

Monday, 19 June 2023

KANMANTOO POSITIVE FINAL INVESTMENT DECISION

SUMMARY

- Formal positive Final Investment Decision (FID) to proceed with the Stage 1 development of the Kanmantoo underground copper mine in South Australia.
- The project is fully funded without debt, through a \$38m Placement and Share Purchase Plan. This funding provides sufficient working capital to reach sustainable copper production in the Stage 1 underground, and continue exploration activities to increase mine life and production.
- The Company has entered into the key underground mining contracts and has appointed key employees for the underground development.
- The underground development commenced in May 2023 and quickly ramped up to planned development rates. The development profile will increase further towards the end of the year, with the arrival of the second jumbo and the commencement of mine production.
- Ore intersected from the development is being stockpiled. The processing plant and tailings storage facility are already in place and being prepared for commencement of processing.
- Hillgrove is on track for first copper concentrate production to occur in the first quarter of 2024.

Hillgrove Resources Limited (Hillgrove, the Company) (ASX:HGO) is pleased to advise that the Board has approved the Stage 1 development of the Kanmantoo underground copper mine.

Stage 1 is projected to deliver 43.5kt of copper in concentrate over the initial 4 year schedule. The Stage 1 mine plan focuses on two of the nine known mineral lodes on the mining lease that were either drilled or mined as part of the open pit. These lodes remain open at depth and along strike and drilling is already underway to aimed at expanding mine life and annual copper production.

In anticipation of a positive investment decision, the underground development commenced in May. The initial cuts validate the productivity and ground support assumptions, with development rates in line with the schedule.

With all infrastructure, including a 3.6Mtpa processing plant and operational tailings storage facility already in place, the cost and risk to first copper production is relatively low and on track for early 2024.

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Commenting on the positive Final Investment Decision, Hillgrove's Managing Director, Lachlan Wallace said:

"The formal decision to commence mining at Kanmantoo is an exciting milestone for the Company.

It comes on the back of completing a \$38m Placement and Share Purchase Plan, which was strongly supported by existing and new shareholders, and positions the Company to commence development without any debt. This in turn de-risks the project by providing operational flexibility, and enables the mine to be developed with a focus on delivering project value, rather than a debt repayment schedule potentially influencing operational decisions.

In anticipation of a positive investment decision, a great team has been established with a high level of underground experience, and they have wasted no time in getting the underground development underway. The first underground blast occurred in May and the development rate has quickly ramped up to planned levels. Ore intersected in the primary decline and ventilation drive is being stockpiled ahead of first copper production, which is planned to occur in the first quarter of 2024.

A further 130 new jobs will be created as we ramp up towards full production over the next 6 months. The attraction of building a new mine in the beautiful Adelaide Hills has resulted in strong interest from many experienced operators and technical professionals wishing to pursue their mining career, without comprising work-life balance with a fly-in fly out roster.

Stage 1 represents the first step in developing the Kanmantoo asset and surrounding region. Drilling over the past three years has successfully increased the Mineral Resource Estimate by 600%, to almost 7Mt, and with an Exploration Target¹ of a further 10-20Mt at 0.9-1.3% Cu and 0.1-0.3 g/t Au in close proximity to the processing plant, there is a great opportunity to expand the mine life further. In addition, within 10km of the mine site, there are a number of exploration opportunities which have the potential to leverage the existing processing and tailings infrastructure.

We look forward to providing regular update on the status of works in the coming weeks and months."

Minister for Infrastructure, Transport, Energy & Mining, the honourable Tom Koutsantonis said:

"It's fantastic to see the Kanmantoo Copper Mine reaching Financial Investment Decision and on track to produce first copper early next year. Copper is arguably the most important critical mineral as the world looks to decarbonise. Mines such as this stand to help address the copper deficit while stimulating the state and local economy.

The project already enjoys support from the local community, and the creation of 160 new jobs will be welcome news."

¹ 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.