964)
	21,673	13,610
Motor vehicles		
At cost	952	451
Accumulated depreciation	(456)	(369)
	496	82
Mine development		
At cost	201,519	181,151
Accumulated depreciation and impairment	(160,060)	(159,710)
	41,459	21,441
Total property, plant and equipment	69,089	40,031

All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing assets into use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The units of production basis is used when depreciating mine specific assets which results in a depreciation charge proportional to the depletion of the forecast remaining life of mine production. Changes in factors such as estimates of proven and probable reserves that affect the unit of production calculations are applied on a prospective basis.

The straight line method of depreciation to allocate cost, net of residual values, is used for all remaining assets over estimated useful lives as follows:

- Mine Development 3 – 10 years
- Motor Vehicles 3 years
- Plant & Equipment 3 – 10 years

The duration reflects the specific nature of the assets. Freehold land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. During the period of care and maintenance, depreciation of the processing plant ceased.

Mine development includes development costs incurred related to the Kanmantoo mine.

When proven mineral reserves are determined and development is approved, capitalised exploration and evaluation expenditure is reclassified as mine development within property, plant and equipment. All subsequent development expenditure is capitalised and classified as mine development, provided commercial viability conditions continue to be satisfied. On completion of development, all relevant assets included in mine development are reclassified as plant and equipment.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

13. PROPERTY, PLANT AND EQUIPMENT *(cont.)*

Reconciliations of the carrying amounts for each class of asset are set out below:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Land and buildings		
Carrying amount at beginning of period	4,898	4,898
Additions	563	-
Depreciation	-	-
Carrying amount at end of period	5,461	4,898
Plant and equipment		
Carrying amount at beginning of period	13,610	13,672
Additions	7,214	22
Depreciation	(582)	(84)
Transfers	1,431	-
Carrying amount at end of period	21,673	13,610
Motor vehicles		
Carrying amount at beginning of period	82	67
Additions	501	15
Depreciation	(87)	-
Carrying amount at end of period	496	82
Mine development		
Carrying amount at beginning of period	21,441	14,647
Additions	21,799	6,794
Depreciation	(350)	-
Transfers	(1,431)	-
Carrying amount at end of period	41,459	21,441
Total property, plant and equipment	69,089	40,031

14. EXPLORATION AND EVALUATION EXPENDITURE

The Group accumulates certain costs associated with exploration activities on specific areas of interest where the Group has rights of tenure and where exploration and evaluation activities in the area of interest have not reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves.

Exploration and evaluation assets are initially measured at cost and include acquisition and renewal of rights to explore, drilling, sampling, assaying and depreciation of assets used in exploration and evaluation activities. General and administrative costs are only included where they are directly related to a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous periods.

Expenditure on exploration areas of interest where the prospect of recoupment of costs capitalised through successful development and commercial exploitation is no longer considered likely, is charged to the profit or loss as an impairment charge.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Exploration and evaluation expenditure	5,328	4,784
Carrying amount at beginning of period	4,784	4,434
Additions	647	678
Government grant income	-	(304)
Impairment loss	(103)	(24)
Carrying amount at end of period	5,328	4,784

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

15. TRADE AND OTHER PAYABLES

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Trade payables	7,578	130
Other payables and accruals	6,116	573
	13,694	703

Information about the Group's exposure to liquidity risk is provided in Note 25(d).

16. PROVISIONS – CURRENT

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Rehabilitation provision	1,090	766
	1,090	766
Movement in provisions		
Carrying value at the beginning of the period	766	736
Payments charged against provisions:		
Rehabilitation provision	(97)	(376)
Transfer from / (to) non-current provisions:		
Rehabilitation provision	421	406
Balance at end of period	1,090	766

The rehabilitation provision is based on estimates for tenements held and refers to the measures and actions required to repair land disturbed by exploration and mining activities. The current balance is in respect of the Kanmantoo mine tenement.

17. LEASES

The consolidated balance sheet includes the following amounts relating to leases:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Lease liabilities		
Opening balance at 1 January 2023	-	-
Leases recognised during the period	14,005	-
Disposals of leases during the period	(577)	-
Interest expense during the period	278	-
Foreign exchange movement	(173)	-
Lease expense during the period	(1,716)	-
Closing balance at 31 December	11,817	-
Lease liabilities of which are:		
Current lease liability	4,311	-
Non-current lease liabilities	7,506	-
Closing balance at 31 December	11,817	-

The consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Lease expenses		
Depreciation charge of right-of-use assets (included in expenses)	(1,530)	-
Interest expense (included in interest and finance charges)	278	-
Expense relating to short-term leases (included in expenses)	158	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in expenses)	23	-
Expense relating to variable lease payments not included in lease liabilities (included in expenses)	763	-

The total cash outflow for leases, other than leases not recognised as lease liabilities, during the year-ended 31 December 2023 was \$0.6m (31 December 2022: nil).

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

17. LEASES (cont.)

Contractual maturities of lease liabilities

The maturity profile of lease liabilities based on the undiscounted contractual amounts is as follows:

	Less than 1 year	1 to 2 years	Over 2 years	Total cash flows	Carrying amount
At 31 December 2023	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	5,052	4,473	3,908	13,433	11,817

Movements in the Group's right-of-use assets during the year are as follows:

	31 Dec 2023	31 Dec 2022
	Plant and equipment	Plant and equipment
	\$'000	\$'000
Right-of-use assets		
Opening balance at 1 January	-	-
Additions during the financial year	14,005	-
Disposals during the financial year	(675)	-
Depreciation charge for the financial year	(1,530)	-
Closing carrying amount at 31 December	11,800	-

The Group has entered into new services agreements which provide rights to use various equipment to be used as part of the underground mining operations. Accordingly, new right-of-use assets have been recognised associated with those arrangements. Corresponding lease liabilities are also recognised in the consolidated statement of financial position.

18. EMPLOYEE BENEFITS PAYABLE

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Employee benefits payable – current	1,594	663

The current provision for employee benefits includes accrued annual leave, long service leave, and other accrued remuneration.

The entire amount of employee benefits payable of \$1.6 million (2022: \$0.7 million) is presented as current since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past utilisation, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Leave obligations expected to settle after 12 months	482	425

19. PROVISIONS – NON-CURRENT

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Rehabilitation provision	8,500	9,006
Movement in provisions		
Carrying value at the beginning of the period	9,006	9,314
Discount on unwind of rehabilitation provision	360	130
Transfer (to)/from current provisions	(421)	(406)
(Reduce)/increase provision recognised	(445)	(32)
Balance at end of period	8,500	9,006

The rehabilitation provision is based on estimates for tenements held and refers to the measures and actions required to remediate land disturbed by exploration and mining activities. Closing and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Closing and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs.

The costs are estimated based on a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals. The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the statement of profit or loss and shown as a financial cost.

Included in the rehabilitation provision is a payment of approximately \$1.7 million to the Native Vegetation Fund. With permission from the State Government, the Group has delayed the timing of this payment and, whilst the intention is for the payment to be made in future, it should be noted that non-payment would increase the Group's rehabilitation provision by approximately \$1.5 million. This circumstance is not expected to eventuate.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

20. DEFERRED INCOME

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Government grant	2,000	2,000
	2,000	2,000

A \$2 million grant was received during the period from the South Australian Government to assist with the trial of new underground mining technology. In accordance with AASB120, the grant has been disclosed as deferred income and, on the commencement of underground mining operations, will be released to the Consolidated statement of profit or loss and other comprehensive income over the life of the associated mine development asset.

Subject to the achievement of certain project milestones which are under review, and commercial production from the underground project, \$1 million of the grant may be repayable to the South Australian Government via a 0.25% royalty, 12 months after the first concentrate sale from the underground operation, until the \$1m liability is repaid.

21. OTHER FINANCIAL LIABILITIES

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Discounted net smelter return royalty – Current	2,997	-
Discounted net smelter return royalty – Non Current	4,487	7,195
	7,484	7,195

Refer to Notes 1(g) and 2(d) for further information on the net smelter return royalty and Note 25(a) for the potential impact on the amount payable due to copper price fluctuations.

22. CONTRIBUTED EQUITY

Share capital

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Issued and paid up capital for 1,911,971,009 fully paid shares (31 December 2022: 1,174,289,057)	292,947	256,088

Ordinary shares issued – movements during the period

	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	No. of shares	No. of shares	\$'000	\$'000
Opening balance	1,174,289,057	1,168,169,769	256,088	256,118
Employee option schemes / issues	12,500,000	6,119,288	-	-
Capital raise	725,181,952	-	38,435	-
Less – transaction costs (net of tax)	-	-	(1,576)	(30)
Balance at end of period	1,911,971,009	1,174,289,057	292,947	256,088

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders meetings. In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any net proceeds of liquidation.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

22. CONTRIBUTED EQUITY (cont.)

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

23. RESERVES

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Share based payments reserve	9,084	7,306
Profit reserve	22,082	22,082
	31,166	29,388
Movements:		
Share based payments reserve		
Opening balance	7,306	6,680
Share based compensation expense	1,778	626
Closing balance	9,084	7,306
Profit reserve		
Opening balance	22,082	22,082
Transfer of current year profit	-	-
Dividend paid	-	-
Closing balance	22,082	22,082

Nature and purpose of reserves

(i) Share based payments reserve

The share based payments reserve is used to recognise the fair value of:

- Share performance rights issued to employees
- Options granted to the non-executive directors
- Unlisted options issued to the joint lead managers for placement and share purchase plans.

(ii) Profit reserve

The profit reserve is used to accumulate distributable profits, preserving the characteristics of profit by not appropriating against prior year accumulated losses. The reserve can be used to pay taxable dividends.

24. ACCUMULATED LOSSES

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
At beginning of the period	(252,910)	(246,937)
Net loss (not carried forward to profit reserve)	(16,327)	(5,973)
Accumulated losses at end of the period	(269,237)	(252,910)

25. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by senior management under direction of the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

(a) Market risk

The Group has exposure to copper commodity prices arising from the royalty agreement entered with Freeport Metals and Concentrates LLC during August 2022 (refer Note 2d). Movements in the realised price of copper will increase/decrease the associated royalty liability. The below table details the Group's sensitivity to movements in the realised copper price:

	31 December 2023	
	Impact on current value of royalty payable	
	Increase	Decrease
	\$'000	\$'000
Impact of 10% increase/decrease in realised AUD copper price	769	(769)

(b) Foreign exchange risk

At 31 December 2023, the Group has no US\$ denominated receivables. However, the valuation of the royalty payable to Freeport Metals and Concentrates will increase/decrease in line with movements in the A\$/US\$ exchange rate. The sensitivity to this has been reflected in the above market price table. Additionally, the Group has exposure to FX changes in relation to AUD payments made for a lease charged in USD.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

25. FINANCIAL RISK MANAGEMENT *(cont.)*

(c) Credit risk

Credit risk is managed on a group basis. Credit risk can arise from cash and cash equivalents, deposits with banks and financial institutions, derivative financial instruments and receivables. The Group holds its cash with Westpac Banking Corporation and Commonwealth Bank of Australia which are considered to be appropriate financial institutions.

The Group has trade receivables of \$Nil (31 December 2022 \$Nil). The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Applying the principles of the expected credit loss model and historical recovery rates, the Consolidated entity has not recognised a provision against trade receivables and contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments.

GST refunds are receivable from a government agency and are deemed to have no significant credit risk.

For banks, financial institutions and third party debtors, management assesses the credit quality of the counterparty, taking into account its financial position, past experience and other relevant factors.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Liquidity risk is managed on a Group basis. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group monitors its cash flow on a regular basis to ensure adequate funds are in place to maintain its payment obligations when they fall due. The Group and the parent entity had no undrawn borrowing facilities at the reporting date.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and includes future interest on borrowings.

	Less than 1 year	1 to 2 year(s)	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total cash flows	Carrying amount
31 December 2023 \$'000								
Trade and other payables	13,694	-	-	-	-	-	13,694	13,694
Financial liabilities	2,997	3,806	3,600	-	-	-	10,404	7,484
Total	16,691	3,806	3,600	-	-	-	24,098	21,178

	Less than 1 year	1 to 2 year(s)	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total cash flows	Carrying amount
31 December 2022 \$'000								
Trade and other payables	703	-	-	-	-	-	703	703
Financial liabilities	237	3,346	4,105	4,552	265	-	12,505	7,195
Total	940	3,346	4,105	4,552	265	-	13,208	7,898

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

26. SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hillgrove Resources Limited (the "parent entity") as at 31 December 2023 and the results of all subsidiaries for the period then ended. Hillgrove Resources Limited and its subsidiaries together are referred to in this financial report as the Group. Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and each component of other comprehensive income are attributed to owners of Hillgrove Resources Limited and to the non-controlling interests where applicable.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The proportion of ownership interest is equal to the proportion of voting power held. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries;

Name of controlled entity	Country of incorporation	Class of share	Equity holding 31 Dec 2023 (%)	Equity holding 31 Dec 2022 (%)
Hillgrove Copper Pty Ltd	Australia	Ordinary	100	100
Hillgrove Copper Holdings Pty Ltd	Australia	Ordinary	100	100
Hillgrove Exploration Pty Ltd	Australia	Ordinary	100	100
Hillgrove Mining Pty Ltd	Australia	Ordinary	100	100
Hillgrove Operations Pty Ltd	Australia	Ordinary	100	100
Hillgrove Wheal Ellen Pty Ltd	Australia	Ordinary	100	100
Kanmantoo Properties Pty Ltd	Australia	Ordinary	100	100
Mt Torrens Properties Pty Ltd	Australia	Ordinary	100	100
SA Mining Resources Pty Ltd	Australia	Ordinary	100	100
Hillgrove Indonesia Pty Ltd	Australia	Ordinary	100	100
PT Hillgrove Indonesia	Indonesia	Ordinary	100	100

There were no transactions with non-controlling interests during the period.

27. COMMITMENTS

(a) Non-cancellable commitments

Future commitments not provided for in the financial statements and payable:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Within one year	16	25
One to five years	-	16
	16	41

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

27. COMMITMENTS *(cont.)*

(b) Exploration expenditure commitments

To maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements under the various exploration licences which are held. These obligations are expected to be fulfilled in the normal course of operations. Mining interests may be relinquished or joint ventured to reduce this amount. The SA State Government has the authority to defer, waive or amend the minimum expenditure requirements. Eligible exploration expenditure includes an appropriate allocation of overhead costs.

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Within one year	487	1,462
One to five years	677	731
	1,164	2,193

(c) Capital commitments

At 31 December 2023, there were no contracted capital commitments (31 December 2022: Nil).

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as set out in Note 10.

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Operating profit/(loss) after income tax	(16,327)	(5,973)
Add/(less) items classified as investing/financing activities		
Gain on sale of fixed assets	(50)	-
Net interest expense	284	-
Finance lease payments	(664)	-
Tax expense on capital raise costs	(675)	13
Add/(less) non-cash items		
Depreciation and amortisation	746	67
Impairment asset write downs	103	25
Employee share options	1,036	626
Discount on unwind of rehabilitation provision	360	130
Discount on unwind of royalty financial liability	1,692	438
Revaluation of royalty financial liability	(1,403)	889
Unrealised foreign exchange gain on lease liability	(175)	-
Rehabilitation adjustment	(114)	(32)
Movement in Comet Vale rehabilitation provision	(286)	-
Changes in operating assets and liabilities		
Increase in receivables, prepayments and inventories	(1,820)	61
Increase / (decrease) in trade creditors and accruals	12,992	(782)
Increase in right-of-use assets and leases liabilities	(1,513)	-
Decrease in other operating liabilities	(4,473)	-
Increase / (decrease) in provisions and employee benefits	748	(1,214)
Net cash used by operating activities	(9,539)	(5,752)

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(cont.)*

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Cash and cash equivalents	10,240	5,305
Financial liabilities – repayable within one year	(7,308)	
Financial liabilities – repayable after one year	(11,993)	(7,195)
Net funds / (debt)	(9,061)	(1,890)

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Other assets		Liabilities from financing activities		Total
	Cash & Bank	Liquid Investments	Financial liabilities due within 1 year	Financial liabilities due after 1 year	
Net debt as at 1 January 2022	10,737	-	-	-	(1,890)
Cash flows	(5,432)	-	-	(5,868)	(11,300)
Other non-cash movements	-	-	-	(1,327)	(1,327)
Net funds/(debt) as at 31 December 2022	5,305	-	-	(7,195)	(1,890)
Cash flows	4,935	-	-	-	4,935
Other non-cash movements	-	-	(7,308)	(4,798)	(12,106)
Net funds/(debt) as at 31 December 2023	10,240	-	(7,308)	(11,993)	(9,061)

Non-cash movements represent accrued interest, repayment timing movements between current and non-current and revaluations.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

	31 Dec 2023	31 Dec 2022
	\$	\$
Short-term employee benefits	867,112	583,212
Post-employment benefits	96,704	58,399
Cash bonus (accrued)	201,325	-
Share based payments	525,349	243,099
	1,690,490	884,710

Further detail regarding key management personnel compensation can be found in the Remuneration Report.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

30. RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is Hillgrove Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 26.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 29.

(d) Related parties

Loans to controlled entities are eliminated on consolidation.

Hillgrove Copper Pty Ltd is the banker for the Group and re-allocates via loan account all costs that relate to the Group. Some assets and liabilities previously recognised in the parent Company, mainly consisting of property, plant, equipment and exploration related assets, have been transferred to the controlled entities via loan account. All these transactions were recorded at carrying value.

31. EVENTS AFTER THE REPORTING PERIOD

The Company completed a successful capital raising on 26 February 2024, which received firm commitments for gross proceeds of \$10.0 million, split as follows:

- Tranche 1 Placement of \$8.0 million; and
- Tranche 2 Placement of \$2.0 million, which is subject to Foreign Investment Review Board approval.

Furthermore, in January 2024, the company consolidated certain supplier leasing agreements, leading to the relinquishment of approximately \$2.5 million in future lease liabilities.

32. CONTINGENT LIABILITIES

Guarantees

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Electranet performance bond to support the build, own, operate and maintain agreement for installation of transmission infrastructure at the Kanmantoo site	388	359
Security bonds on tenements	5	15
	393	374

The consolidated entity has obligations to restore land disturbed under exploration and mining licences. The maximum obligation to the South Australian Government in respect of the Kanmantoo copper mine has been assessed at a value of \$9.2 million and is secured by the SA Government on a first ranking basis against the assets of the consolidated entity.

Separate from the above, a payment of approximately \$1.7 million to the Native Vegetation Fund is included within the rehabilitation provision. With permission from the State Government, the Group has opted to defer this payment. While the Group plans to fulfill this obligation at a later date, it should be noted that non-payment would result in an increase of approximately \$1.5 million to the Group's rehabilitation provision. However, such a scenario is not expected to materialise.

The Directors are of the opinion that further provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The consolidated entity had no other contingent liabilities at 31 December 2023.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

33. SHARE-BASED PAYMENTS

(a) Movements in performance rights during the year

	31 December 2023		31 December 2022	
	Number of performance rights	Weighted average exercise price (\$)	Number of performance rights	Weighted average exercise price (\$)
Balance at beginning of year	58,500,000	-	51,241,840	-
Granted – employees	15,000,000	-	16,000,000	-
Granted – non-executive directors	-	-	-	-
Forfeited during the year	(7,197,200)	-	-	-
Exercised during the year	(12,500,000)	-	(6,119,288)	-
Expired during the year	-	-	(2,622,552)	-
Balance at end of year	53,802,800	-	58,500,000	-
Exercisable at end of year	-	-	-	-

At the end of the year there were 53,802,800 performance rights outstanding and the weighted average remaining contractual life at the end of the period was 2.15 years (31 December 2022: 2.38 years).

(b) Summary of performance rights outstanding

	31 December 2023		31 December 2022	
	Number of performance rights	Last exercise date	Number of performance rights	Last exercise date
2020 OPRP	-	-	12,500,000	30 March 2024
2021 OPRP	13,802,800	30 March 2025	14,500,000	30 March 2025
2022 OPRP	11,000,000	30 March 2026	14,500,000	30 March 2026
2023 OPRP	15,000,000	30 March 2027	-	-
Director Options Tranche 1	8,000,000	14 May 2025	8,000,000	14 May 2025
Director Options Tranche 2	6,000,000	14 May 2026	6,000,000	14 May 2026
Growth OPRP	-	-	3,000,000	31 July 2024
TOTAL	53,802,800		58,500,000	

Further information for each of the outstanding OPRP performance rights are as follows:

	2020 OPRP	2021 OPRP	2022 OPRP	2023 OPRP	Growth OPRP
Consideration	-	-	-	-	-
Exercise price	-	-	-	-	-
Method of settlement	Equity	Equity	Equity	Equity	Equity
Performance hurdles					
- Share price target - cents	6.0	8.0	10.0	12.0	-
- Price calculation methodology	10 day VWAP	10 day VWAP	10 day VWAP	10 day VWAP	-
- Start of testing date	1 March 2022	1 March 2023	1 March 2024	1 March 2025	1 August 2021
- First exercise date	1 March 2023	1 March 2024	1 March 2025	1 March 2026	1 August 2021
- Last exercise date	30 March 2024	30 March 2025	30 March 2026	30 March 2027	31 July 2024
- Other hurdles	-	-	-	-	(1)

(1) To substantially advance one or more of the Company's exploration projects to the point where a JORC Mineral Resource is approved by the Board to advance to a funded Definitive Feasibility Study. These rights were forfeited during the period.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

33. SHARE-BASED PAYMENTS *(cont.)*

In addition, further information for each of the outstanding director options are as follows:

	Tranche 1	Tranche 2
Consideration	-	-
Exercise price	\$0.10/share	\$0.15/share
Method of settlement	Equity	Equity
Grant date	14 May 2021	14 May 2021
First exercise date	14 May 2023	14 May 2024
Last exercise date	14 May 2025	14 May 2026

(c) Additional information on rights issued during the year

	2023 OPRP
Grant date	1 July 2023
Valuation date	28 April 2023
Consideration	-
Exercise price	-
Number of rights granted	15,000,000
Performance hurdles	
- Share price target - cents	12.0
- Price calculation methodology	10 day VWAP
- Start of testing date	1 March 2025
- First exercise date	1 March 2026
- Last exercise date	30 March 2027
Valuation	
- Performed by	External advisers
- Methodology	Binomial
- Share price volatility	70%
- Expected dividend yield	0%
- Risk free interest rate	3.6%
- Valuation per right - cents	3.90

(d) Movements in options during the year – capital raise lead managers

	31 December 2023		31 December 2022	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Balance at beginning of year	20,000,000	0.0780	20,000,000	0.0780
Granted	35,000,000	0.0795	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at end of year	55,000,000	0.0790	20,000,000	0.0780

At the end of the year there were 55,000,000 options outstanding and the weighted average remaining contractual life at the end of the period was 1.75 years (31 December 2022: 1.75 years).

Notes to the Consolidated Financial Statements *for the year ended 31 December 2023 (cont.)*

33. SHARE-BASED PAYMENTS *(cont.)*

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Performance rights issued under the OPRP:		
Equity based	1,036	626
Cash based	-	-
	1,036	626

During the period, the expensed share based payment amounts were calculated based on an adjusted form of the Black Scholes Model, third party valuation using a Monte Carlo simulation approach, or share price on the date of issue against the probability that they will vest.

34. PARENT ENTITY INFORMATION

The financial information for the parent entity, Hillgrove Resources Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries are accounted for at cost in the financial statements of Hillgrove Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Set out below is the supplementary information about the parent entity.

	Parent	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Profit / (loss) after income tax	(14,790)	(1,838)
Total comprehensive income	(14,790)	(1,838)
Statement of financial position		
Total current assets	10,308	5,371
Total assets	55,688	31,475
Total current liabilities	812	445
Total liabilities	812	445
Net assets	54,876	31,030
Shareholder's equity		
Contributed equity	292,947	256,088
Reserves	15,950	14,172
Accumulated losses	(254,021)	(239,230)
Total equity	54,876	31,030

Material Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, disclosed throughout the report and notes. Investments in subsidiaries are accounted for at cost, less any impairment.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 28 to 53 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Dated at Adelaide this 26th day of February 2024.



Mr Derek Carter
Chairman



Mr Lachlan Wallace
Managing Director

Independent Auditor's Report *to the Members of Hillgrove Resources Limited*



Independent auditor's report

To the members of Hillgrove Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Hillgrove Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report *to the Members of Hillgrove Resources Limited (cont.)*



Independent auditor's report - Hillgrove Resources Limited (continued)

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Audit scope	Key audit matters
- Our audit included assessing the financial statements for risks of material misstatement based on quantitative and qualitative assessment of Hillgrove's operations and activities. - Our audit also focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. - The Group's accounting records are held and managed at the Kanmantoo site and the corporate head office, located in Adelaide. - Through its ownership of the Kanmantoo copper mine, the Group has one operating segment being in the resources industry, in Australia. We performed an audit of this operating segment given its financial significance to the Group during the year.	- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: - Capitalisation of development expenditure - Lease accounting - These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development expenditure (Refer to note 13) As at 31 December 2023, \$41.5 million of development expenditure has been capitalised to the balance sheet. We considered capitalisation of development	We performed the following procedures, amongst others: - Considered the latest available information regarding the project through inquiries of management and the directors, and inspection of relevant press releases; - For a sample of mine development expenditure,

Independent Auditor's Report *to the Members of Hillgrove Resources Limited (cont.)*



Independent auditor's report - Hillgrove Resources Limited (continued)

Key audit matter

expenditure a key audit matter given it is a financially significant balance due to the renewed mining activity of the Kanmantoo copper mine underground development in 2023.

Lease accounting

(Refer to note 17)

The Group recognised total lease liabilities of \$11.8 million and right of use assets of \$11.8 million as at 31 December 2023.

Lease accounting was considered a key audit matter because of the:

- Financial significance of the lease balances included in the financial report due to renewed mining activity; and
- Significant judgements and estimates applied by the Group:
 - To identify the lease and non-lease components where a contract includes the provision of non-lease services; and
 - In the determination of the incremental borrowing rate to measure lease liabilities where the Group cannot readily determine the interest rate implicit in the lease

How our audit addressed the key audit matter

we:

- Assessed the appropriateness of the capitalisation of costs in accordance with the requirements of Australian Accounting Standards; and
- Tested the accuracy of the capitalisation of costs to invoices or other supporting documents.
- Assessed the reasonableness of disclosures in the financial report having regard to the requirements of Australian Accounting Standards.

We performed the following procedures, amongst others:

- Assessed whether the Group's accounting policies were in accordance with the requirements of Australian Accounting Standards;
- Tested a sample of lease agreements entered into during the year, including:
 - Comparing lease calculation input data to the lease agreements and considering whether they have been accounted for in accordance with the Group's accounting policy and Australian Accounting Standards;
 - Assessing the mathematical accuracy of lease calculations; and
 - Evaluating the appropriateness of the significant assumptions used by the Group in calculating the lease balances, including:
 - Considering lease and non-lease components through assessing the terms and conditions per the underlying contract; and
 - Assessing the Group's discount rate used:
 - For leases with a purchase option, evaluating the internal rate of return on the purchase option against the hire term; and
 - For leases without a purchase option, obtaining supporting evidence for the basis of the

Independent Auditor's Report *to the Members of Hillgrove Resources Limited (cont.)*



Independent auditor's report - Hillgrove Resources Limited (continued)

Key audit matter

How our audit addressed the key audit matter

incremental borrowing rate calculation.

- Assessed the reasonableness of disclosures in the financial report having regard to the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

Independent Auditor's Report *to the Members of Hillgrove Resources Limited (cont.)*



Independent auditor's report - Hillgrove Resources Limited (continued)

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2023.

In our opinion, the remuneration report of Hillgrove Resources Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Julian McCarthy', written over a faint, larger signature that also appears to read 'Julian McCarthy'.

Julian McCarthy
Partner

Adelaide
26 February 2024

Shareholder Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange Limited in respect of listed public companies only.

As at the reporting date the most recent Shareholder information available for disclosure is as follows:

(a) Voting rights and classes of equity securities

As at 29 January 2024, the Company has 1,911,971,009 listed fully paid ordinary shares. Each fully paid share carries on a poll one vote.

The company also has 44,000,000 unquoted performance rights and 69,000,000 options on issue which do not carry voting rights.

(b) Unmarketable parcels

The number of shareholders holding less than a marketable parcel of ordinary shares was 1,592 as at 29 January 2024.

(c) Distribution schedule of Fully Paid Ordinary Shares as at 29 January 2024

Size of holding	Number of shareholders
1 - 1,000	443
1,001 - 5,000	986
5,001 - 10,000	637
10,001 - 100,000	2,203
100,001 and over	1,158
	5,427

(d) Securities exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited. The ASX code is HGO.

(e) Company Secretary

Mr Joe Sutanto is the Company Secretary.

(f) On-market buy-back

There is no current on-market buy-back.

(g) Substantial shareholders as at 29 January 2024

An extract of the Company's register of Substantial Shareholders (who hold 5.0% or more of the issued capital) in accordance with Form 604 Notices is set out below:

Name	Issued capital
Freeport Metals and Concentrates	19.98%
Ariadne Australia Limited	11.28%

Shareholder Information for Listed Public Companies (cont.)

Twenty largest listed shareholders

The twenty largest shareholders hold 50.0% of the total ordinary shares issued.

The 20 largest shareholdings as at 29 January 2024 are listed below:

Shareholder	No. of ordinary shares held	% of issued shares
1 Bell Potter Nominees	382,022,134	20.0%
2 Portfolio Services Pty Ltd	69,812,355	3.7%
3 Mr Raymond Edward Munro	61,900,000	3.2%
4 Citicorp Nominees Pty Ltd	58,161,105	3.0%
5 Portfolio Services Pty Ltd	42,337,067	2.2%
6 Portfolio Services Pty Ltd	37,735,850	2.0%
7 UBS Nominees Pty Ltd	35,433,962	1.9%
8 Portfolio Services Pty Ltd	30,961,163	1.6%
9 BNP Paribas Nominees Pty Ltd	30,400,953	1.6%
10 Curious Commodities Pty Ltd	30,000,000	1.6%
11 Proco Pty Ltd	24,180,000	1.3%
12 Proco Pty Ltd	23,720,000	1.2%
13 Zero Nominees Pty Ltd	20,000,000	1.0%
14 Portfolio Services Pty Ltd	17,546,894	0.9%
15 Mr Antony Gordon Breuer	16,183,963	0.8%
16 Mr Mal Nichols & Andrew Constantine	15,363,115	0.8%
17 Portfolio Services Pty Ltd	15,322,581	0.8%
18 Barolo TNC CT Pty Ltd	15,094,340	0.8%
19 J P Morgan Nominees Australia	14,977,795	0.8%
20 Cosell Pty Limited	14,600,000	0.8%
	955,753,277	50.0%

(h) Interests in mining tenements

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%

(i) Other information

Hillgrove Resources Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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HILLGROVE RESOURCES

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