HILLGROVE RESOURCES

ANNUAL REPORT 2022

for the year ended 31 DECEMBER

www.hillgroveresources.com.au

Hillgrove Resources Limited *ACN 004 297 116*

CONTENTS

CORPORATE DIRECTORY

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Kanmantoo Copper Mine

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Share Registry

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Bankers

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Auditors

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Web Site

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General Enquiries

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Chairman and Managing Director's Statement

Dear Shareholders,

Following on from the successful drilling campaigns of 2020 and 2021, which culminated in the release of the Economic Assessment in December 2021[1], the Company achieved a number of significant milestones to progress the development of the Kanmantoo Underground Project in 2022.

During the year, continued drilling returned further multiple high grade zones being delineated within wider zones of copper mineralisation. These included 36.5 metres at 1.76% Cu, 0.29 g/t Au from 367.7 metres downhole (KTDD208_W2) and 17.85 metres at 1.46% Cu, 0.08 g/t Au from 395.5 metres downhole (KTDD208_W4)[2]. As a result, the potential opportunity at Kanmantoo continued to grow in 2022, with the compilation of the Kavanagh and Nugent drilling programs adding a further 1.3M tonnes to the Mineral Resource Estimate base[3]. Furthermore, over 5.2M tonnes of Resources are now classified as either Indicated or Measured (up from 3.7M tonnes), which materially improved the geological confidence of the Mineral Resource Estimate.

The Mineral Resource Estimates for both the Kavanagh and Nugent areas remain limited by the extent of the drilling and remain open along strike and down dip. In addition to this, these are only two of nine deposits that have either been drilled or mined on the permitted mining lease. Pending exploration success, the Company will seek to bring these lodes into the mine plan as additional work areas to increase annual throughput. The latent capacity in the process plant and tailings dam enables this to occur, without further processing capital expenditure or permitting.

Mr Derek Carter
Independent Non-Executive Chairman

Mr Lachlan Wallace
Chief Executive Officer and Managing Director

With the success of the drilling, funding discussions for the restart of operations at Kanmantoo moved to the definitive agreements stage in early 2022. This however stalled in mid 2022 as a result of the significant drop in the copper price, which impacted the project financing process and the ability for the Company to hedge forward production. However, with the recent resurgence in the copper price, particularly late in 2022 and the outlook for surging demand and supply concerns, securing sufficient funding to restart operations is back on track.

The Company secured $6m of funding through a royalty agreement with Freepoint[4] which enabled drilling to commence in South Hub and North Hub. These areas represent an opportunity to increase both mine life and annual throughput by bringing additional work areas into the mine plan.

Looking forward, the Company is focussed on finalising funding for the restart at Kanmantoo as soon as possible and subsequently, the commencement of the underground mine.

As we head towards this restart, the site continues to be on very firm footing from a regulatory and community standpoint. Kanmantoo is fully permitted and enjoys strong support from the local Kanmantoo and Callington communities where the company has a long-standing positive presence and an excellent record on environmental stewardship.

Finally, we would like to thank all our stakeholders that are involved with Hillgrove during this exciting period, as we look to transition from a developer to become Australia's next copper mine.

Mr Derek Carter
Chairman

Mr Lachlan Wallace
Managing Director

1 *Refer ASX announcement of 14 December 2021.*
2 *Refer ASX announcement of 21 March 2022.*
3 *Refer ASX announcements of 11 May 2022 and 26 July 2022.*
4 *Refer ASX announcement of 24 August 2022.*

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 until 2019. With the completion of the open pit, care and maintenance of the existing processing plant has continued, to enable a rapid low-cost restart should the Kanmantoo Underground (Underground) operation proceed.

Following on from the Economic Assessment released in December 2021 (Economic Assessment), Hillgrove continued its drilling campaign throughout 2022. Highlights of the drilling[5] include:

Kavanagh

- KTDD208_W2 — 36.5m @ 1.76% Cu, 0.29 g/t Au from 367.7m downhole.
- KTDD208_W4 — 17.85m @ 1.46% Cu, 0.08 g/t Au from 395.5m downhole.
- KTDD208_W1 — 15.3m @ 2.15% Cu, 0.21 g/t Au from 471.0m downhole.

Nugent

- KTDD230 — 14.5m @ 1.60% Cu, 0.34 g/t Au from 175m downhole.
- KTDD224 — 16.55m @ 1.22% Cu, 0.43 g/t Au from 229.05m downhole.

Spitfire

- 22KVUG005 — 12.55m @ 1.72% Cu, 0.22 g/t Au from 56.45m downhole.
- 22KVUG006 — 13.13m @ 2.1% Cu, 0.18 g/t Au from 72.0m downhole.
- 22KVUG008 — 10.35m @ 2.38% Cu, 0.28 g/t Au from 66.65m downhole.

This drilling led to an increase in the Mineral Resource Estimate in the Kavanagh and Nugent areas from 62.5k tonnes of copper to 75.9k tonnes of copper[6] (21% increase), and increased the proportion of Resources classified as Indicated and Measured from 67% to 76%. These resource estimates are still constrained by the extent of the drilling and not by the geology, in both the along strike and down dip directions.

Subsequent to this, a further modest drilling campaign is currently being conducted to demonstrate the potential of the other lodes within the lease (North Hub and South Hub). These areas are not currently in the mine plan and, pending successful drilling, have the potential to increase the mine life and annual throughput, which would better utilise the latent capacity in the processing plant, which is only 40% utilised (refer Economic Assessment).

5 *Refer ASX announcement of 21 March 2022, 6 May 2022, and 8 August 2022.*

6 *Refer ASX announcement of 14 December 2021 and 26 July 2022.*

NEAR MINE EXPLORATION

The Company continues to advance the exploration of its Cu-Au targets within 10 kms of the Kanmantoo processing plant. These include the previously announced[7] South Kanmantoo, Stella, Mullewa and North West Kanmantoo geochemical and geophysical targets and now also includes the Disher Hill prospect.

North West Kanmantoo

Mapping and sampling has identified a 2.4km long zone of Cu-Au anomalism coincident with a strong magnetic high and broad widths of iron-oxide alteration and iron-oxide brecciation at surface, within 4.5kms of the Kanmantoo processing plant. Recent re-logging, sampling and detailed petrology of historic government drill core in the area has identified a wide area of mineralised magnetite-andalusite-garnet schists which are interpreted to be the upper alteration halo of a new epigenetic Kanmantoo style mineral zone.

The rock chip sampling, where possible, across the North-West Kanmantoo area has identified mineralisation with a strong magmatic association including:

- Rock chip samples to 2.2 g/t Au, 0.1% Cu (not the same sample).
- Elevated Mo, Bi, Co, Sn, U, La.

The area has not been subjected to electrical geophysical methods for drill targeting and has not been drilled by Hillgrove.

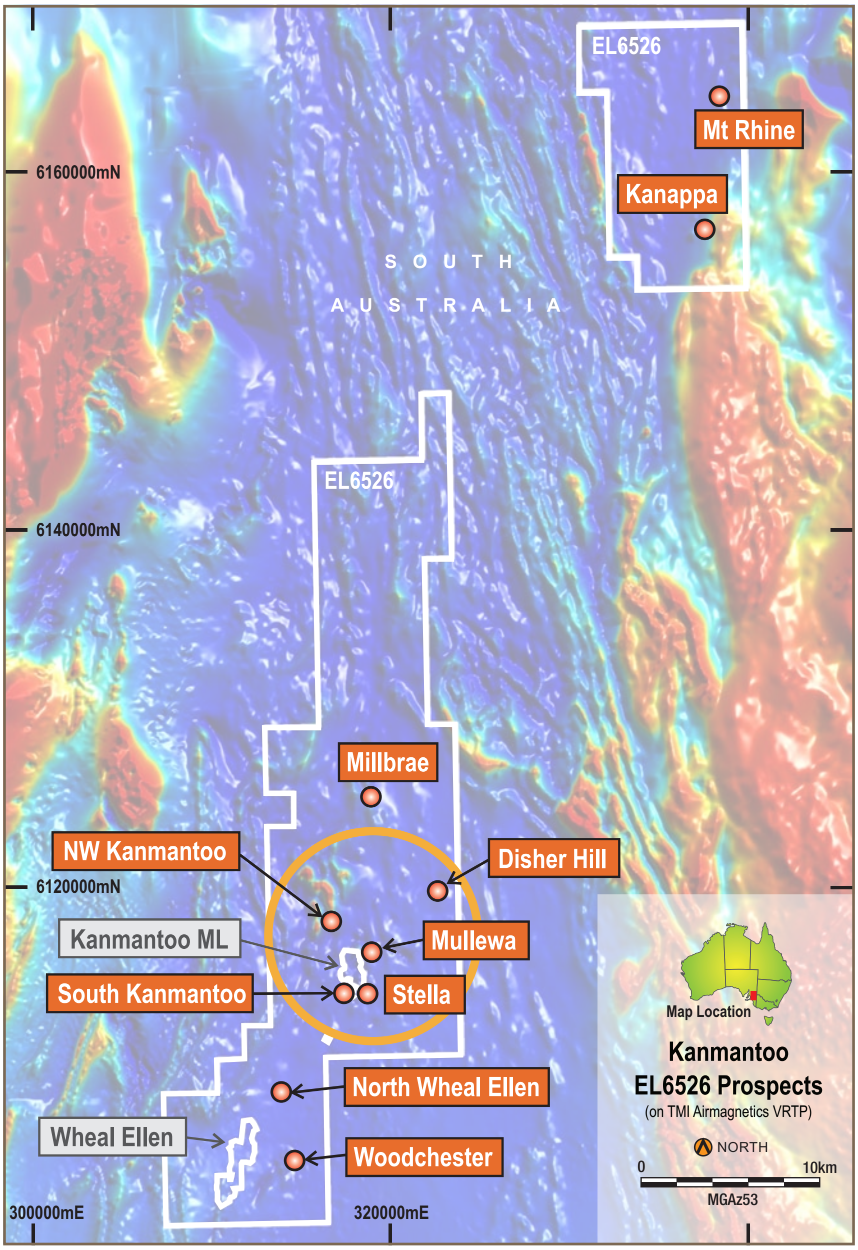

Figure 1: Plan view of the location of projects within 10km of Kanmantoo Copper Mine.

7 Refer ASX announcement of 29 April 2019.

Hillgrove Projects *(cont.)*

NEAR MINE EXPLORATION *(cont.)*

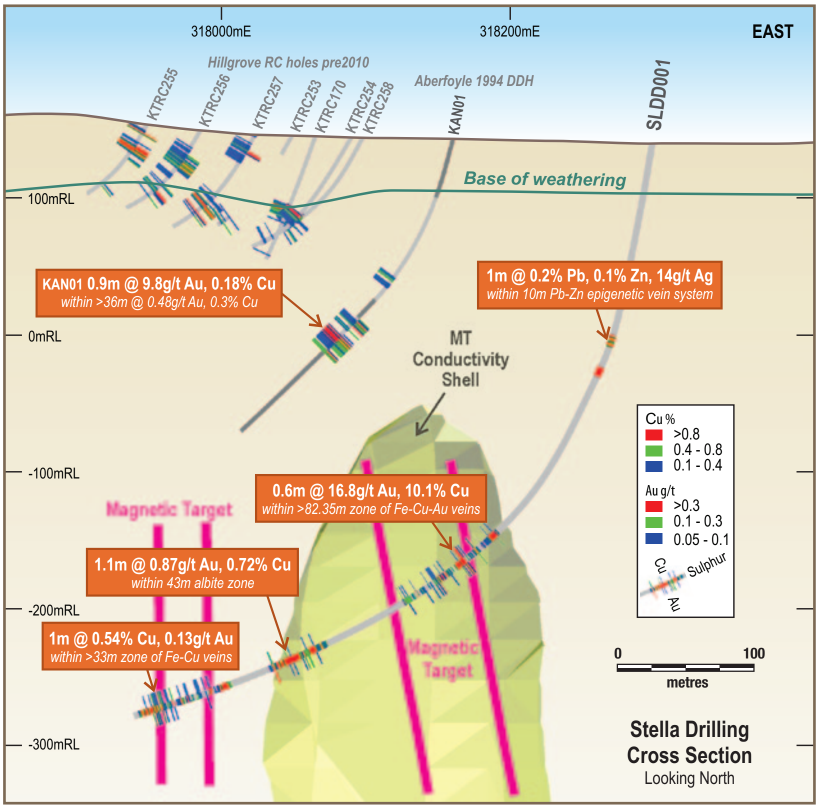

Figure 2: Cross section of the Stella drilling and 2021 drill intercepts.

Stella

Various geophysical surveys have identified the 700m long Stella zone as a coincident magnetic high, conductivity high and gravity low target commencing at around 200m below surface. Diamond drilling has intersected a 60-82m wide zone of chlorite-pyrrhotite-garnet alteration with attendant Cu-Au mineralisation (ASX releases of 29 April 2019, 26 August 2021).

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 3. 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 year Hillgrove has continued to collect petrological and whole rock assay data from legacy drill core throughout the Project area and integrating this data with the Company's data and mapping at Kanmantoo. As a result, a new preliminary Mineral System Model is being proposed that is similar to the "Winu"[8] 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 (magnetite not ilmenite).

REGIONAL EXPLORATION *(cont.)*

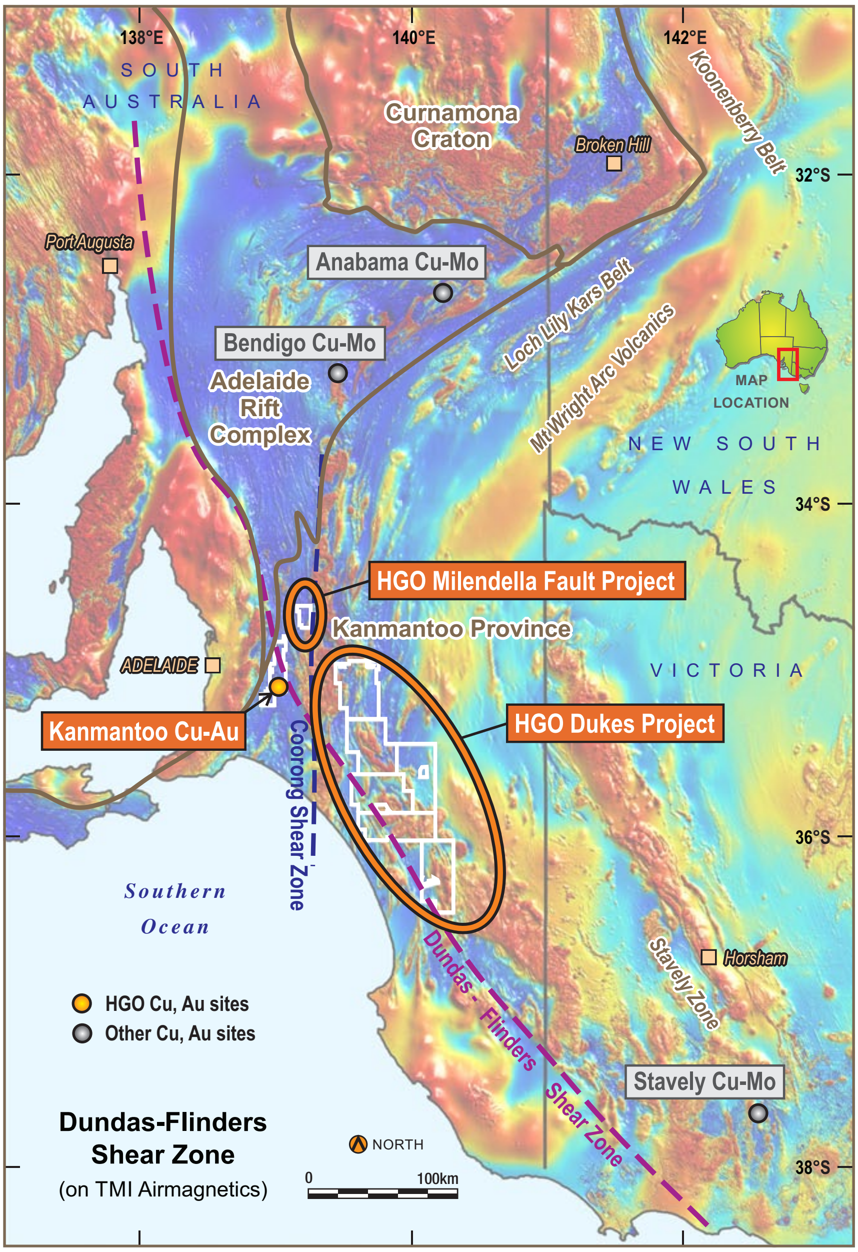

Figure 3: Dukes and Milendella Projects.

DUKES PROJECT *(cont.)*

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 4.

MILENDELLA PROJECT

Kanappa and Mt Rhine Copper-Gold Prospects

In recent presentations and publications by the Geological Survey of South Australia (GSSA)[9], the Survey notes 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-Mo-Au deposits in south-east China (e.g. Dexing, 9.7Mt of Cu metal, 265t Au). 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.

The Kanappa prospect is approximately 65 kms by road from the Kanmantoo operation.

Hillgrove has previously reported the results of the diamond drilling at Kanappa that intersected copper-gold mineralisation within a skarn mineralising system. KPDDH003[10] 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.

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8 *ASX release by RTZ 23 February 2022 and YouTube presentation to AIG on geology on 18 May 2022.*

9 *Mesa Journal 93, 2020, p47-53 and GSSA Discovery Day 2022 Tom Wise Presentation.*

10 *Refer ASX announcement of 30 January 2019.*

Hillgrove Projects *(cont.)*

REGIONAL EXPLORATION *(cont.)*

MILENDELLA PROJECT *(cont.)*

The petrology work on a suite of samples from all drill holes by internationally respected alteration petrologist, Dr Roger Taylor, has clearly identified the mineralisation as an overprinting Cu rich skarn with attendant alteration stages including garnet-pyroxene, amphibole-magnetite, and copper and iron sulphides.

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).

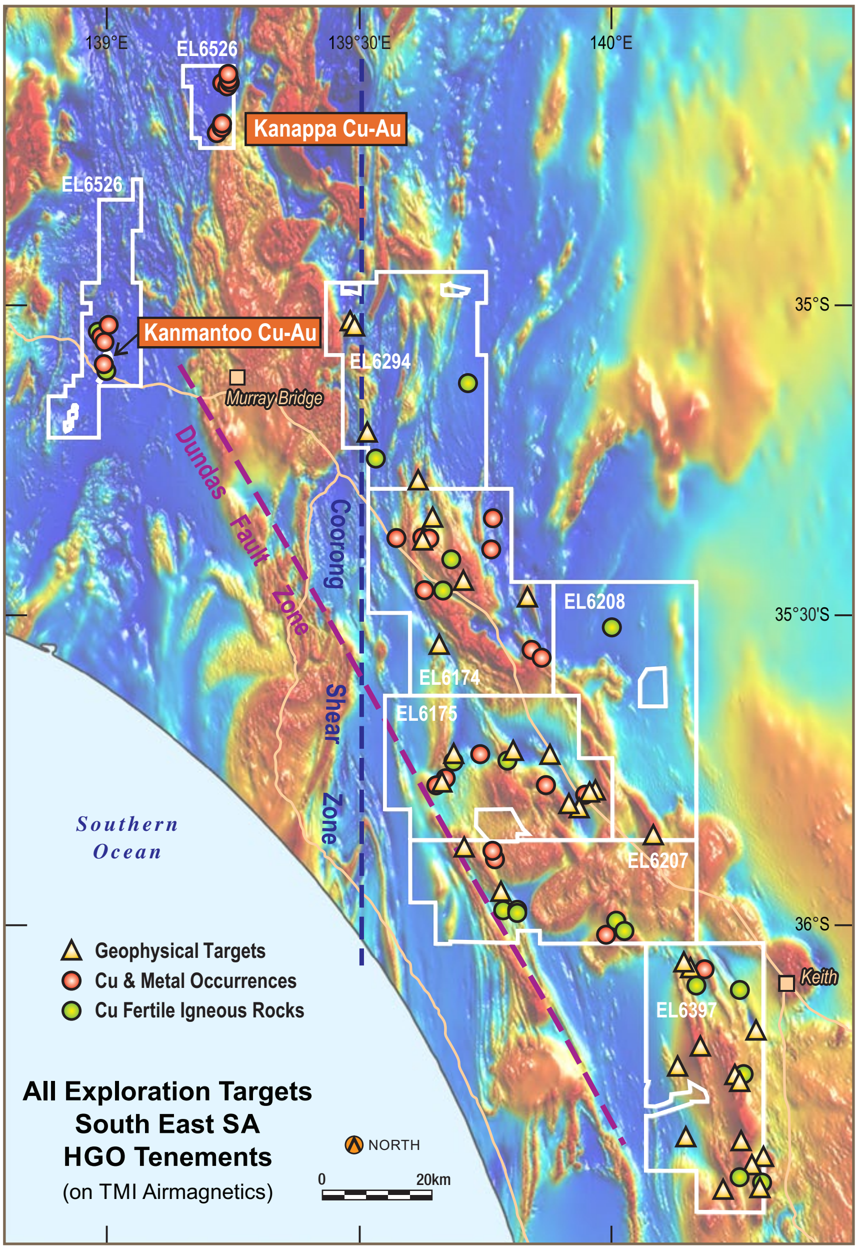


Figure 4: All Exploration Targets.

Mineral Resource

MINERAL RESOURCES FOR KANMANTOO

As at 31 December 2022

The Table below summarises the Kanmantoo Mineral Resource Estimates (MRE) which includes the updated 2022 Kavanagh and 2022 Nugent MRE[11] below the Giant and Nugent open pits respectively.

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.

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

HILLGROVE RESOURCES

FINANCIAL REPORT for the year ended 31 DECEMBER 2022

Contents

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 28 February 2023. 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 2022.

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 less than 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 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.

Directors' Report *(cont.)*

DIRECTORS AND OFFICERS *(cont.)*

Name/Qualifications	Experience and Special Responsibilities
Mr Joe Sutanto	**Company Secretary and Chief Commercial Officer**
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 Commercial Officer in 2020. 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. Appointed 10 July 2020.

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	Board		Remuneration Committee		Audit & Risk Committee		Nomination Committee		Treasury Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr D Carter	13	13	2	2	5	5	1	1	-	-
Mr M Boyte	13	13	2	2	5	5	1	1	-	-
Mr L Wallace	13	13	-	-	-	-	-	-	-	-

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

RESULTS

	FY22	FY21
Revenue from ordinary activities	**-**	-
Profit / (Loss) from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited	**($6.0m)**	($5.9m)
Profit / (Loss) for the period attributable to the owners of Hillgrove Resources Limited	**($6.0m)**	($5.9m)

For the year ended 31 December 2022, the net loss after tax was $6.0 million compared to a net loss after tax of $5.9 million for the year ended 31 December 2021.

The underlying EBITDA for the year was a loss of $4.4 million compared to a loss of $5.4 million for 2021. This reflected the costs associated with processing plant care and maintenance and other site costs, together with the costs of running the head office.

Directors' Report *(cont.)*

RESULTS *(cont.)*

Income Statement Overview

	12 mths	12 mths	
$ million	**Dec 2022**	**Dec 2021**	**Change**
Copper revenue	**-**	-	-
Gold revenue	**-**	-	-
Silver revenue	**-**	-	-
Less: Treatment and refining costs	**-**	-	-
NET REVENUE FROM SALE OF CONCENTRATE	**-**	-	-
Mining costs	**-**	-	-
Pre-strip and deferral	**-**	-	-
Processing costs	**-**	-	-
Transport and shipping costs	**-**	-	-
Care and maintenance costs	**(1.3)**	(1.2)	(0.1)
Other direct costs	**(1.3)**	(1.3)	-
Inventory movements	**-**	-	-
Royalties	**-**	-	-
Corporate costs	**(1.9)**	(3.0)	1.1
TOTAL COSTS	**(4.5)**	(5.5)	1.0
Net realised gains/(losses)	**-**	-	-
Other income	**0.1**	0.1	-
EBITDA	**(4.4)**	(5.4)	1.0
Depreciation and amortisation	**(0.1)**	(0.1)	-
Exploration and project costs written off	**-**	-	-
EBIT	**(4.5)**	(5.5)	1.0
Net interest and financing charges	**(1.5)**	-	(1.5)
Income tax benefit/(expense)	**-**	(0.4)	0.4
NET PROFIT / (LOSS) AFTER TAX	**(6.0)**	(5.9)	(0.1)

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

Total costs were $4.5 million compared to $5.5 million for the previous year. The reduction largely related to final settlement on contractual obligations and reductions in bonus and share option costs.

Cash Flow Overview

$ million	**12 months Dec 2022**	**12 months Dec 2021**	**Change**
Net cash flows from operating activities	**(5.8)**	(4.9)	(0.9)
Net cash used in investing activities	**(5.5)**	(9.4)	3.9
Net cash flows from financing activities	**5.9**	19.4	(13.5)
Net increase/(decrease) in cash held	**5.4**	5.1	10.5
Cash and cash equivalents at the end of the year	**5.3**	10.7	(5.4)

Operating Activities Cash Flow

Cash payments in the course of operations totalled $5.8 million and included payments for corporate and administration overheads and costs relating to care and maintenance activities. The $0.9 million increase largely related to bonus and long-term incentives being accrued in the December 2021 accounts with payment being made in early 2022.

Trade creditors and other payables were on normal commercial terms.

RESULTS *(Cont.)*

Cash Flow Overview *(cont.)*

Investing Activities Cash Flow

Net cash outflow from investing activities was $5.5 million compared to an outflow of $9.4 million in the previous corresponding period. $7.9 million was spent on investing activities which was partially offset by a $2.0 million government grant for the trial of new underground mining technology and the receipt of two other government grants, under the Accelerated Discovery Initiative, totalling $0.3 million. Of the $7.9 million, $7.3 million related to underground exploration and expansion works, which are classified as mine development (2021: $8.4 million). Expenditure on regional exploration licences amounted to $0.6 million (2021: $1.0 million).

Financing Activities Cash Flow

In 2022, there was a net cash inflow of $5.9 million from financing activities. This related to funds received from the net smelter royalty agreement that the Company entered into with Freepoint Metals and Concentrates LLC as announced to the market on 24 August 2022.

Consolidated Statement of Financial Position Overview

$ million	31 Dec 2022	31 Dec 2021	Change
Cash	**5.3**	10.7	(5.4)
Receivables	**0.9**	0.9	-
Inventories	**1.9**	1.9	-
Property, plant & equipment	**40.0**	33.4	6.6
Exploration	**4.8**	4.4	0.4
Total assets	**52.9**	51.3	1.6
Trade payables	**0.7**	1.8	(1.1)
Provisions	**9.8**	10.1	(0.3)
Employee benefits	**0.6**	1.5	(0.9)
Deferred income (government grant)	**2.0**	-	2.0
Financial liabilities (Freepoint royalty)	**7.2**	-	7.2
Total Liabilities	**20.3**	13.4	6.9
NET ASSETS / EQUITY	**32.6**	37.9	(5.3)

Total assets increased by $1.6 million to $52.9 million, largely as a result of an increase in property plant and equipment and the associated reduction in cash used to fund this.

Total liabilities increased by $6.9 million to $20.3 million. The introduction of the estimated value of the royalty payable to Freepoint Metal and Concentrates accounted for the majority of the movement in the year. In addition, the $2.0 million government grant was classified as deferred income which will be released to the profit and loss over the life of the underground project. The reduction in trade payables is the result of normal fluctuations and the lower employee benefits payable largely reflected there being no accrued bonus at 31 December 2022.

OPERATING REVIEW

During the year, the Company continued to advance the Underground project, with drilling conducted and the continuation of the development decline. The successful drilling led to an updated MRE, with a resource tonnage of 7.0M tonnes at 1.08% Cu and 0.16g/t Au for a total of 75.9k tonnes of copper metal. In addition, this drilling increased the proportion of Resources classified as Indicated and Measured from 67% to 76%.

OUTLOOK AND FUTURE DEVELOPMENTS

The focus of the Company will predominantly be directed towards further advancing the Underground project, which will largely be to reach a final investment decision and, subject to this positive final investment decision, complete the financing for the development of the Underground.

In addition to the activities related to the Underground, the Company will also continue to explore and evaluate its near mine as well as its regional prospects.

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.

MATERIAL BUSINESS RISKS *(CONT.)*

- 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, in the event the restart at Kanmantoo occurs, the Company will be looking to hedge a portion of forward production.
- 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

There were no equity raisings conducted in the year however, Hillgrove did complete a $6.0 million funding agreement for the sale of Kanmantoo royalty with Freepoint Metals and Concentrates LLC. In return for the funding, Freepoint Metals and Concentrates LLC will receive 2.5% of net smelter returns for the first 85,000 tonnes of payable copper, reducing to 0.5% thereafter. Royalty payments will only occur from future production.

These proceeds were received in the current period.

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

Subsequent to balance date and at the time of this release, the Company entered into a trading halt to conduct a capital raising.

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 the exploration and development of the Kanmantoo Underground. 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.

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 2022, 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 7.3(a) of the Company's Constitution provides that "To the extent permitted by law, the Company must indemnify each Relevant Officer against: (i) a Liability of that person; and (ii) Legal Costs of that person". The Company indemnifies every Officer against any liability or costs and expenses incurred by the person in his or her capacity as Officer of the Company:

- in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted, or
- in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Law.

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 24.

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 and its Consolidated Entities present the Remuneration Report for the Company for the year ended 31 December 2022, 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 and the Executive Director (KMP). Details of the KMP are set out in the table below.

Non-Executive Directors	Title (At Year End)	Change in 2022 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
Executive Director		
Mr L Wallace	CEO and Managing Director Member Treasury Committee	Full Year

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.

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.

Directors' Report *(cont.)*

REMUNERATION REPORT (AUDITED) *(Cont.)*

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.

During the year no remuneration consultancy contracts were entered into by the Company and no disclosure is required under Section 300A(1)(h) of 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 2022 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 10.0% until 30 June 2022 and have been made at a rate of 10.5% of base fee from 1 July 2022 (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 and outstanding to Non-Executive Directors: › 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 2022 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.

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

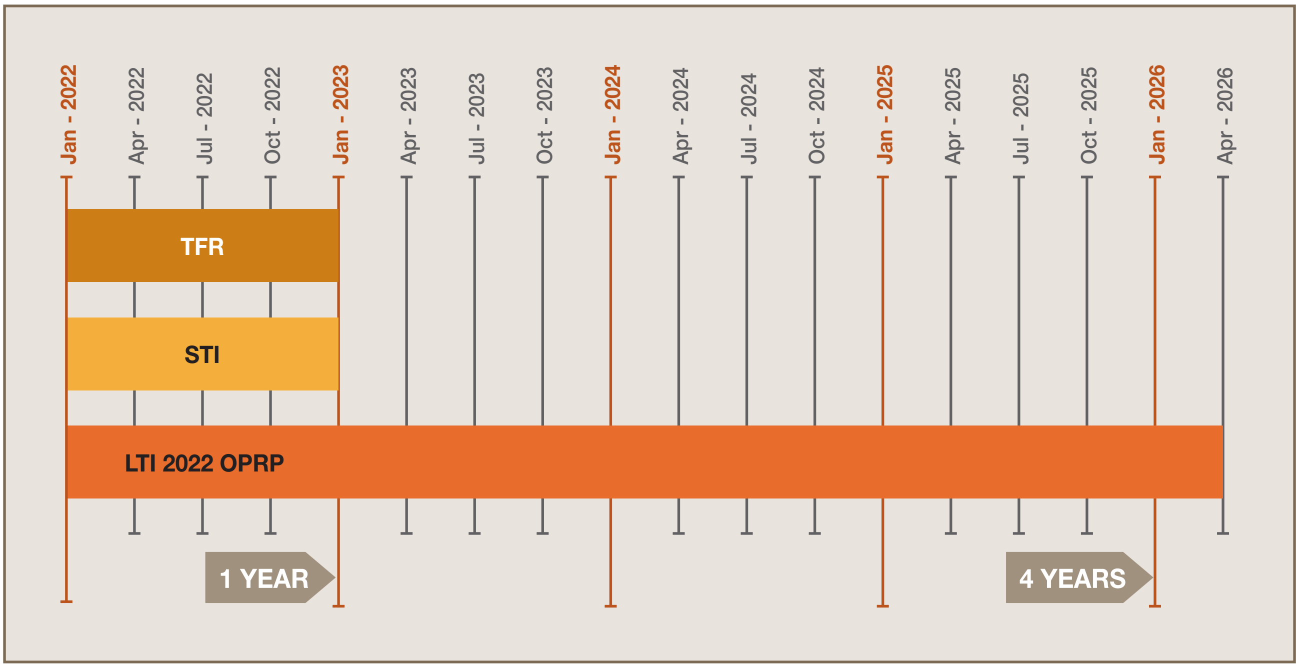
The Company endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and 'at risk'. The broad remuneration composition mix of the Company's Executive KMP can be illustrated as follows:

Remuneration Mix (Actual) CY 2022

Position	TFR (Cash)	STI (Cash)	LTI (Equity)
CEO & MD	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.



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 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 2022 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 CEO & MD and 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.

	2022 Performance		
KMP	**Opportunity ($)**	**Awarded (%)**	**Forfeited (%)**
Mr L Wallace	210,000	0%	100%

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 2022 financial year, there were three LTI Plans outstanding to Executive KMP:

- 2020 Option and Performance Rights Plan (2020 OPRP) = 5,000,000 performance rights;
- 2021 Option and Performance Rights Plan (2021 OPRP) = 5,000,000 performance rights; and
- 2022 Option and Performance Rights Plan (2022 OPRP) = 5,000,000 performance rights.

REMUNERATION REPORT (AUDITED) *(Cont.)*

4.4 VARIABLE 'AT RISK' REMUNERATION *(cont.)*

2020, 2021, and 2022 OPRP Description

Detail	2020 OPRP	2021 OPRP	2022 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 is determined in accordance with the Board approved remuneration strategy mix. See Section 4.3.		
Service Period	To the later of 1 March 2023 or when the Performance Hurdles are met	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
Performance Hurdles			
- **Measurement Price**	6.0 cents	8.0 cents	10.0 cents
- **Price Calculation Methodology**	10 day VWAP	10 day VWAP	10 day VWAP
- **Start of Testing Date**	1 March 2022	1 March 2023	1 March 2024
- **First Exercise Date**	1 March 2023	1 March 2024	1 March 2025
- **Last Exercise Date**	30 March 2024	30 March 2025	30 March 2026

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 2018 to 31 December 2022)

	12 Months to 31 December				
	2018	2019	2020	2021	2022
Sales Revenue ($M)	180.1	113.5	20.4	-	**-**
Underlying EBITDA ($M)	44.3	12.1	(3.7)	(5.4)	**(4.4)**
Reported net profit / (loss) ($M)	29.5	(10.0)	(5.9)	(5.9)	**(6.0)**
Return on equity (ROE) %(1)	101.7%	(28.4%)	(24.0%)	(19.1%)	**(17.0%)**
Basic earnings per share (EPS) (cents)	5.1	(1.7)	(1.0)	(0.6)	**(0.5)**
Diluted EPS (cents)	4.9	(1.7)	(1.0)	(0.6)	**(0.5)**
Dividends paid (cents per share)	-	1.5	-	-	**-**
Share price as at 31 December (cents)	9.0	6.0	3.2	5.4	**5.4**
Total shareholder return (TSR) % (Annual)	0%	(16.7%)(2)	(46.7%)	68.8%	**0%(3)**

(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.

REMUNERATION REPORT (AUDITED) *(Cont.)*

4.6 KMP Remuneration Tables – Audited

		Fixed Remuneration					
		Long-term		Long-term			
	Year	Salary and Fees	Non-monetary Benefits	Super-annuation Benefits	Termination Benefits	Long Service Leave	Total
Non-Executive Directors							
Mr D Carter	**CY22**	**113,379**	**-**	**11,621**	**-**	**-**	**125,000**
	CY21	113,896	-	11,104	-	-	125,000
Mr M Boyte	**CY22**	**72,563**	**-**	**7,437**	**-**	**-**	**80,000**
	CY21	72,893	-	7,107	-	-	80,000
Total (Non Executive Directors)	**CY22**	**185,942**	**-**	**19,058**	**-**	**-**	**205,000**
	CY21	186,789	-	18,211	-	-	205,000
Executive Directors							
Mr L Wallace	**CY22**	**397,270**	**-**	**22,498**	**-**	**16,843**	**436,611**
	CY21	404,166	-	15,834	-	9,875	429,875
Total (Executive Directors)	**CY22**	**397,270**	**-**	**22,498**	**-**	**16,843**	**436,611**
	CY21	404,166	-	15,834	-	9,875	429,875
Total	**CY22**	**583,212**	**-**	**41,556**	**-**	**16,843**	**641,611**
	CY21	590,955	-	34,045	-	9,875	634,875

		Variable Remuneration			Total	Proportion of Total Remuneration	
	Year	Short-Term	Long-Term	Total	Fixed and Variable	Fixed %	Variable %
Non-Executive Directors							
Mr D Carter	CY22	-	-	-	-	100%	0%
	CY21	-	259,793[(1)]	259,793	384,793	32%	68%
Mr M Boyte	CY22	-	-	-	-	100%	0%
	CY21	-	259,793[(1)]	259,793	339,793	24%	76%
Total (Non Executive Directors)	**CY22**	**-**	**-**	**-**	**205,000**	**100%**	**0%**
	CY21	-	519,586	519,586	724,586	28%	72%
Executive Directors							
Mr L Wallace	CY22	-	243,099	243,099	679,710	64%	36%
	CY21	178,500	228,241	406,741	836,616	51%	49%
Total (Executive Directors)	**CY22**	**-**	**243,099**	**243,099**	**679,710**	**64%**	**36%**
	CY21	178,500	228,241	406,741	836,616	51%	49%
Total	**CY22**	**-**	**243,099**	**243,099**	**884,710**	**73%**	**27%**
	CY21	178,500	747,827	926,327	1,561,202	41%	59%

(1) As approved at the Annual General Meeting of 7 May 2021. As a result of the nature of the options having no vesting conditions, the full value of the options were expensed in the 2021 financial year.

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:

		Balance Held at 31/12/21								Balance held at 31/12/22	
KMP	Grant Date	Vested	Unvested	Granted	Number Vested	% Vested	Number Forfeited	% Forfeited	Exercised	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
TOTAL NON-EXECUTIVE DIRECTORS		**-**	**14,000,000**	**-**	**-**	**0%**	**-**	**0%**	**-**	**-**	**14,000,000**
Executive Directors											
Mr L Wallace	Jul-22	-	-	5,000,000	-	0%	-	0%	-	-	5,000,000
	May-21	-	10,000,000	-	-	0%	-	0%	-	-	10,000,000
	Aug-20	2,185,135	-	-	-	0%	-	0%	2,185,135	-	-
TOTAL EXECUTIVE DIRECTORS		**2,185,135**	**10,000,000**	**5,000,000**	**-**	**0%**	**-**	**0%**	**2,185,135**	**-**	**15,000,000**

5.3 EXERCISE OF PERFORMANCE RIGHTS GRANTED AS REMUNERATION TO KMP

2,185,135 performance rights which vested and were available to be exercised in 2021 were exercised in 2022.

Directors' Report *(cont.)*

REMUNERATION REPORT (AUDITED) *(Cont.)*

5.4 VALUE OF PERFORMANCE RIGHTS GRANTED AND ON FOOT TO EXECUTIVE KMP AS AT 31 DECEMBER 2022

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	0.054	0.0384	$216,000	$153,440
2021 Options Tranche 2	3,000,000	0.054	0.0355	$162,000	$106,353
Mr M Boyte					
2021 Options Tranche 1	4,000,000	0.054	0.0384	$216,000	$153,440
2021 Options Tranche 2	3,000,000	0.054	0.0355	$162,000	$106,353
TOTAL NON-EXECUTIVE DIRECTORS	**14,000,000**			**$756,000**	**$519,585**
Executive Directors					
Mr L Wallace					
2020 OPRP	5,000,000	$0.054	$0.0787	$270,000	$393,500
2021 OPRP	5,000,000	$0.054	$0.0737	$270,000	$368,500
2022 OPRP	5,000,000	$0.054	$0.0694	$270,000	$347,000
TOTAL EXECUTIVE DIRECTORS	**15,000,000**			**$810,000**	**$1,109,000**

(1) The Face Value is the closing share price on 31 December 2022.

(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 ($0.054) 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 31/12/21	Exercise of Rights	Net Other Changes	Held as at 31/12/22
Directors					
Mr D Carter	Shares	1,805,210	-	-	**1,805,210**
Mr M Boyte	Shares	3,482,216	-	-	**3,482,216**
Mr L Wallace	Shares	14,211,124	2,185,135[(1)]	-	**16,396,259**

(1) 2,185,135 performance rights which vested and were available to be exercised in 2021 were exercised in 2022.

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 2022.

Employee	Mr L A Wallace
Position	Chief Executive Officer and Managing Director
Commencement	24 May 2019
Fixed Remuneration	$420,000 p.a. - reviewed periodically
Short-term Incentive	Up to 50% of fixed remuneration
Long-term Incentive	Up to 50% of fixed remuneration
Contract Length	Indefinite
Notice Periods for Resignation or Termination	6 months
Redundancy Benefit	National Employment Standards and Group Redundancy Policy
Death or Total and Permanent Disability Benefit	No specific benefit
Change of Control	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
Statutory Entitlements	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

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 2022 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 24.

Signed in accordance with a resolution of the Directors:

Dated at Adelaide this 28th day of February 2023.

Derek Carter
Chairman

Lachlan Wallace
Managing Director

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Hillgrove Resources Limited for the year ended 31 December 2022, 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.

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
28 February 2023

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
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Consolidated Statement of
Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Other income	5	**67**	59
Expenses	6(a)	**(4,538)**	(5,446)
Interest and finance charges	6(b)	**(1,465)**	(42)
Impairment charges	6(c)	**(24)**	(4)
(Loss) before income tax		**(5,960)**	(5,433)
Income tax (expense) / benefit	7	**(13)**	(422)
(Loss) for the year attributable to owners		**(5,973)**	(5,855)
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		**(5,973)**	(5,855)
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9	**(0.5)**	(0.6)
Diluted earnings per share	9	**(0.5)**	(0.6)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 29 to 49.

Consolidated Statement of **Financial Position**

As at 31 December 2022

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Current assets			
Cash and cash equivalents	*10*	**5,305**	10,737
Trade and other receivables	*11*	**905**	923
Inventories	*12*	**410**	100
		6,620	11,760
Non-current assets			
Property, plant and equipment	*13*	**40,031**	33,284
Exploration and evaluation expenditure	*14*	**4,784**	4,434
Inventories	*12*	**1,464**	1,816
		46,279	39,534
Total assets		**52,899**	51,294
Current liabilities			
Trade and other payables	*15*	**703**	1,800
Provisions	*16*	**766**	736
Employee benefits payable	*18*	**663**	1,501
		2,132	4,037
Non-current liabilities			
Provisions	*19*	**9,006**	9,314
Deferred income	*20*	**2,000**	-
Financial liabilities	*21*	**7,195**	-
		18,201	9,314
Total liabilities		**20,333**	13,351
Net assets		**32,566**	37,943
Equity			
Contributed equity	*22*	**256,088**	256,118
Reserves	*23*	**29,388**	28,762
Accumulated losses	*24*	**(252,910)**	(246,937)
Total equity		**32,566**	37,943

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 29 to 49.

Consolidated Statement of **Changes in Equity**

For the year ended 31 December 2022

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance 1 January 2021		236,550	27,755	(241,082)	23,223
Profit/(Loss) for the period		-	-	(5,855)	(5,855)
Transactions with owners:					
Contributions of equity, net of transaction costs and tax	*22*	19,568	-	-	19,568
Share-based payments	*33*	-	1,007	-	1,007
Balance 31 December 2021		**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**

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 29 to 49.

Consolidated Statement of **Cash Flows**

For the year ended 31 December 2021

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of GST)		**25**	53
Cash payments in the course of operations (inclusive of GST)		**(5,777)**	(4,955)
Net cash (used) / generated by operating activities	*28*	**(5,752)**	(4,902)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		**(605)**	(987)
Grant income relating to exploration and evaluation		**304**	
Payments for property, plant and equipment		**(7,269)**	(8,407)
Grant income relating to property, plant and equipment		**2,000**	-
Net cash used in investing activities		**(5,570)**	(9,394)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)		**(23)**	19,421
Proceeds from borrowings		**5,868**	-
Interest received		**45**	11
Net cash from/(used) in financing activities		**5,890**	19,432
Net increase / (decrease) in cash and cash equivalents		**(5,432)**	5,136
Cash and cash equivalents at the beginning of financial period		**10,737**	5,601
Cash and cash equivalents at the end of the financial period	*10*	**5,305**	10,737

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 29 to 49.

1. STATEMENT OF SIGNIFICANT 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.

Whilst the Group has $5.3 million in cash and cash equivalents at 31 December 2022, it recorded an operating loss of $6.0 million, had net cash outflows from operating activities of $5.8 million and there are no forecasted cash inflows from operating activities in the next 12 months. The Group continues to have ongoing expenditure including care and maintenance costs, rehabilitation activities, corporate costs, exploration, and development of the Underground project. Whilst the Group has the option to reduce discretionary expenditure to manage cash flow, the Board does not expect to pursue this option and expects further funding will need to be obtained to progress development of the underground project.

In light of these circumstances, particularly the fact that as at the date of this report the sources and the required amount of additional funding had not been secured to fund operations of the group for the next twelve months and onwards, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. To address this uncertainty, the Group is currently in the process of conducting a capital raising and for the related bookbuild to be completed. Regardless of the outcome of the capital raising, the Directors are confident that the required amount of financing will be secured from other sources to support the cash flow needs of the group as required for twelve months from the date of this report. Therefore, the financial report has been prepared on a going concern basis.

As such, the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

(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 significant 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.

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

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. 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 significant impact on the Group's accounting policies or the amounts reported during the year.

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

(i) Standards and interpretations in issue

(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.

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.

Due to the uncertainty surrounding funding for the underground project, an assessment of the discounted future cash flows for the Kanmantoo CGU was performed which resulted in no adjustments to the carrying values. Refer to Note 13 for additional details.

(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.

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). $5.87 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.

Management assessed the likelihood of the underground project proceeding to be high and as such 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 August 2022 to be the amount received of $5.87 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%.

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.

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

(d) Fair value of financial liabilities *(cont.)*

At 31 December 2022, an interest expense of $0.4 million was recognised for the unwinding of the discount. In addition, a recalculation was performed to account for increased copper prices (US$7,528 @ 0.69 A$/US$ exchange rate to US$8,390 @ 0.68 A$/US$ exchange rate) which resulted in an expense of $0.9 million.

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

3. DIVIDENDS

	31 Dec 2022	31 Dec 2021
	$'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.

5. OTHER INCOME

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Interest	**44**	11
Other – excess rehabilitation seed sale income	**23**	48
Total other income	**67**	59

6. EXPENSES

Profit or loss before income tax includes the following expenses:

(a) Expenses per profit or loss

		31 Dec 2022	31 Dec 2021
	Note	$'000	$'000
Corporate and other costs	*(i)*	**1,863**	2,895
Care and maintenance costs and other direct site costs	*(ii)*	**2,640**	2,583
Rehabilitation adjustment	*(iii)*	**(32)**	(106)
Depreciation and amortisation		**67**	74
Total expenses		**4,538**	5,446

(i) Corporate and other costs reflect the costs incurred in running the corporate head office.

(ii) During the period of care and maintenance, depreciation of the processing plant has ceased based on the assumption that the activities performed during the period of care and maintenance will preserve the current value of these assets. Costs incurred in relation to care and maintenance have been expensed.

(iii) 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 2022	31 Dec 2021
	$'000	$'000
Discount on unwind of rehabilitation provision	**130**	34
Borrowing costs, bank fees and charges	**8**	8
Discount on unwind of royalty financial liability	**438**	-
Revaluation of royalty financial liability	**889**	-
Total interest and finance charges	**1,465**	42

(c) Impairment charges

		31 Dec 2022	31 Dec 2021
	Note	$'000	$'000
Exploration assets	*(i)*	24	4
		24	4

(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.

6. EXPENSES (cont.)

(d) Other required disclosures

	31 Dec 2022 $'000	31 Dec 2021 $'000
Employee benefits (excluding share-based payments)	3,121	3,167
Employee share based payments (see Note 33)	626	821

(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 2022 $	31 Dec 2021 $
(i) Audit Services		
PricewaterhouseCoopers:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**112,691**	113,189
	112,691	113,189
(ii) Taxation Services		
Services by PricewaterhouseCoopers:		
Tax advice and tax compliance	**27,360**	15,576
	27,360	15,576

7. INCOME TAX

	31 Dec 2022 $'000	31 Dec 2021 $'000
(a) Income tax expense		
Income tax expense comprises:		
- Current tax expense	**-**	-
- Deferred tax expense / (benefit)	**13**	422
Income tax expense / (benefit)	**13**	422
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense/(benefit)	**(5,960)**	(5,433)
Tax at the Australian tax rate of 30%	**(1,788)**	(1,630)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share based payments	**188**	246
- Non-deductible expenses	**1**	2
- Non-assessable income	**-**	-
- Exploration deductible	**(1,238)**	(2,500)
- Tax temporary differences (recognised) / not recognised	**2,850**	4,304
Income tax expense/ (benefit)	**13**	422
(c) Amounts recognised directly in equity		
Deferred tax – (credited) / debited directly in equity	**13**	(422)

(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.

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 2022	31 Dec 2021
	$'000	$'000
Tax losses and credits	**70,515**	66,682
Business related costs	**376**	562
Provisions and accruals	**3,183**	3,458
Financial liability	**2,158**	-
Total deferred tax assets	**76,232**	70,702

The balance of deferred tax liabilities comprises temporary differences attributable:

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Exploration expenditure / PPE	**9,346**	5,430
Total deferred tax liabilities	**9,346**	5,430
Net deferred tax assets	**66,886**	65,272
Deferred tax assets not recognised	**(66,886)**	(65,272)
Recognised net deferred tax assets	**-**	-

The company has unrecognised capital losses of $11.3 million (2021: $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.

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 2022	31 Dec 2021
	Number	Number
Weighted average number of ordinary shares used in calculating basic and dilutive EPS	**1,174,289,057**	960,997,490

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

	31 Dec 2022	31 Dec 2021
	$'000	$'000
(i) Basic earnings		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(5,973)**	(5,855)
(ii) Diluted earnings		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(5,973)**	(5,855)

	31 Dec 2022	31 Dec 2021
	Cents	Cents
(iii) Basic earnings per share		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(0.5)**	(0.6)
(iv) Diluted earnings per share		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(0.5)**	(0.6)

10. CASH AND CASH EQUIVALENTS

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Cash at bank and on hand	**4,758**	10,178
Restricted cash	**547**	559
	5,305	10,737

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 deposits to cash back environmental bonds, and an exploration tenement bond.

11. TRADE AND OTHER RECEIVABLES

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Prepayments	**481**	400
Other receivables	**362**	368
GST receivable	**62**	155
	905	923

Financing arrangements

On 16 June 2022, the Group entered into a $4 million line of credit finance facility with Volvo Finance Australia Pty Ltd which expires on 30 June 2023. The facility may be used to finance the purchase of underground mining equipment but at the date of this report, the facility had not been drawn upon.

12. INVENTORIES

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Current assets		
Stores and consumables	**410**	100
Total current inventory	**410**	100
Non-current assets		
Stores inventory	**1,464**	1,816
Total non-current inventory	**1,464**	1,816

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

Due to the processing being in care and maintenance, an assessment has been made of the estimated cost or net realisable value of stores inventory which is unlikely to be consumed in the next financial year but still has future economic value in conjunction with the plant itself. This has been reclassified to non-current stores inventory.

13. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Land and buildings		
At cost	**5,277**	5,277
Accumulated depreciation and impairment	**(379)**	(379)
	4,898	4,898
Plant and equipment		
At cost	**73,574**	73,559
Accumulated depreciation and impairment	**(59,964)**	(59,887)
	13,610	13,672
Motor vehicles		
At cost	**451**	436
Accumulated depreciation	**(369)**	(369)
	82	67
Mine development		
At cost	**181,151**	174,357
Accumulated depreciation and impairment	**(159,710)**	(159,710)
	21,441	14,647
Total property, plant and equipment	**40,031**	33,284

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 between 3-10 years from inception, 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. Refer to Note 6 (a) (ii) for further information.

Mine development includes development costs related to the Kanmantoo mine.

In accordance with the Group's accounting policies, regular impairment testing is carried out to ensure assets are not carried at more than their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell (FVLCOD) and its value-in-use (VIU). The VIU methodology is used to estimate the recoverable amount, rather than the FVLCOD method, as VIU is considered more appropriate given the cessation of open pit operations and the intent to develop the underground project.

Due to the uncertainty surrounding funding for the underground project, an assessment of the discounted future cash flows for the Kanmantoo CGU was performed which resulted in no adjustments to the carrying values.

The impairment calculations were performed using a nominal discount rate of 16.63% (2021: 13.88%)

No impairment charges were taken against the Group's Kanmantoo assets in the current year.

13. PROPERTY, PLANT AND EQUIPMENT (cont.)

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

	31 Dec 2022 $'000	31 Dec 2021 $'000
Land and buildings		
Carrying amount at beginning of period	**4,898**	4,898
Depreciation	**-**	-
Carrying amount at end of period	**4,898**	4,898
Plant and equipment		
Carrying amount at beginning of period	**13,672**	13,673
Additions	**22**	66
Depreciation	**(84)**	(67)
Carrying amount at end of period	**13,610**	13,672
Motor vehicles		
Carrying amount at beginning of period	**67**	78
Additions	**15**	-
Depreciation	**-**	(11)
Carrying amount at end of period	**82**	67
Mine development		
Carrying amount at beginning of period	**14,647**	5,741
Additions	**6,794**	8,906
Depreciation	**-**	-
Carrying amount at end of period	**21,441**	14,647
Total property, plant and equipment	**40,031**	33,284

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 2022 $'000	31 Dec 2021 $'000
Exploration and evaluation expenditure	**4,784**	4,434
Carrying amount at beginning of period	**4,434**	3,236
Additions	**678**	1,202
Government grant income (i)	**(304)**	-
Impairment loss	**(24)**	(4)
Carrying amount at end of period	**4,784**	4,434

(i) During the year, two grants were received under the South Australian Government's Accelerated Discovery Initiative. As detailed in Note 1(f), the income has been recognised as a reduction in the carrying value of the associated exploration assets.

15. TRADE AND OTHER PAYABLES

	31 Dec 2022 $'000	31 Dec 2021 $'000
Trade payables	**130**	567
Other payables and accruals	**573**	1,233
	703	1,800

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

16. PROVISIONS – CURRENT

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Rehabilitation provision	**766**	736
	766	736
Movement in provisions		
Carrying value at the beginning of the period	**736**	775
Payments charged against provisions:		
Rehabilitation provision	**(376)**	(389)
Transfer from / (to) non-current provisions:		
Rehabilitation provision	**406**	350
Balance at end of period	**766**	736

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 and Comet Vale tenement.

17. LEASE LIABILITIES

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Lease liabilities	**-**	-
Total lease liabilities	**-**	-

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of; fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option, and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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 cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising; the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. 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.

Payments associated with new short-term leases of equipment and vehicles and all leases of low-value assets are to be recognised on a straight-line basis as an expense in profit or loss.

The Group has no material lease obligations that require the disclosure of "lease liabilities" and "right-to-use" assets under AASB 16.

18. EMPLOYEE BENEFITS PAYABLE – CURRENT

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Employee benefits payable	**663**	1,501

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 $0.7 million (2020: $1.5 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 experience 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 2022	31 Dec 2021
	$'000	$'000
Leave obligations expected to settle after 12 months	**425**	176

19. PROVISIONS – NON-CURRENT

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Rehabilitation provision	**9,006**	9,314
Movement in provisions		
Carrying value at the beginning of the period	**9,314**	9,736
Discount on unwind of rehabilitation provision	**130**	34
Transfer (to)/from current provisions	**(406)**	(350)
(Reduce)/increase provision recognised	**(32)**	(106)
Balance at end of period	**9,006**	9,314

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. Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down 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 on the basis of 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 at a later date, 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.

20. DEFERRED INCOME

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Government grant	**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.

Upon successful development, and commercial production from the underground project, $1 million of the grant will be repayable to the South Australian Government via a 0.25% royalty, 12 months after the first concentrate sale from the underground operation. Should this be required, the $1 million will be reclassified from deferred income to financial liabilities.

21. FINANCIAL LIABILITIES

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Discounted net smelter return royalty	**7,195**	-
	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 2022 $'000	31 Dec 2021 $'000
Issued and paid up capital for 1,174,289,057 fully paid shares (31 December 2021: 1,168,169,769)	**256,088**	256,118

Ordinary shares issued – movements during the period

	31 Dec 2022 No. of shares	31 Dec 2021 No. of shares	31 Dec 2022 $'000	31 Dec 2021 $'000
Opening balance	**1,168,169,769**	661,798,194	**256,118**	236,550
Employee option schemes / issues	**6,119,288**	-	**-**	-
Capital raise	**-**	506,371,575	**-**	20,553
Less – transaction costs (net of tax)	**-**	-	**(30)**	(985)
Balance at end of period	**1,174,289,057**	1,168,169,769	**256,088**	256,118

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.

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 2022 $'000	31 Dec 2021 $'000
Share based payments reserve	**7,306**	6,680
Profit reserve	**22,082**	22,082
	29,388	28,762
Movements:		
Share based payments reserve		
Opening balance	**6,680**	5,673
Share based compensation expense	**626**	1,007
Closing balance	**7,306**	6,680
Profit reserve		
Opening balance	**22,082**	22,082
Transfer of current year profit	**-**	-
Dividend paid	**-**	-
Closing balance	**22,082**	22,082

23. RESERVES (cont.)

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 of the 2021 placement and share purchase plan.

(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 2022	31 Dec 2021
	$'000	$'000
At beginning of the period	**(246,937)**	(241,082)
Net loss (not carried forward to profit reserve)	**(5,973)**	(5,855)
Accumulated losses at end of the period	**(252,910)**	(246,937)

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 into with Freepoint 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 2022	
	Impact on current value of royalty payable	
	Increase $'000	Decrease $'000
Impact of 10% increase/ decrease in realised AUD copper price	**744**	**(744)**

(b) Foreign exchange risk

At 31 December 2022, the Group has no US$ denominated receivables. However, the valuation of the royalty payable to Freepoint 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.

(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 2021 $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.

25. FINANCIAL RISK MANAGEMENT *(cont.)*

(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 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**

	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 2021 $'000								
Trade and other payables	1,800	-	-	-	-	-	1,800	1,800
Total	1,800	-	-	-	-	-	1,800	1,800

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 2022 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;

26. SUBSIDIARIES (cont.)

Name of controlled entity	Country of incorporation	Class of share	Equity holding 31 Dec 2022 (%)	Equity holding 31 Dec 2021 (%)
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 2022	31 Dec 2021
	$'000	$'000
Within one year	**25**	13
One to five years	**16**	-
	41	13

The Group has no material lease obligations that require the disclosure of "lease liabilities" and "right-to-use" assets under AASB 16.

(b) Exploration expenditure commitments

In order 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 2022	31 Dec 2021
	$'000	$'000
Within one year	**1,462**	704
One to five years	**731**	445
	2,193	1,149

(c) Capital commitments

At 31 December 2022, there were no contracted capital commitments (31 December 2021: 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 2022	31 Dec 2021
	$'000	$'000
Operating profit/(loss) after income tax	**(5,973)**	(5,855)
Add/(less) items classified as investing/financing activities		
Net interest expense	**-**	8
Tax expense on capital raise costs	**13**	422
Add/(less) non-cash items		
Depreciation and amortisation	**67**	74
Impairment asset write downs	**25**	4
Employee share options	**626**	820
Discount on unwind of rehabilitation provision	**130**	34
Discount on unwind of royalty financial liability	**438**	-
Revaluation of royalty financial liability	**889**	-
Rehabilitation adjustment	**(32)**	(106)
Changes in operating assets and liabilities		
(Increase) / decrease in receivables, prepayments and inventories	**61**	(176)
Increase / (decrease) in trade creditors and accruals	**(782)**	(205)
Increase / (decrease) in provisions and employee benefits	**(1,214)**	78
Net cash used by operating activities	**(5,752)**	(4,902)

(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 2022	31 Dec 2021
	$'000	$'000
Cash and cash equivalents	**5,305**	10,737
Financial liabilities – repayable after one year	**(7,195)**	-
Net funds / (debt)	**(1,890)**	10,737

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

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

	Other assets		Liabilities from financing activities		
	Cash & Bank	**Liquid Investments**	**Financial liabilities due within 1 year**	**Financial liabilities due after 1 year**	**Total**
Net debt as at 1 January 2021	5,601	-	-	-	5,601
Cash flows	5,136	-	-	-	5,136
Other non-cash movements	-	-	-	-	-
Net funds/(debt) as at 31 December 2021	10,737	-	-	-	10,737
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)**

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 2022	31 Dec 2021
	$	$
Short-term employee benefits	**583,212**	590,955
Post-employment benefits	**58,399**	43,920
Cash bonus	**-**	178,500
Share based payments	**243,099**	747,827
	884,710	1,561,202

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

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

Subsequent to balance date and at the time of this release, the Company entered into a trading halt to conduct a capital raising.

32. CONTINGENT LIABILITIES

Guarantees

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Electranet performance bond to support the build, own, operate and maintain agreement for installation of transmission infrastructure at the Kanmantoo site	**359**	338
Security bonds on rental properties	**15**	16
	374	354

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.

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 at a later date, 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.

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 2022.

33. SHARE-BASED PAYMENTS

(a) Movements in performance rights during the year

	31 December 2022		31 December 2021	
	Number of performance rights	Weighted average exercise price ($)	Number of performance rights	Weighted average exercise price ($)
Balance at beginning of year	**51,241,840**	**-**	11,741,840	-
Granted – employees	**16,000,000**	**-**	28,500,000	-
Granted – non-executive directors	**-**	**-**	14,000,000	0.121
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**(6,119,288)**	**-**	-	-
Expired during the year	**(2,622,552)**	**-**	(3,000,000)	-
Balance at end of year	**58,500,000**	**-**	51,241,840	-
Exercisable at end of year	**-**	**-**	6,119,288	-

At the end of the year there were 58,500,000 performance rights outstanding and the weighted average remaining contractual life at the end of the period was 2.38 years (31 December 2021: 2.56 years).

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

(b) Summary of performance rights outstanding

	31 December 2022		31 December 2021	
	Number of performance rights	Last exercise date	Number of performance rights	Last exercise date
2019 OPRP	**-**	**-**	8,741,840	20 January 2022
2020 OPRP	**12,500,000**	**30 March 2024**	12,500,000	30 March 2024
2021 OPRP	**14,500,000**	**30 March 2025**	13,000,000	30 March 2025
2022 OPRP	**14,500,000**	**30 March 2026**	-	-
Growth OPRP	**3,000,000**	**31 July 2024**	3,000,000	31 July 2024
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
TOTAL	**58,500,000**		51,241,840	

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

	2019 OPRP	2020 OPRP	2021 OPRP	2022 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**	-
- Price calculation methodology	15 day VWAP	10 day VWAP	10 day VWAP	**10 day VWAP**	-
- Start of testing date	10 August 2020	1 March 2022	1 March 2023	**1 March 2024**	1 August 2021
- First exercise date	1 January 2022	1 March 2023	1 March 2024	**1 March 2025**	1 August 2021
- Last exercise date	30 January 2022	30 March 2024	30 March 2025	**30 March 2026**	31 July 2024
- Other hurdles	(1)	-	-	**-**	(2)

(1) *the Company's Total Shareholder Return performance relative to the component companies in the S&P/ASX Small Resources Accumulation Index measured over the period from 10 August 2020 to 31 December 2021 using a 15-day VWAP.*

(2) *To substantially advance one or more of the company exploration projects to the point where a JORC Mineral Resource is approved by the Board to advance to a funded Definitive Feasibility Study*

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

33. SHARE-BASED PAYMENTS (cont.)

(c) Additional information on rights issued during the year

	2021 OPRP [1]	2022 OPRP [1]	2022 OPRP
Grant date	4 March 2022	**1 July 2022**	**1 July 2022**
Valuation date	4 March 2022	**4 March 2022**	**10 May 2021 [2]**
Consideration	-	**-**	**-**
Exercise price	-	**-**	**-**
Number of rights granted	1,500,000	**1,500,000**	**13,000,000 [3]**
Performance hurdles			
- Share price target - cents	8.0	**10.0**	**10.0**
- Price calculation methodology	10 day VWAP	**10 day VWAP**	**10 day VWAP**
- Start of testing date	1 March 2023	**1 March 2024**	**1 March 2024**
- First exercise date	1 March 2024	**1 March 2025**	**1 March 2025**
- Last exercise date	30 March 2025	**30 March 2026**	**30 March 2026**
Valuation			
- Performed by	External advisers	**External advisers**	**External advisers**
- Methodology	Monte Carlo	**Binomial**	**Monte Carlo**
- Share price volatility	66%	**66%**	**70%**
- Expected dividend yield	0%	**0%**	**0%**
- Risk free interest rate	1.3%	**1.7%**	**0.0%**
- Valuation per right - cents	3.13	**2.44**	**6.94**

1. *Additional employees were invited to join the 2021 OPRP and 2022 OPRP. These rights were subject to a separate valuation based on the date the employees were notified of their eligibility.*
2. *The employees in this plan were notified of their eligibility to participate on 10 May 2021. The valuation was performed at this date.*
3. *Includes 5,000,000 for Lachlan Wallace as detailed in 4.4.3 of the Remuneration Report.*

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

	31 December 2022		31 December 2021	
	Number of performance rights	Weighted average exercise price ($)	Number of performance rights	Weighted average exercise price ($)
Balance at beginning of year	**20,000,000**	**0.078**	-	-
Granted	**-**	**-**	20,000,000	0.078
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	-	-
Expired during the year	**-**	**-**	-	-
Balance at end of year	**20,000,000**	**0.078**	20,000,000	0.078

At the end of the year there were 20,000,000 rights outstanding and the weighted average remaining contractual life at the end of the period was 1.75 years (31 December 2021: 2.75 years).

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 2022	31 Dec 2021
	$'000	$'000
Performance rights issued under the OPRP:		
Equity based	**626**	647
Cash based	**-**	174
	626	821

During the period, the share based payment amounts that were expensed was 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 2022	31 Dec 2021
	$'000	$'000
Profit / (loss) after income tax	**(1,838)**	(3,309)
Total comprehensive income	**(1,838)**	(3,309)
Statement of financial position		
Total current assets	**5,371**	10,864
Total assets	**31,475**	33,797
Total current liabilities	**445**	1,525
Total liabilities	**445**	1,525
Net assets	**31,030**	32,272
Shareholder's equity		
Contributed equity	**256,088**	256,118
Reserves	**14,172**	13,547
Accumulated losses	**(239,230)**	(237,393)
Total equity	**31,030**	32,272

Significant 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.

Contingent liabilities

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Security bond on rental properties	**-**	16

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 25 to 49 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 2022 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 28th day of February 2023.

Mr Derek Carter
Chairman

Mr Lachlan Wallace
Managing Director

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 2022 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 2022
- 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, which include significant accounting policies 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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Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred an operating loss of $6.0 million and net cash outflows from operating activities of $5.8 million during the year ended 31 December 2022, and that there are no expected cash inflows from operating activities for twelve months from the date of this report. As a result, the Group will require additional funding over the next twelve months. These conditions, along with other matters set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Materiality	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $530,000, which represents approximately 1% of the Group's total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group total assets because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit 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.

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. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter(s) described below to be the key audit matters to be communicated in our report.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of assets of Kanmantoo cash generating unit *(Refer to Note 13)* The Group's assessment of the carrying value of the Kanmantoo cash generating unit ('CGU') was considered a key audit matter due to the financial significance of property, plant and equipment ($40.0 million) and the judgemental assumptions included in the Group's discounted cash flow models for the Kanmantoo mine, as disclosed in Note2(a).	We performed the following procedures, amongst others: • Assessed the appropriateness of the CGU identification in accordance with the requirements of Australian Accounting Standards. • Evaluated the Group's ability to forecast future results by comparing budgets with reported actual results for the previous financial year. • Evaluated the Group's plans for the Kanmantoo mine and considered whether these are feasible. This included a comparison of a sample of resource estimates and exploration target tonnages to the assessment prepared by the Group's expert. We also assessed the competence of the Group's expert. • Evaluated whether judgements made in selecting the method, significant assumptions, and data for developing the discounted cash flow model give rise to indicators of possible bias by the Group. • Assessed the appropriateness of significant assumptions and data in the context of Australian Accounting Standards. This included:

pwc

Key audit matter	*How our audit addressed the key audit matter*
	– compared the data utilised to determine the total forecast ore to be processed to historical volumes processed and processing plant capacity. – compared the data utilised in forecasting the ore production to historical recovery levels. – compared copper pricing data used to independent industry forecasts. – compared the foreign exchange rate data utilised by management to current market information. – compared the forecast operating cost assumptions to historical costs incurred. – compared the forecast capital costs to external cost estimates. – evaluated the appropriateness of the discount rate applied by the Group by comparing to current market information. – assessed the timing and amounts to be received from the sale of processing plant and land following expected completion of mining and processing activities to external valuation reports. This included an assessment of the competence of the external firms who prepared the valuations. • Evaluated the reasonableness of disclosures made in the financial report, including those regarding significant assumptions, considering the requirements of Australian Accounting Standards.

Key audit matter	***How our audit addressed the key audit matter***
Fair value of financial liabilities *(Refer to Note 2(d) and Note 21)* During the year the Group entered into a royalty funding agreement for $6.0 million (less transaction costs). The Group's fair value assessment and associated accounting was considered a key audit matter due to the financial significance of royalty agreement and the judgemental assumptions included in the fair value calculation as disclosed in Note 2(d).	We performed the following procedures, amongst others: • Assessed the appropriateness of the accounting policy treatment at amortised cost using the effective interest method to be in line with the requirements of Australian Accounting Standards. • Assessed the appropriateness of significant assumptions and data in the context of Australian Accounting Standards. This included: – agreed a sample of data used to support the calculation to the current approved life of mine plan. – compared the data utilised in forecasting the ore production to historical recovery levels. – compared the data utilised to determine the total forecast ore to be processed to historical volumes processed and processing plant capacity. – compared copper pricing data used to independent industry forecasts. – compared the foreign exchange rate data utilised by management to current market information. • Assessed the mathematical accuracy of the model. • Evaluated the reasonableness of disclosures made in the financial report, including those regarding significant assumptions, considering 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 2022, 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.

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 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 pages 15 to 23 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of Hillgrove Resources Limited for the year ended 31 December 2022 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.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers

Julian McCarthy
Partner

Adelaide
28 February 2023

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 24 January 2023, the Company has 1,174,289,057 listed fully paid ordinary shares. Each fully paid share carries on a poll one vote.

The company also has 44,500,000 unquoted performance rights and 34,000,000 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 1,698 as at 24 January 2023.

(c) Distribution schedule of Fully Paid Ordinary Shares as at 24 January 2023

Size of holding	Number of shareholders
1 - 1,000	444
1,001 - 5,000	1,051
5,001 - 10,000	404
10,001 - 100,000	1,208
100,001 and over	672
	3,779

(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 24 January 2023

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
Ariadne Australia Limited	15.2%
Munro Family Super Fund	5.3%
Cosoff Group	5.0%

Shareholder Information for Listed Public Companies *(cont.)*

Twenty largest listed shareholders

The twenty largest shareholders hold 47.9% of the total ordinary shares issued. The 20 largest shareholdings as at 24 January 2023 are listed below:

	Shareholder	No. of ordinary shares held	% of issued shares
1	Portfolio Services Pty Ltd	69,812,355	5.9%
2	Mr Raymond Edward Munro	68,952,500	5.9%
3	Bell Potter Nominees Pty Ltd	57,022,134	4.9%
4	Portfolio Services Pty Ltd	42,337,067	3.6%
5	Citicorp Nominees Pty Ltd	33,910,293	2.9%
6	J P Morgan Nominees Australia	32,637,550	2.8%
7	Portfolio Services Pty Ltd	30,961,163	2.6%
8	UBS Nominees Pty Ltd	29,000,000	2.5%
9	BNP Paribas Nominees Pty Ltd	26,842,050	2.3%
10	Proco Pty Ltd	23,250,000	2.0%
11	Proco Pty Ltd	23,050,000	2.0%
12	Portfolio Services Pty Ltd	17,546,894	1.5%
13	Mr Antony Gordon Breuer	17,000,000	1.4%
14	National Nominees Pty Ltd	15,352,561	1.3%
15	Portfolio Services Pty Ltd	15,322,581	1.3%
16	Cosell Pty Limited	14,000,000	1.2%
17	Papailoa Holdings Pty Ltd	13,500,000	1.1%
18	Fundazma Pty Ltd	11,451,613	1.0%
19	HSBC Custody Nominees	11,449,602	1.0%
20	H&G High Conviction Ltd	9,009,995	0.8%
		562,408,358	**47.9%**

(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 6176	Wheal Ellen, 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%
ML 755*	Armidale, New South Wales	100%

* *The Group has made an application to cancel ML755 with approval expected in early FY23.*

(i) Other information

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

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