

05 February 2025

## Jan update - A strong start to 2025

### NEED TO KNOW

- HGO has reported a strong start to 2025 with a positive January operational update.
- Jan grade has improved to average 0.97% up from 0.86% in the Dec quarter, delivering on the lift mgmt flagged at the quarterly.
- Key operational metrics have improved on the Dec qtr record levels including further increases in development metres, mined tonnes, and recoveries.

**Grade uplift a key positive:** The Dec quarter average feed grade of 0.86% was below expectations as three lower grade stope tails were mined contemporaneously. At its quarterly update, management noted grade had improved through January. The Jan update confirms this step up, with grade averaging 0.97% for the month. This is around the level anticipated for the full year and will support improved production and sales volumes and lower unit costs for the current quarter.

**Operations continue to deliver new records:** Aside from grade, operational performance in the Dec quarter was strong with records delivered across development metres, ore mined, ore processed, and recoveries. This strong momentum has continued with January delivering further improvements with development meters in Jan +7% vs the Dec qtr monthly average, ore mined was +11%, and recoveries hit 93.9% (+40bp). Ore processed eased 10% for Jan vs Dec qtr averages, a function of campaign processing at Kanmantoo (plant runs every second week). While tonnes processed eased, higher grades and recoveries supported a 3% lift in copper production for the month.

**Production guidance achievable:** With this January performance delivered, current CY25 production guidance of 12-14kt looks very achievable, with annualised copper production in Jan close to the lower end of this range despite the reduced ore processed in the month. A modest increase to ore feed with grades maintained close to 1% and recoveries at current levels should see production at least towards the upper end of the guidance range.

### Investment Thesis

**Australia's newest copper producer:** Hillgrove offers a high-quality, debt free, pure play, exposure to copper. It is a relatively simple, single mine operation, technical and geological risks are minimised by virtue of its historic operations, and over 95% of revenue is from copper. While the December quarter was impacted by lower grades, records are being delivered across the business in terms of ore tonnes mined and processed, recoveries and development, this strong performance has continued in January. This positions the business well as grades now normalise. Delivering positive cash flow and firming up life extension opportunities will see the stock perform well in our view.

### Valuation: NPV \$0.117

We have made no changes to our valuation.

### Risks

Copper price, currency, production, costs, mining risks, and exploration.

### Equity Research Australia

#### Materials

Chris Drew, Research Analyst

chris.drew@mstaccess.com.au



Hillgrove has restarted copper production at the Kanmantoo mine in South Australia. Kanmantoo is aiming to produce 43.5kt of copper at an AISC of A\$3.66/lb over a 45-month mine life. Production commenced in early 2024 and to date the ramp up has delivered regular improvements across key operational metrics giving us confidence Hillgrove will be able to deliver to targeted production and cost levels. We see material value in HGO being unlocked through a successful ramp up to full production, a transition to positive cash flow generation, and delivering life extensions at Kanmantoo. HGO has a debt free balance sheet, and available franking credits, potentially supporting early dividend payments.

Valuation	<b>A\$0.117</b> (unchanged)
Current price	<b>A\$0.043</b>
Market cap	<b>A\$84m</b>
Cash on hand	<b>A\$3.3m</b> (31 Dec 2024)

### Upcoming Catalysts / Next News

Period	
H1 2025	Drilling updates
Q2 2025	March quarterly updates
Q3 2025	Guidance update (June quarterly)
H2 2025	Resource and Reserve update

### Share Price (A\$)



Source: FactSet, MST Access

Figure 1: Financial Summary

HILLGROVE RESOURCES LTD						HGO.AX
<b>Year end 31 Dec</b>						
<b>MARKET DATA</b>						
Share Price	A\$/sh					<b>0.043</b>
52 week high/low	A\$/sh				0.039 - 0.089	
Valuation	A\$/sh					0.117
Market Cap (A\$m)	A\$m					84
FY24 Y/E Net Cash / (Debt) (A\$m)	A\$m					(2)
Enterprise Value (A\$m)	A\$m					86
Shares on Issue	m					2,096
Options/Performance shares	m					109
Other Equity	m					0
Fully Diluted Shares on Issue	m					2,205
<b>NPV (100%, unfunded basis, fully diluted)</b>	<b>A\$m</b>	<b>A\$ps</b>				
Kanmantoo NPV (100% project)	277	0.126				
Corporate Costs	(17)	(0.008)				
Net Cash / (Debt)	(2)	(0.001)				
Total equity valuation	258	0.117				
<b>INVESTMENT FUNDAMENTALS (Dec Y/E)</b>						
		<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
EPS Reported (undiluted)	Cps	(0.5)	(1.0)	(0.0)	1.8	2.2
EPS Underlying (undiluted)	Cps	(0.5)	(1.0)	(0.0)	1.8	2.2
DPS	Cps	0.0	0.0	0.0	0.54	0.69
Dividend Yield	%	0%	0%	0%	13%	16%
OpCF/Share	A\$	(0.00)	(0.00)	0.01	0.04	0.05
FCF/Share	A\$	(0.01)	(0.01)	(0.01)	0.02	0.04
FCF Yield	%	-13%	-35%	-14%	53%	89%
Book Value / Share	A\$	0.02	0.03	0.04	0.06	0.09
Year End Shares	m	1,174	1,912	2,096	2,096	2,096
Market Capitalisation (current)	A\$m	84	84	84	84	84
Net Cash / (Debt)	A\$m	5	6	(2)	41	102
Enterprise Value	A\$m	79	78	86	42	(18)
EV/EBITDA	x	nm	nm	3.4	0.5	nm
Net Debt / Enterprise Value	x	(0.1)	(0.1)	0.0	(1.0)	5.6
Net Debt / Equity	%	-16%	-11%	3%	-31%	-53%
<b>Assumptions &amp; Forecasts</b>						
		<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
AUD USD	\$			0.66	0.64	0.70
Copper Price	US\$/lb			3.86	4.50	4.75
Copper production (in con)	kt			9.0	13.9	14.8
AISC	US\$/lb			3.35	3.11	2.81
<b>Resource</b>						
		<b>Tonnes</b>	<b>Copper</b>	<b>Gold</b>		
		<b>kt</b>	<b>%</b>	<b>kt</b>	<b>g/t</b>	<b>koz</b>
Resource						
Measured		780	1.28%	9.9	0.1	2.5
Indicated		4,505	1.06%	48.3	0.2	24.8
Inferred		1,700	1.00%	15.0	0.1	8.0
<b>Total Resource</b>		<b>6,985</b>	<b>1.08%</b>	<b>75.9</b>	<b>0.16</b>	<b>40.5</b>
<b>Management &amp; Board ownership</b>						
		<b>Shares</b>	<b>Perf Rights</b>			
		<b>(m)</b>				
Derek Carter - Chair		2.371	7.000			
Murray Boyte - NED		4.048	7.000			
Roger Higgins - NED		1.200	7.000			
Bob Fulker - Managing Director		0.700	5.000			
<b>12-Month Relative Performance vs S&amp;P/ASX Metals &amp; Mining</b>						
<b>Profit &amp; Loss (A\$m)</b>						
		<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Revenue		0.0	0.0	117.4	193.6	206.7
Expenses		(4.5)	(14.7)	(92.3)	(111.2)	(107.5)
<b>EBITDA</b>		<b>(4.5)</b>	<b>(14.7)</b>	<b>25.1</b>	<b>82.4</b>	<b>99.2</b>
D&A		(0.1)	(0.7)	(22.2)	(29.1)	(30.0)
<b>EBIT</b>		<b>(4.5)</b>	<b>(15.5)</b>	<b>2.9</b>	<b>53.3</b>	<b>69.2</b>
Net Interest		(1.4)	(0.2)	(2.3)	0.5	(2.5)
Tax		(0.0)	(0.7)	(1.6)	(16.2)	(20.0)
<b>Underlying NPAT</b>		<b>(6.0)</b>	<b>(16.3)</b>	<b>(1.0)</b>	<b>37.7</b>	<b>46.7</b>
Exceptionals		-	-	-	-	-
<b>Reported Profit</b>		<b>(6.0)</b>	<b>(16.3)</b>	<b>(1.0)</b>	<b>37.7</b>	<b>46.7</b>
Profit before tax		(6.0)	(15.7)	0.6	53.8	66.7
<b>Balance Sheet (A\$m)</b>						
		<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Cash		5.3	10.2	3.3	46.7	107.3
Receivables		0.9	1.5	4.2	4.2	4.2
Inventory		0.4	3.1	6.8	6.8	6.8
PP&E		40.0	69.1	91.9	93.4	79.9
Exploration		4.8	5.3	7.0	9.0	11.0
Other		1.5	11.8	11.4	15.2	24.2
<b>Assets</b>		<b>52.9</b>	<b>101.1</b>	<b>124.5</b>	<b>175.3</b>	<b>233.3</b>
Creditors		0.7	13.7	19.2	19.2	19.2
Debt		-	4.3	5.3	5.3	5.3
Leases		-	7.5	5.6	1.6	1.6
Provisions		10.4	11.2	11.8	11.8	11.8
Other		9.2	9.5	8.0	3.1	3.0
<b>Liabilities</b>		<b>20.3</b>	<b>46.2</b>	<b>49.9</b>	<b>41.0</b>	<b>40.8</b>
<b>Net Assets</b>		<b>32.6</b>	<b>54.9</b>	<b>74.6</b>	<b>134.3</b>	<b>192.5</b>
<b>Cashflow (A\$m)</b>						
		<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Net Cash From Operations		(5.8)	(9.5)	16.7	79.5	96.0
Interest		0.0	0.8	0.1	1.0	2.9
Tax		-	-	-	-	-
Other		-	-	6.3	-	-
<b>Net Cash From Operations</b>		<b>(5.7)</b>	<b>(8.8)</b>	<b>23.1</b>	<b>80.6</b>	<b>98.9</b>
Capex		(7.3)	(21.8)	(35.2)	(30.6)	(16.5)
Capitalised Exploration		(0.6)	(0.7)	(0.7)	(2.0)	(2.0)
Other		2.3	0.1	0.2	-	-
<b>Free Cash Flow</b>		<b>(11.3)</b>	<b>(31.2)</b>	<b>(12.5)</b>	<b>48.0</b>	<b>80.4</b>
Equity		-	38.4	10.3	-	-
Borrowings drawn/(repaid) incl leases		5.9	(0.7)	(4.2)	(4.0)	(4.0)
Other (incl Divs)		(0.0)	(1.6)	(0.6)	(0.5)	(15.9)
<b>Net Increase / (Decrease) in Cash</b>		<b>(5.4)</b>	<b>4.9</b>	<b>(7.0)</b>	<b>43.5</b>	<b>60.5</b>
<i>Source: MST, HGO</i>						

## Personal disclosures

Chris Drew received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

## Company disclosures

The companies and securities mentioned in this report, include:

Hillgrove Resources Ltd (HGO.AX) | Price A\$0.043 | Valuation A\$0.117;

*Price and valuation as at 05 February 2025 (\* not covered)*

## Additional disclosures

This report has been prepared and issued by the named analyst of MST Access in consideration of a fee payable by: Hillgrove Resources Ltd (HGO.AX)

## Other disclosures, disclaimers and certificates

## Methodology & Disclosures

MST Access is a registered business name of MST Financial Services Limited (ABN 617 475 180 "MST Financial Services"), which is a limited liability company incorporated in Australia on 10 April 2017 and holds an Australian Financial Services Licence (AFSL 500 557). This research is issued in Australia through MST Access, which is the research division of MST Financial Services. The research and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by MST Access is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a financial product you should read any relevant Product Disclosure Statement or like instrument.

**ECM and corporate advisory services:** MST Financial Services provides equity capital markets ("ECM") and corporate advisory services through its capital markets division, MST Capital Markets ("MST Capital"). MST Capital provides these services to a range of companies including clients of MST Access. As such, MST Capital may in the future provide ECM and/or corporate advisory services and, accordingly, may receive fees from providing such services. However, MST Financial Services has measures in place to ensure the independence of its research division is maintained, including information barriers between its Capital Markets and Research teams. In addition, neither MST Access, nor any of its research analysts, receive any financial benefit that is based on the revenues generated by MST Capital or any other division of MST Financial Services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently certified. Opinions contained in this report represent those of MST Access at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of liability:** To the fullest extent allowed by law, MST Access shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained in this report. No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by MST Access, and under no circumstances will any of MST Financial Services' officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

## General Advice Warning

MST Access Research may not be construed as personal advice or recommendation. MST Access encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer's securities or investments. The information contained within MST Access Research is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy. Analysis contained within MST Access Research publications is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results.

MST Access Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability or use would be prohibited. MST makes no claim that MST Access Research content may be lawfully viewed or accessed outside of Australia. Access to MST Access Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. MST Access Research is provided to our clients through our proprietary research portal and distributed electronically by MST Financial Services to its MST Access clients. Some MST Access Research products may also be made available to its clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at MST Financial Services' discretion.

## Access & Use

Any access to or use of MST Access Research is subject to the [Terms and Conditions](#) of MST Access Research. By accessing or using MST Access Research you hereby agree to be bound by our Terms and Conditions and hereby consent to MST Financial Services collecting and using your personal data (including cookies) in accordance with our [Privacy Policy](#), including for the purpose of a) setting your preferences and b) collecting readership data so we may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not wish to consent to MST Financial Services' use of your personal data, please do not access this service.

Copyright of the information contained within MST Access Research (including trademarks and service marks) are the property of their respective owners. MST Access Research, video interviews and other materials, or any portion thereof, may not be reprinted, reproduced, sold or redistributed without the prior written consent of MST Financial Services.