

Hillgrove Resources Limited (ASX: HGO) report for the quarter ended 31 March 2022

SUMMARY

Kanmantoo Development

- ▶ Funding discussions for the Kanmantoo Underground restart have advanced to definitive agreements stage
- ▶ Mining contractor engaged to accelerate development of underground exploration decline using traditional drill and blast methods
- ▶ The government funded Komatsu MC51 continuous mechanical cutting machine trial continued by commencing the portal development for the ventilation drive

Updated Kanmantoo Drilling Results with Multiple High-Grade Copper Lodes

- ▶ **36.5m @ 1.76% Cu**, 0.29 g/t Au from 367.7m in KTDD208_W2
- ▶ **17.85m @ 1.46% Cu**, 0.08 g/t Au from 395.5m in KTDD208_W4, part of a wider intersection of **103.6m @ 0.63% Cu**
- ▶ **13.8m @ 0.89% Cu**, 0.04 g/t Au from 505.3m in KTDD208_W3
- ▶ **15.3m @ 2.15% Cu**, 0.21 g/t Au from 471.0m in KTDD208_W1, part of a wider zone of mineralisation of **97m @ 0.69% Cu**

Released UG Growth Strategy at Fremantle Explorers Conference

- ▶ South Hub at Kanmantoo with past HGO drill intercepts including:
17m @ 3.6% Cu, 0.6 g/t Au from 144m at Paringa (KTRC866),
- ▶ North Kavanagh Hub with past HGO drill intercepts including:
9m @ 2.1% Cu, 0.7 g/t Au from 104m (KTRC945)

Other

- ▶ Hillgrove's first Sustainability Report was released, presenting the Company's ESG activities using the GRI Reporting Framework and mapping against the UN's Sustainability Development Goals, the International Council on Mining and Metals (ICMM) Mining Principles and the GRI Environmental Performance Indicators.

MANAGING DIRECTOR'S STATEMENT

“Another excellent quarter for the Company and the Kanmantoo site, which has seen us continue to advance the underground project on all fronts: exploration drilling, decline development and funding.

The drilling returned further multiple high-grade zones being delineated within wider zones of copper mineralisation of around 100m in downhole length. As these holes are incorporated into the geological model, it is expected the Mineral Resource Estimate will grow both in size and in geological confidence. Drilling continues in Nugent, with results anticipated in the next quarter.

The primary decline continued with the Komatsu MC51 for most of the quarter. With the copper price maintaining record prices and project finance discussions proceeding to definitive documentation stage, we engaged an underground mining contractor to ramp up the decline development using traditional drill and blast methods. This is expected to bring forward the potential timing of first copper production. In addition, we continued the trial with the Komatsu MC51 which has now commenced the portal development for the ventilation drive.

Chief Geologist, Peter Rolley, presented the next stage of exploration at Kanmantoo at the Fremantle Explorers conference. Importantly, this highlights that the Stage 1 mine plan only includes two of nine deposits that have either been drilled or mined on the permitted mining lease. The next stage includes depth and strike extension drilling of the Kavanagh and Nugent lodes as immediate extensions of the plan, and to commence exploration on five of the other lodes within the permitted lease. Pending exploration success, we 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.

I am also very pleased to have release our first Sustainability Report during the quarter, which is aligned to globally recognised reporting frameworks. I look forward to building on this initial report as the underground development progresses.

Over the next quarter, we plan to complete the drilling program in Nugent and update the Mineral Resource Estimate for Kavanagh. As the geological information is updated, we will continue to refine the mine plan, and select a mining contractor for the initial Stage 1 plan, whilst in parallel we seek to complete the debt funding package. Once these activities are concluded the board will be in a position to make a final investment decision.”

UNDERGROUND EXPLORATION & DEVELOPMENT

Kanmantoo Underground Project Finance

As announced to the market on 21 March 2022, debt funding discussions for the Kanmantoo Underground restart have advanced to definitive agreements stage. Subject to Board approval, the Company expects to be able to commence the production restart in 2022 as scheduled. The Company will provide further information on its targeted timeline closer to the completion of its debt financing.

Kanmantoo Underground Decline

The Komatsu MC51 continuous miner has completed the portal for the primary decline and a short section of the decline. The portal and decline will be used for future underground mine access, reducing what is already a low cost and short timeframe to first copper, as outlined in the Economic Assessment¹.

With copper prices remaining above the assumptions in last year's Economic Assessment and in anticipation of a positive investment decision, the Company engaged a mining contractor to advance the decline further using tried and tested drill and blast practices.

The MC51 trial continues at Kanmantoo with the machine now cutting the portal for the ventilation drive. The trial will continue in this area until the ventilation drive becomes a critical path activity, at which point Hillgrove and Komatsu will consider relocating the machine again to develop the Nugent portal.

Kanmantoo Underground Drilling

The Kavanagh surface drilling program was completed during the quarter, with all four new diamond holes into the Kavanagh mineral zone intersecting strong mineralisation. The highlights of this includes²:

- ▶ 36.5m @ 1.76% Cu, 0.29 g/t Au from 367.7m downhole (KTDD208_W2)
- ▶ 17.85m @ 1.46% Cu, 0.08g/t Au from 395.5m downhole (KTDD208_W4)
 - Part of a wider zone of sulphide mineralisation of 103.6m @ 0.63% Cu
- ▶ 13.8m @ 0.89% Cu, 0.04 g/t Au from 505.3m downhole (KTDD208_W3)
- ▶ 15.3m @ 2.15% Cu, 0.21 g/t Au from 471.0m downhole (KTDD208_W1)
 - Part of a wider zone of sulphide mineralisation of 97m @ 0.69% Cu

The diamond drilling at Nugent completed post quarter end and results are awaited.

The success of the program to date has continued to increase the robustness of the Mineral Resource Estimate and solidifies the Company's production restart plan. The latest drilling results from Kavanagh as well as that being conducted in Nugent are expected to grow the Resource in both size and geological confidence and the Company intends to release an updated Mineral Resource Estimate after the receipt of all drilling results from the Nugent and Kavanagh drilling programs.

EXPLORATION

Hillgrove has a strong pipeline of exploration opportunities over more than 6,100km² of tenements.

These tenements comprise three project areas, the Mine Lease Exploration, Near Mine Exploration (within 10 kms of Hillgrove's processing plant) and the Regional Exploration areas within the south-east Delamerian Magmatic Cu-Au province.

¹ Refer ASX Announcement of 14 December 2021

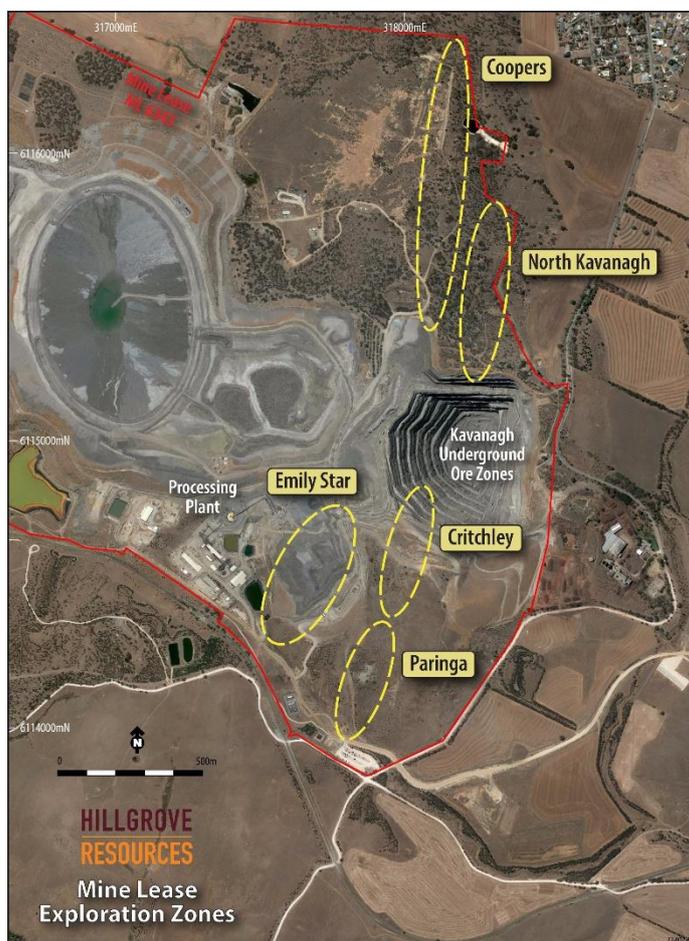
² Refer ASX Announcement of 21 March 2022

Mine Lease Exploration

The Cu-Au targets within the Kanmantoo Mine lease within 1 km of Hillgrove's processing plant includes the previously mined Emily Star, Paringa, and Critchley Cu-Au deposits south of the Kavanagh underground Cu-Au development, and the Coopers and North Kavanagh Cu-Au deposits north of the Kavanagh underground development. These Mine Lease Cu-Au targets have been confirmed by past Hillgrove shallow RC drill holes, including;

- ▶ 17m @ 3.6% Cu, 0.6 g/t Au from 144m downhole at Paringa (KTRC954)
- ▶ 14m @ 2.8% Cu, 0.3 g/t Au from 123m downhole at Paringa (KTRC866)
- ▶ 11m @ 2.0% Cu, 0.2 g/t Au from 82m downhole at Emily (KTRC833)
- ▶ 6m @ 1.9% Cu, 0.4 g/t Au from 144m downhole at Emily (KTDD127)
- ▶ 11m @ 1.6% Cu, 0.2 g/t Au from 102m downhole at Nth Kavanagh (KTRC942)
- ▶ 9m @ 2.1% Cu, 0.7 g/t Au from 104m downhole at Nth Kavanagh (KTRC945)
- ▶ 10m @ 1.6% Cu, 0.6 g/t Au from 86m downhole at Coopers (KTRC174)

Compilation of these exploration opportunities is in progress for drill hole prioritisation.



Near Mine Exploration

The Cu-Au targets within 10 kms of the Kanmantoo processing plant includes the Stella, Mullewa and North West Kanmantoo geochemical and geophysical targets.

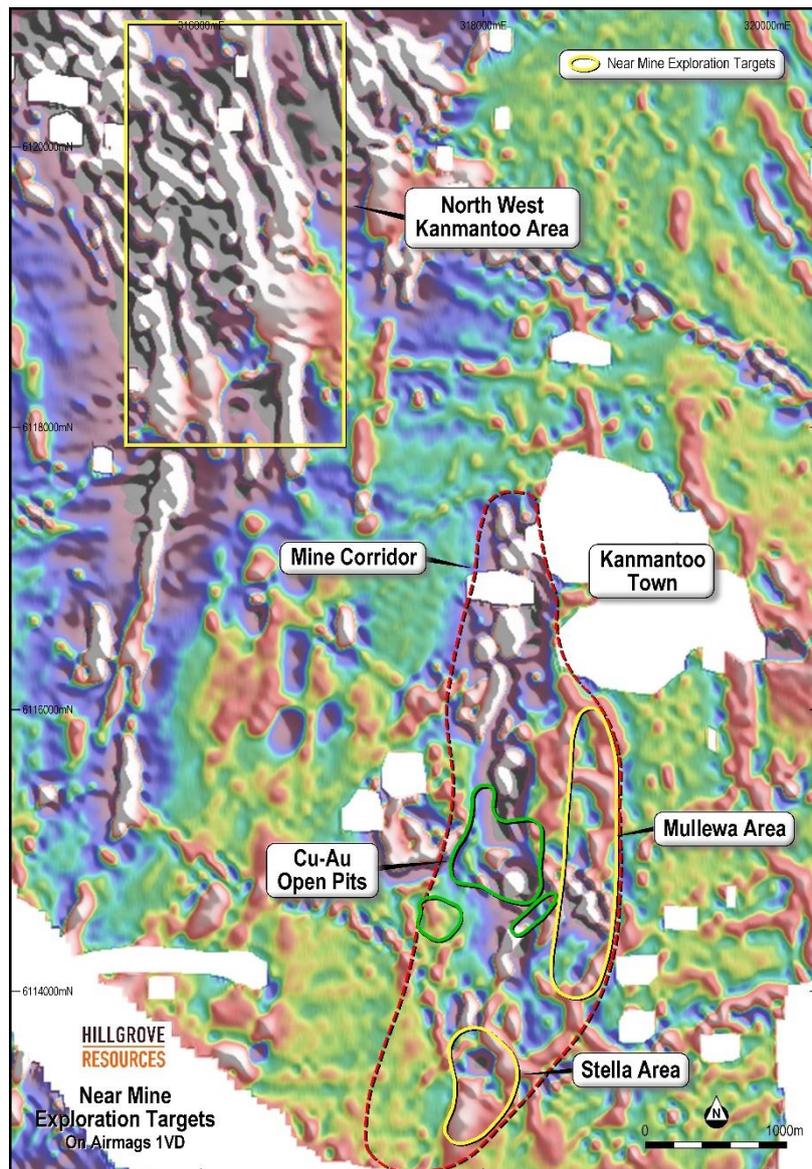
Stella

Drilling by Hillgrove in 2021 confirmed Stella as a new Cu-Au target near the Kanmantoo infrastructure. The main mineralised zone intersected in SLDD001 is characterised as an Fe-Au-Cu-Bi Zone similar in style and texture to the Kanmantoo mineralisation mined by Hillgrove from 2011 to 2019.

- **SLDD001 0.6m @ 16.85 g/t Au, 10.1% Cu, 44.8 g/t Ag from 344m downhole
Within 3m @ 3.53 g/t Au, 2.76% Cu, 11.9 g/t Ag from 343m downhole.**

This high-grade Au-Cu intercept is part of an 82.35m zone of Cu veining from 315m downhole.

Further drill hole planning is in progress.



Regional Exploration

The regional area comprises 5,652km² of exploration licences in the south-east of South Australia, within the Delamerian Orogen. The Delamerian Orogen is now being investigated by the Geological Survey of South Australia and MINEX-CRC for its magmatic arc related copper-gold endowment as a consequence of the discoveries on the Stavelly Belt in western Victoria, which is also within the Delamerian Orogen.

The Company was also successful in being granted funds under the South Australian Government's ADI scheme to empirically test various soil geochemical sampling/analyses techniques that have showed some great promise in early trials in the South-East.

Historic drilling within the tenement area is reported as intersecting 1.0m @ 6.13% Cu, 18 g/t Ag at 101.5m downhole (SHR008)³ at a skarn prospect called Sherlock.

Drill targeting is in progress.

HILLGROVE CORPORATE

The Company continues to be prudent with cash burn, through cost reduction initiatives. However, to maintain the processing plant for a quick restart, costs are incurred for site care and maintenance, water recirculation, and regulatory obligations.

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

- ▶ Exploration of \$0.2 million; and
- ▶ Development of \$3.1 million.

CORPORATE INFORMATION	
Issued Share Capital at 31 March 2022	
Ordinary shares	1,174,289,057
Unlisted Options	34,000,000
Employee Performance Rights	30,000,000
Share price activity for the Quarter	
High	0.073
Low	0.049
Last (31 March 2022)	0.064

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³ SARIG Envelope 9015 by Pasmaenco Exploration, dated January 1996