

Friday, 30 August 2024

Half Year Financial Results till 30 June 2024

Hillgrove Resources Limited (**ASX:HGO**) today is reporting an increase in revenue of \$40.2 million in the six months to 30 June 2024, with their Kanmantoo operation now in commercial production.

Key Highlights for the Half Year are:

- Kanmantoo Copper Mine reached commercial production and sold first concentrate.
- \$40.2 million in revenue generated during the six months.
- June production exceeded 1,000 metric tonnes with a copper feed grade of 1.23%.
- Commodity price risk mitigated with 10,000 tonnes of copper fixed at average price of \$13,701 per tonne.

Commenting on the half year, Hillgrove's Managing Director Mr Bob Fulker said:

"Kanmantoo is the newest pure copper producer in the Australian market, and it is pleasing to see the efforts to stabilise the operation and to transition into the cash generation phase. This places Hillgrove on the path to a cashflow positive position in the second half of 2024.

"In addition to this, I am pleased to announce that we will release our next Mineral Resource update and a Maiden Ore Reserve in the December Quarter 2024".

Finance

Hillgrove delivered an improved underlying EBITDA of \$7.7 million for the half (30 June 23: -\$3.1 million) and net operating cash inflows of \$1.6 million for the half (30 June 2023: -\$2.8 million). In addition to this, the Company remains debt free as at 30 June 2024.

The below table outlines the key monthly operating and financial metrics:

	June 2024	May 2024	April 2024	March 2024	February 2024
Copper Produced (mt)	1,025	840	719	589	239
Revenue (A\$M)*	\$10.8	\$10.9	\$8.1	\$6.8	\$3.7
AIC (US\$/lb) ^{@65c}	\$3.08	\$3.33	\$3.66	\$4.78	\$12.58

* Unsold copper concentrate at 30 June 2024 of circa 1.5kdmmt.

ASX RELEASE

**HILLGROVE
RESOURCES**

Authorised for release by the Board of Hillgrove Resources Limited.

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ASX: **HGO**



**Interim Report
for the Half Year Ended
30 June 2024**

**Hillgrove Resources Limited
and its Controlled Entities**

ACN 004 297 116

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Note: All dollars in this report are Australian unless otherwise noted.

Directors' Report

The Directors present their report on the consolidated entity consisting of Hillgrove Resources Limited ("Hillgrove" or the "Company") and its controlled entities (the "Group" or the "Consolidated Entity") for the six-month period to 30 June 2024.

Directors

The Directors of the Company during this period and up to the date of signing were:

- Derek Carter;
- Murray Boyte;
- Roger Higgins;
- Lachlan Wallace (until 30 June 2024); and
- Robert (Bob) Fulker (appointed 1 July 2024).

Principal Activities

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) and focused on copper production from the Kanmantoo Underground (Underground) Copper Mine in South Australia.

Kanmantoo Copper Mine

The Kanmantoo Copper Mine in South Australia is located 55 kilometres from Adelaide. A main highway passes close to the project and being approximately 90 kilometres by road to Port Adelaide, enables the trucking of copper concentrate to the port. The mine site is connected to the electricity grid and has water supplied by the District Council of Mount Barker's treated wastewater facility with additional water capacity from the Murray River which provides 100% redundancy for the project.

The mine is fully permitted and has strong community support in an excellent mining jurisdiction, with exploration upside both on the mining lease and nearby areas which provides an opportunity to further increase the mining inventory to take advantage of forecast rising copper prices as the world decarbonises.

Environment and Community

Hillgrove continues to maintain the rehabilitated areas on the Kanmantoo Mining Lease and its established high-quality native vegetation on surrounding properties to meet its environmental offset obligations. These areas in total amount to 122 hectares of vegetation.

Hillgrove continues to actively engage with local communities and landowners around the Kanmantoo mine, through regular meetings of the Kanmantoo Callington Community Consultative Committee and the Master Planning Committee, which has the ongoing amenity of the mine site and surrounds post-closure as an objective.

Directors' Report (continued)

First Copper Production

Bulk mining activities from the Underground stopes commenced in January and with the successful commissioning of the wet plant, it resulted in the first copper production and sales of copper concentrate in February. Copper production improved each month thereafter, culminating in greater than 1,000 tonnes of copper being produced in June and the declaration of commercial production:

	June 2024	May 2024	April 2024	March 2024	February 2024
Milled Tonnes (dmt)	89,513	84,789	81,426	70,788	33,605
Copper feed Grade (%)	1.23%	1.09%	0.98%	0.97%	0.89%
Copper Recovery (%)	93.5%	90.7%	90.0%	85.5%	79.9%
Copper Produced (mt)	1,025	840	719	589	239

Exploration Activities

Concurrent to the first copper production which occurred in February and the ramping up of operations during the half, the Company continued exploration activities on the mining lease aimed at increasing mining inventory, including chasing the down dip and along strike extensions of the Spitfire and South West Kavanagh mineral systems with some outstanding results¹. In addition to this, the Company also continued to progress the large Kanmantoo geophysical anomaly, which is approximately 400 metres to the north and 600 metres beneath the northern extension of the Kanmantoo open pit.

¹ Refer ASX release of 23 May 2024

Directors' Report (continued)

Operating and Financial Review

Review of Consolidated Financial Results

The underlying EBITDA for the half year was \$7,747k compared to a loss of \$3,081k in the corresponding period.

The cash balance at 30 June 2024 was \$7,427k compared to \$10,240k at 31 December 2023.

Income Statement Overview

\$000's	Half Year June 2024	Half Year June 2023	Change
Revenue	40,247	-	40,247
Other Income	231	292	(61)
TOTAL REVENUE	40,478	292	40,186
Mining costs	(17,035)	(344)	(16,691)
Processing costs	(9,453)	-	(9,453)
Transport and shipping	(1,304)	-	(1,304)
Other site costs	(2,394)	(1,541)	(853)
Movement in inventory stockpile valuation	1,416	117	1,299
Government royalties	(1,942)	-	(1,942)
Corporate costs	(2,002)	(1,605)	(397)
Other	(17)	-	(17)
TOTAL COSTS	(32,731)	(3,373)	(29,358)
EBITDA	7,747	(3,081)	10,828
Depreciation and amortisation	(10,304)	(110)	(10,194)
EBIT	(2,557)	(3,191)	634
Net interest and financing charges	(2,185)	(670)	(1,515)
Income tax benefit/(expense)	-	-	-
NET LOSS AFTER TAX	(4,742)	(3,861)	(881)

Directors' Report (continued)

Operating and Financial Review

Revenue

Revenue in the six months to 30 June 2024 was from the sale of concentrate containing copper, gold and silver, less treatment and refining deductions.

Costs

Overall costs have increased significantly as the Group transitioned from development in the prior period, to production, processing, and the sale of concentrate in the current period.

Mining costs totalled \$17.0 million in the six months ending 30 June 2024. These expenses covered non-capitalised development, drilling and blasting, loading and hauling, grade control drilling, mine services, labour, supervision, and technical support.

Processing costs amounted to \$9.4 million, which included processing, maintenance, tailings management, and labour. Key consumables were diesel fuel, electricity, grinding media, and reagents. Since processing commenced earlier this year, efficiency improvements have led to cost savings in recent months.

Transport and shipping costs covered land and sea freight, as well as ship loading and port expenses. The first shipment of concentrate occurred in June 2024, accounting for the bulk of these costs.

Other site costs included administration staff salaries, site supplies and associated freight, environmental monitoring obligations, rates and licenses, site administration, insurance, and legal expenses. These costs have increased due to ramp-up of operations and a larger workforce.

Government royalties, amounting to \$1.9 million, were calculated based on the SA Government royalty rate of 5.0% of concentrate revenue, minus any allowable deductions.

Directors' Report (continued)
Operating and Financial Review (continued)

Cash Flow Overview

\$000's	Half Year June 2024	Half Year June 2023	Change
Net cash inflows/(outflows) from operating activities	1,622	(2,824)	4,446
Net cash used in investing activities	(12,359)	(4,531)	(7,828)
Net cash inflows from financing activities	7,924	37,089	(29,165)
Net (decrease)/increase in cash held	(2,813)	29,734	(32,547)
Cash and cash equivalents at the end of half year	7,427	35,039	(27,612)

Operating Activities Cash Flow

The net cash inflow of \$1,622k in the current period relates to the cash inflows received from the sale of copper concentrates less payments for non-capital related underground operations, together with corporate overheads.

Investing Activities Cash Flow

During the current period, there were cash outflows of \$11,888k on the Underground development and acquisition of assets. In addition to this, \$671k was spent on the various exploration leases held by the Group, offset by \$200k proceeds from the disposal of equipment during the half-year.

Financing Activities Cash Flow

During the current period, \$9,697k of proceeds (net of cash transaction costs) were received from the equity raise, which was announced to the market in February 2024, as well as the exercise of options in May 2024. This excludes non-cash costs which are recognised in the Consolidated Statement of Changes in Equity of \$160k. Additionally, \$53k of interest was received from bank deposits. These were offset by payments totalling \$1,826k made in respect of lease liabilities.

Directors' Report (continued) Operating and Financial Review (continued)

Statement of Financial Position Overview

\$000's	30 June 2024	31 Dec 2023	Change
Cash and cash equivalents	7,427	10,240	(2,813)
Receivables and inventories	11,001	4,598	6,403
Property, plant and equipment	80,504	69,089	11,415
Right-of-use assets	12,983	11,800	1,183
Exploration	6,955	5,328	1,627
Total assets	118,870	101,055	17,815
Trade and other payables	(24,242)	(13,694)	(10,548)
Provisions	(9,903)	(9,590)	(313)
Lease liabilities	(12,818)	(11,817)	(1,001)
Employee benefits payable	(1,918)	(1,594)	(324)
Deferred income	(2,369)	(2,000)	(369)
Other financial liabilities	(7,408)	(7,484)	76
Total liabilities	(58,658)	(46,179)	(12,479)
Net Assets/Equity	60,212	54,876	5,336

Assets

Total assets increased by \$17,815k, predominantly due to a \$11,415k increase in property, plant, and equipment related to spending on the underground project, exploration activities within the mining lease, and acquisitions of mining equipment.

Liabilities

The increase in total liabilities of \$12,479k largely relates to an increase of \$10,548k in trade creditors and accruals, reflecting the ramp up of underground operations and processing activities. In addition to this, there have been additional equipment and machinery contracted as leases throughout the period.

Rounding of Amounts

The company is of a kind referred to as ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the Instrument.

Directors' Report (continued) **Operating and Financial Review (continued)**

Outlook

With the first copper production and sales in February and the continued improvement each month in the first half of 2024, the Company to continue this momentum for the remainder of the year – with the focus being to consolidate operations and to continue to improve production. Concurrently, the Company will continue to chase the down dip and along strike extensions to the mine life.

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 10.

This report is made in accordance with a resolution of the Directors:

Dated at Adelaide this 30th day of August 2024.



Mr Derek Carter
Chairman



Mr Robert (Bob) Fulker
Managing Director



Auditor's Independence Declaration

As lead auditor for the review of Hillgrove Resources Limited for the half-year ended 30 June 2024, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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', written over a horizontal line.

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
30 August 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 June 2024

	Note	Half Year	
		June 2024	June 2023
		\$'000	\$'000
Revenue	2	40,247	-
Other income	3	231	292
Expenses	4	(43,035)	(3,483)
Interest and finance charges	5	(2,185)	(670)
Loss before income tax		(4,742)	(3,861)
Income tax benefit/(expense)		-	-
Loss for the half year attributable to owners		(4,742)	(3,861)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>		-	-
Total comprehensive income for the period attributable to equity holders of Hillgrove Resources Limited		(4,742)	(3,861)
		Cents	Cents
Earnings per share for income attributable to the ordinary equity holders of the Company:			
Basic earnings per share		(0.2)	(0.3)
Diluted earnings per share		(0.2)	(0.3)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2024

	Note	30 June 2024 \$'000	31 Dec 2023 \$'000
Current assets			
Cash and cash equivalents	6	7,427	10,240
Trade and other receivables		4,204	1,461
Inventories	7	6,797	3,137
Total current assets		18,428	14,838
Non-current assets			
Property, plant and equipment	8	80,504	69,089
Right-of-use assets		12,983	11,800
Exploration and evaluation expenditure		6,955	5,328
Total non-current assets		100,442	86,217
Total assets		118,870	101,055
Current liabilities			
Trade and other payables	9	(24,242)	(13,694)
Provisions	10	(1,462)	(1,090)
Lease liabilities		(5,266)	(4,311)
Employee benefits payable		(1,918)	(1,594)
Deferred Income	11	(937)	-
Other financial liabilities		(3,628)	(2,997)
Total current liabilities		(37,453)	(23,686)
Non-current liabilities			
Provisions	10	(8,441)	(8,500)
Lease liabilities		(7,552)	(7,506)
Deferred income	11	(1,432)	(2,000)
Other financial liabilities		(3,780)	(4,487)
Total non-current liabilities		(21,205)	(22,493)
Total liabilities		(58,658)	(46,179)
Net assets		60,212	54,876
Equity			
Contributed equity	12	302,484	292,947
Reserves		31,707	31,166
Accumulated losses		(273,979)	(269,237)
Total equity		60,212	54,876

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 30 June 2024

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance 31 December 2022	256,088	29,388	(252,910)	32,566
Loss for the period	-	-	(3,861)	(3,861)
Other comprehensive income	-	-	-	-
Transactions with owners:				
Share-based compensation	-	1,241	-	1,241
Contributions of equity, net of transaction costs	36,184	-	-	36,184
Balance 30 June 2023	292,272	30,629	(256,771)	66,130
Balance 31 December 2023	292,947	31,166	(269,237)	54,876
Loss for the period	-	-	(4,742)	(4,742)
Other comprehensive income	-	-	-	-
Transactions with owners:				
Share-based compensation	-	541	-	541
Contributions of equity, net of transaction costs	9,537	-	-	9,537
Balance 30 June 2024	302,484	31,707	(273,979)	60,212

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 30 June 2024

	Half-year	
	June 2024	June 2023
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts in the course of operations	37,743	17
Cash payments in the course of operations	(36,121)	(2,841)
Net cash inflow/(outflow) from operating activities	1,622	(2,824)
Cash flows from investing activities		
Payments for exploration, evaluation and development	(671)	(266)
Payments for property, plant and equipment	(11,888)	(4,265)
Proceeds on disposal of property, plant and equipment	200	-
Net cash outflow from investing activities	(12,359)	(4,531)
Cash flows from financing activities		
Proceeds from issue of shares (net of transaction costs)	9,697	36,834
Lease payments	(1,826)	(20)
Interest received	53	275
Net cash inflow from financing activities	7,924	37,089
Net (decrease)/increase in cash held	(2,813)	29,734
Cash at beginning of the half year	10,240	5,305
Cash at end of the half year	7,427	35,039

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024

1. Basis of Preparation

This consolidated interim financial report for the half year reporting period ended 30 June 2024 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by Hillgrove Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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.

For the six month period ended 30 June 2024, the Group reported an operating loss of \$4.7 million (30 June 2023: \$3.9 million) and net current liability of \$19.0 million (30 June 2023: \$8.8 million) as at that date.

The Group holds \$7.4 million (31 December 2023: \$10.2 million) in cash and cash equivalents and has generated net cash inflows from operating activities of \$1.6 million (30 June 2023: cash outflow of \$2.8 million) for the six month period ended 30 June 2024. Revenue for the six month period ended 30 June 2024 was \$40.2 million (30 June 2023: \$0.0 million). The Group has progressively improved its operational performance, evidenced by an increase in the production profile month on month and the declaration of commercial production in July 2024.

The most recent cash flow forecast indicates positive cash flows from operations, which will enable the Group to meet its obligations, build cash reserves, and manage working capital without the need for external financing. This forecast relies on achieving planned but attainable levels of mine production and mill throughput. To mitigate short-term downside risk in copper prices for expected output, as of 30 June 2024, the Group has fixed pricing for 10,000 tonnes of future copper production at an average price of \$13,701 per tonne.

The continuation of the Group as a going concern is dependent upon its ability to generate sufficient net cash inflows from operating and financing activities and to manage the level of other expenditure within its available cash resources. The Directors have considered the Group's financial forecasts and available funds. This assessment has considered the performance of the Kanmantoo copper mine during the six month period ended 30 June 2024. The Group's forecasts are however dependent on achieving planned production tonnes through this mine.

In the event the budget and plans are not met, the directors could achieve or generate positive cash inflow through one or a combination of:

- Managing the timing of capital development drives within the mine;
- Reducing its expenditure programs;
- Entering into a debt facility agreement; and/or
- Equity injections.

As a result of the dependence on achieving planned mine production and mill throughput, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024 (Continued)

b. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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.

Half-year assessment of the Kanmantoo CGU has resulted in no adjustments to the carrying values. Separate to the CGU, the ultimate recoupment of costs capitalised and carried forward for exploration and evaluation activities is dependent on successful development and commercial exploitation, or sale of the respective areas.

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. The provision represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine.

c. Changes in Accounting Policy

The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting periods.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024 (Continued)

2. Revenue

	Half Year	
	June 2024	June 2023
	\$'000	\$'000
Copper	40,109	-
Gold	1,756	-
Silver	974	-
Treatment and refining deductions	(2,592)	-
Total revenue	40,247	-

Revenue is measured at the fair value of the consideration received or receivable.

The Group sells copper concentrate through an offtake agreement and uses CIF terms (cost, insurance, and freight) for vessel chartering. Under AASB 15, the Company has three performance obligations regarding the concentrate sale: delivering and transferring title at the loading port, loading onto the ship, and transporting to the destination port. The price for delivering concentrate to the port includes its value adjusted for treatment and refining charges.

The price can be declared as either one of: one month before the month of shipment or synthetically spread adjusted to five months after the month of arrival at the discharge port.

3. Other income

	Half Year	
	June 2024	June 2023
	\$'000	\$'000
Interest	56	276
Release of government grant deferred income	143	-
Other	32	16
Total other income	231	292

Other relates to the sale of excess seed that was produced as part of the Group's rehabilitation obligations.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024 (Continued)

4. Expenses

	Half Year	
	June 2024	June 2023
	\$'000	\$'000
Mining costs	(17,035)	(344)
Processing costs	(9,453)	-
Transport and shipping	(1,304)	-
Other site costs	(2,394)	(1,541)
Movements in inventory stockpile valuation	1,416	117
Government royalties	(1,942)	-
Corporate costs	(2,002)	(1,605)
Depreciation and amortisation	(10,304)	(110)
Other	(17)	-
Total expenses	(43,035)	(3,483)

Mining costs

Mining costs refers to non-capitalised development, drilling and blasting, loading and hauling, underground diamond drilling, mine services, labour, supervision, and technical support.

Processing costs

Includes costs related to crushing, grinding, flotation and other associated processing activities excluding treatment and refining charges.

Transport and shipping

All charges related to the transport and shipment of saleable concentrate from site and port.

Government royalties

The accrued expenditure relating to the royalty payable to the South Australian government, directly linked to the revenue generated from operations less any allowable deductions.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024 (Continued)

5. Interest and finance charges

	Half Year	
	June 2024	June 2023
	\$'000	\$'000
Discount on unwind of rehabilitation provision	(175)	(175)
Discount on unwind of royalty financial liability	(822)	(812)
Bank fees	(1)	(4)
Interest on leases	(596)	(17)
Interest on financial liabilities	(522)	-
Revaluation of royalty financial liability	(69)	338
Total interest and finance charges	(2,185)	(670)

6. Cash and cash equivalents

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Cash at bank	7,111	9,924
Restricted cash	316	316
	7,427	10,240

Restricted cash cannot be accessed without consent and comprises of a bank guarantee and an office rental security bond.

7. Inventories

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Stores inventory and consumables	3,293	2,163
Stockpiles and concentrate	3,504	974
Total inventories	6,797	3,137

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024 (Continued)

8. Property, plant and equipment

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Land and buildings		
At cost	5,839	5,840
Accumulated depreciation	(379)	(379)
	<u>5,460</u>	<u>5,461</u>
Plant & equipment		
At cost	84,975	82,138
Accumulated depreciation	(61,826)	(60,465)
	<u>23,149</u>	<u>21,673</u>
Motor vehicles		
At cost	938	952
Accumulated depreciation	(433)	(456)
	<u>505</u>	<u>496</u>
Mine development		
At cost	218,617	201,519
Accumulated depreciation	(167,605)	(160,060)
	<u>51,012</u>	<u>41,459</u>
Capital work in progress		
At cost	378	-
Accumulated depreciation	-	-
	<u>378</u>	<u>-</u>
Total property, plant and equipment	<u>80,504</u>	<u>69,089</u>

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024 (Continued)

9. Trade and other payables

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Trade payables	(13,973)	(7,578)
Other payables and accruals	(10,269)	(6,116)
	<u>(24,242)</u>	<u>(13,694)</u>

10. Provisions

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Current		
Rehabilitation provision	(1,217)	(1,090)
Unsettled ship provision	(245)	-
	<u>(1,462)</u>	<u>(1,090)</u>
Non-Current		
Rehabilitation provision	<u>(8,441)</u>	<u>(8,500)</u>
Total Provisions	<u>(9,903)</u>	<u>(9,590)</u>

The unsettled ship provision represents estimated outflows for shipments of concentrate that have been invoiced using provisional pricing.

11. Deferred income

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Current		
Deferred revenue	(512)	-
Government grant income	(425)	-
	<u>(937)</u>	<u>-</u>
Non-Current		
Government grant income	<u>(1,432)</u>	<u>(2,000)</u>
Total deferred income	<u>(2,369)</u>	<u>(2,000)</u>

Deferred revenue derives from the prices allocated to second and third revenue performance obligations, including the loading costs and vessel charter costs required to transport the shipment to its destination.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2024 (Continued)

12. Contributed equity

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Share capital		
Issued and paid up capital 2,095,555,567 shares (2023: 1,911,971,009) fully paid	302,484	292,947
Ordinary shares - movements during the year		
Balance as at beginning of year	292,947	256,088
Shares issued		
Capital raise	10,334	38,435
Less – transaction costs (net of tax)	(797)	(1,576)
Balance at end of year	302,484	292,947

13. Financial reporting by segment

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

14. Contingent liabilities

	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Guarantees		
Electranet performance bond to support the build, own, operate and maintain agreement for installation of transmission infrastructure at the Kanmantoo site	414	388
Security bonds on tenements	5	5
	419	393

Native vegetation fund payment

The Group has obligations to restore land disturbed under exploration and mining licences for which a rehabilitation provision is already on the balance sheet. 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.

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 later, 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 half year ended 30 June 2024 (Continued)

15. Share based payments

Total compensation from share-based payment transactions recognised during the period were as follows:

	Half Year	
	June 204 \$'000	June 2023 \$'000
Performance rights issued under the OPRP to employees	332	499
Performance rights issued to equity raise managers	209	742
Total equity-based payments	541	1,241

16. Events occurring after the reporting period

No material events have occurred post the reporting period until the date of signing.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 23 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 30 June 2024 and of its performance for the half year ended on that date.
- (b) there are reasonable grounds to believe that Hillgrove Resources Limited will be able to pay its debts as and when they become due and payable.

This report is made in accordance with a resolution of the directors:

Dated at Adelaide this 30th day of August 2024.



Mr Derek Carter
Chairman



Mr Robert (Bob) Fulker
Managing Director



Independent auditor's review report to the members of Hillgrove Resources Limited and its controlled entities

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Hillgrove Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Consolidated statement of financial position as at 30 June 2024, the Consolidated statement of changes in equity, Consolidated statement of cash flows and Consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, material accounting policy information and selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Hillgrove Resources Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss of \$ 4.7 million during the half year ended 30 June 2024 and, as of that date, the Group's current liabilities exceeded its total current assets by \$19.0 million and is dependent on achieving planned levels of production through the Kanmantoo mine. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Julian McCarthy', written over the printed name.

Julian McCarthy
Partner

Adelaide
30 August 2024