28 February 2025

Robust Operational Performance in CY2024

Hillgrove Resources Limited ('Hillgrove', 'the Company') (ASX:HGO) is pleased to provide the financial results for the year ended 31 December 2024.

2024 Key points

Financial performance

- $21.0 million net cash flow from operating activities
- EBITDA of $22.5 million post Kanmantoo plant recommissioning
- A net loss after tax of $24.0 million including non-cash movements of:
  - $31.0 million increase in depreciation and amortisation to $31.7 million (2023: $0.7 million), primarily due to commencement of depreciation of capitalised mine development
  - $8.7 million increase to Freepoint royalty valuation to $16.2 million (2023: $7.5 million), following the updated Kanmantoo Mineral Resource estimate and maiden Ore Reserve[1]

Robust operational performance

- Total recordable injury frequency (TRIF) reduced by ~14% to 13.1 (FY23: 15.3)[2]
- Continual improvement in operational performance at Kanmantoo achieved commercial production and delivered 8,971 tonnes of copper and 1,813 ounces of gold produced in 11 months of operation.

Organic growth achieved

- Increased Mineral Resource Estimate with a 96% increase in contained copper and 138% increase in contained gold and maiden Ore Reserve delivered in 2024[3].

	12 Months Ended 31 December 2024 ($M)	12 Months Ended 31 December 2023 ($M)	Change ($M)
Revenues	112.4	-	112.4
Operating Cash Flow*	21.0	(9.5)	30.5
EBITDA	22.5	(14.1)	36.6
EBIT	(9.4)	(14.8)	5.4
Net Loss After Tax	(24.0)	(16.3)	(7.7)

* Does not include capital expenditure

[1] Refer ASX announcement released 18 October 2024: 'Maiden Kanmantoo UG Reserve and 96% Increase in Resource'
[2] Number of recordable injuries multiplied by 1,000,000 hours divided by hours worked in the last 12 months
[3] Refer ASX announcement released 18 October 2024: 'Maiden Kanmantoo UG Reserve and 96% Increase in Resource'

CY2024 performance

During CY2024, organic growth was achieved through resource definition and exploration drilling, resulting in a 96% increase in contained copper and 138% increase in contained gold within the Mineral Resource Estimate at 30 September 2024. A maiden Ore Reserve estimate was also released providing a solid base for the mine plan. Over 19,000 metres of drilling is planned in 2025 to test high-potential exploration targets down-dip of known mined open pit resources and near mine discovery opportunities.

The Kanmantoo underground mine reached commercial production, continued to improve the development and plant processing rates, and generated $112.4 million in revenue and a positive EBITDA of $22.5 million for the year to 31 December 2024 (2023: negative $14.1 million).

A net cash inflow from operating activities of $21.0 million was generated for the year. While the mine continued to ramp up to its planned capacity of 1.4 million tonnes per annum ("Mtpa"), there were cash outflows of $32.0 million from investments in exploration, mine development and infrastructure as well as plant and equipment.

Despite a strong operating cash performance, a net loss after tax of $24.0 million was realised, due to the commencement of depreciation and amortisation charges post care and maintenance, and the financial liability revaluation of the net smelter royalty (NSR) with Freepoint. This NSR increase is a non-current liability and is the direct result of the Updated Mineral Resource Estimate released to the market on 18 October 2024.

Balance sheet

During the year, the Company continued to ramp up to full production of 1.4Mtpa, resulting in cash and receivables reducing from $11.7 million in December 2023 to $7.0 million in December 2024. Trade and other payables increased from $13.7 million to $26.1 million. As the Company moves toward full production in 2025 and achieves its 2025 guidance[4], it is anticipated that liquidity will improve during the year.

It should be noted that the $10 million stand-by debt facility with Freepoint (expiring in April 2025) has not been drawn down. Hillgrove has initiated a process to refinance the Freepoint standby facility to provide continued financial flexibility beyond April 2025.

Commenting on the results, Hillgrove's Managing Director Bob Fulker said:

> *"2024 was a successful year of transition from developer to producer at Hillgrove with recommissioning of the plant in February and commercial production achieved. The year saw maiden underground copper production of 8,971 tonnes over 11 months of operation, with revenue of $112.4 million and EBITDA of $22.5 million for the year.*
>
> *As we move to our first full year of production, I am confident we will continue to further improve our financial performance and strengthen our balance sheet."*

This announcement is authorised for release to the ASX by the Board of Hillgrove Resources Limited.

For more information contact:

Mr Bob Fulker
CEO & Managing Director
Tel: +61 (0)8 7070 1698

Mr Joe Sutanto
CFO & Company Secretary
Tel: +61 (0)8 7070 1698

[4] Refer ASX announcement released 21 January 2025: 'Quarterly Report and Appendix 5B for 31 December 2024'

Forward Looking Statement
This release contains or may contain certain forward-looking statements and comments about future events, that are based on Hillgrove's beliefs, assumptions and expectations and on information currently available to management as at the date of this presentation. Often, but not always, forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "plan", "believes", "estimate", "anticipate", "outlook", and "guidance", or similar expressions, and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and production potential, financial forecasts, product quality estimates of future Mineral Resources and Ore Reserves. Such statements are only expectations or beliefs and are subject to inherent risks and uncertainties which could cause actual values, results or performance achievements to differ materially from those expressed or implied in this announcement. Where Hillgrove expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and on a reasonable basis. No representation or warranty, express or implied, is made by Hillgrove that the matters stated in this presentation will in fact be achieved or prove to be correct. Except as required by law, Hillgrove undertakes no obligation to provide any additional or updated information or update any forward-looking statements whether on a result of new information, future events, results or otherwise. Readers are cautioned against placing undue reliance on forward-looking statements. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Hillgrove, the directors, and management of Hillgrove. These factors include, but are not limited to difficulties in forecasting expected production quantities, the potential that any of Hillgrove's projects may experience technical, geological, metallurgical and mechanical problems, changes in market prices and other risks not anticipated by Hillgrove, changes in exchange rate assumptions, changes in product pricing assumptions, major changes in mine plans and/or resources, changes in equipment life or capability, emergence of previously underestimated technical challenges, increased costs, and demand for production inputs.

About Kanmantoo Copper Mine
The Kanmantoo Copper Mine is located approximately 55 kilometres from Adelaide, South Australia. The mine operated as a series of open pits from 2010 to 2020, producing around 137,000 tonnes of copper and over 55,000 ounces of gold. The operation is fully permitted and has significant infrastructure including a 3.6 million tonne per annum processing plant and a tailings storage facility with approximately 7.0 million tonnes of permitted capacity. Operations restarted in 2023 with underground mining commencing in May 2023 and first copper production in February 2024.

Preliminary final report for the year ended 31 December 2024

Name of entity:	Hillgrove Resources Limited
ABN:	73 004 297 116
Current reporting period:	12 Months to 31 December 2024
Previous corresponding period:	12 Months to 31 December 2023

Results for announcement to the market	Up/Down	2024 $'000	2023 $'000	Change $'000	Change %
Revenue from ordinary activities	Up	112.4	-	112.4	N/A
Loss from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited	Up	(24.0)	(16.3)	(7.7)	(47.2%)
Loss for the period attributable to the owners of Hillgrove Resources Limited	Up	(24.0)	(16.3)	(7.7)	(47.2%)

Dividends

There were no dividends paid, recommended or declared during the current or prior financial period.

Dividend reinvestment plans

Not applicable.

Details of associates and joint venture entities

Not applicable.

Details of entities over which control has been gained or lost during the period

The Company did not gain or lose control over any other entities during the period.

Net tangible assets	31 December 2024	31 December 2023
Net tangible assets per ordinary security	**2.0 cents**	2.9 cents

Earnings per share	31 December 2024	31 December 2023
Basic EPS	**(1.2) cents**	(1.0) cents
Diluted EPS	**(1.2) cents**	(1.0) cents

Additional information

This information should be read in conjunction with the 2024 Annual Financial Report which has been audited by PricewaterhouseCoopers and provides an unqualified opinion, however, it includes a material uncertainty related to going concern.

Hillgrove Resources Limited
ACN 004 297 116
and Controlled Entities
Annual Financial Report
For the year ended 31 December 2024

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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 2024.

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 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:

Mr Derek Carter
Independent Non-Executive Chair
Chair Nomination Committee
BSc, MSc, FAusIMM

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 Chair 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 Chair of Petratherm Limited (ASX: PTR).

Derek is a member of the Audit and Risk and the Remuneration Committee.

Appointed 24 April 2020.

Mr Murray Boyte
Independent Non-Executive Director
Chair Audit and Risk and Treasury Committees
BCA, CA, MAICD

Murray has over 40 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, and Chartered Accountants Australia & New Zealand. In addition, Murray has held executive positions and directorships in the transport, horticulture, financial services, investment, health services and property industries. Murray is currently Chair of National Tyre & Wheel Limited (ASX: NTD). He retired as the Chair of Eureka Group Holdings Limited (ASX: EGH) on 25 February 2025, and as a Non Executive Director of Eumundi Group (ASX: EBG) on 14 February 2025.

Murray is a member of the Nomination and Remuneration Committees.

Appointed 10 May 2019.

Mr Roger Higgins
Independent Non-Executive Director
Chair Remuneration Committee

BE (Hons), MSc, PhD, FAusIMM, FIEAust

Roger has over 50 years of experience in the resources industries, including being a former Managing Director of Ok Tedi Mining Limited in Papua New Guinea and Senior Vice President Copper at Canadian metals and mining company Teck Resources Limited. He was also Vice President and Chief Operating Officer with BHP Base Metals (Australia) and held senior operations and project positions with BHP in Chile. He is an Adjunct Professor with the Sustainable Minerals Institute, University of Queensland. Roger is currently a Non Executive Director of Worley Limited. He was also recently the Chair of both Minotaur and Demetallica Limited and a Non Executive Director of Newcrest Mining Limited.

Roger is a member of the Nomination, Audit and Risk, and Treasury Committees.

Appointed 6 June 2023.

Mr Robert Fulker
Chief Executive Officer and Managing Director

BEng (Mining), MSc (Mineral & Energy Economics), FAusIMM,

Bob is a highly experienced Mining Engineer with 39 years of experience in the minerals industry. He has held Senior Executive positions at Evolution Mining and OZ Minerals, where he was responsible for leading the safe and efficient delivery of significant operations. Bob's extensive experience spans Australia, Africa, and Canada, where he has consistently achieved outstanding results in various mineral sectors. His strategic leadership in corporate roles and operational excellence through innovative solutions have significantly enhanced safety, operations, and profitability. Throughout his career, Bob has worked with industry leaders such as Rio Tinto, Normandy Mining, BHP, OZ Minerals, and Evolution Mining.

Appointed 1 July 2024.

Mr Lachlan Wallace
Chief Executive Officer and Managing Director

BEng (Mining Hons), MSc (Mineral & Energy Economics), MBA, MAusIMM, GAICD

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.

Appointed 24 May 2019, resigned on 1 July 2024.

Mr Joe Sutanto
Chief Financial Officer and Company Secretary
BCom, MBA, CPA, MAICD

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 Financial Officer in 2023. 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 16 June 2023.

Directors' Meetings

The attendance of Directors at Board and Committee meetings during the financial year were as follows:

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	16	16	3	3	6	6	-	-	1	1
Mr M Boyte	16	15	3	3	6	6	-	-	1	1
Mr R Higgins	16	16	3	3	6	6	-	-	1	1
Mr R Fulker	9	9	1	1	3	3	-	-	1	1
Mr L Wallace	7	7	2	2	3	3	-	-	-	-

A – Number of meetings held during the time the Director was a member of the Board and/or Committee.

B – Number of meetings attended during the time the Director was a member of the Board and/or Committee.

Financial Review

Consolidated Profit and Loss Summary

	FY24 ($M)	FY23 ($M)
Revenue from ordinary activities	**112.4**	**-**
Profit / (Loss) from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited	**(24.0)**	**(16.3)**
Profit / (Loss) for the year attributable to the owners of Hillgrove Resources Limited	**(24.0)**	**(16.3)**

For the year ended 31 December 2024, the net loss after tax was $24.0 million compared to a net loss after tax of $16.3 million for the year ended 31 December 2023.

Consolidated Statement of Profit or Loss Overview

	Dec 2024 ($M)	Dec 2023 ($M)	Change ($M)
Copper revenue	111.4	-	111.4
Gold revenue	5.4	-	5.4
Silver revenue	2.9	-	2.9
Less: treatment and refining costs	(7.3)	-	(7.3)
NET REVENUE FROM SALE OF CONCENTRATE	**112.4**	**-**	**112.4**
Mining costs	(53.4)	(6.0)	(47.4)
Processing plant costs	(20.5)	(1.3)	(19.2)
Transport and shipping costs	(4.0)	-	(4.0)
Care and maintenance costs	-	(2.1)	2.1
Other direct costs	(5.0)	(2.7)	(2.3)
Movement in inventory stockpile valuation (cash costs)	2.5	1.0	1.5
Government royalties	(5.4)	-	(5.4)
Corporate costs	(4.7)	(3.8)	(0.9)
Exploration and project costs written off	(0.4)	(0.1)	(0.3)
TOTAL COSTS	**(90.9)**	**(15.0)**	**(76.0)**
Net realised gains/(losses)	0.2	0.1	0.1
Other income	0.8	0.8	-
EBITDA	**22.5**	**(14.1)**	**36.6**
Depreciation and amortisation	(31.7)	(0.7)	(31.0)
Movement in inventory stockpile valuation (non-cash costs)	(0.2)	-	(0.2)
EBIT	**(9.4)**	**(14.8)**	**5.4**
Net interest and financing charges	(14.4)	(0.8)	(13.6)
Income tax expense	(0.2)	(0.7)	0.5
NET LOSS AFTER TAX	**(24.0)**	**(16.3)**	**(7.7)**

Consolidated Cash Flow Overview

	Dec 2024 ($M)	Dec 2023 ($M)	Change ($M)
Net cash flows from operating activities	21.0	(9.5)	30.5
Net cash used in investing activities	(32.0)	(22.5)	(9.5)
Net cash flows from financing activities	4.1	36.9	(32.8)
Net increase/(decrease) in cash held	(6.9)	4.9	(11.8)
Cash and cash equivalents at the end of the year	**3.3**	**10.2**	**(6.9)**

Operating Activities Cash Flow

Operating cash inflows were $21.0 million, driven by the commencement of production in February 2024 and the first copper sale. The commencement of production resulted in cash receipts of $106.8 million for the year, compared to none in the prior period. Cash payments rose by $76.2 million to $85.8 million, reflecting a significant workforce expansion and increased supplier engagement to support underground development and processing operations.

Investing Activities Cash Flow

Net cash outflow from investing activities totalled $32.0 million, an increase from $22.5 million in the previous year. The investment included $2.3 million expended on exploration licences and $30.0 million invested in property, plant, and equipment. The outflow was partially offset by $0.2 million in proceeds from equipment disposals.

Financing Activities Cash Flow

The company recorded a net cash inflow of $4.1 million from financing activities during the year. This was primarily driven by $9.7 million raised from new share issuances (net of transaction costs) and $0.1 million in interest income. These cash inflows were partially offset by $5.7 million in lease payments made during the year.

Consolidated Statement of Financial Position Overview

	31 Dec 2024 ($M)	31 Dec 2023 ($M)	Change ($M)
Cash and cash equivalents	3.3	10.2	(6.9)
Trade and other receivables	3.7	1.5	2.2
Inventories	7.3	3.2	4.1
Property, plant and equipment	76.9	69.1	7.8
Right-of-use assets	9.2	11.8	(2.6)
Exploration and evaluation expenditure	7.0	5.3	1.7
Total assets	**107.4**	**101.1**	**6.3**
Trade and other payables	26.1	13.7	12.4
Provisions	9.4	9.6	(0.2)
Lease liabilities	8.7	11.8	(3.1)
Employee benefits payable	3.4	1.6	1.8
Deferred income	2.0	2.0	-
Other financial liabilities	16.2	7.5	8.7
Total Liabilities	**65.8**	**46.2**	**19.6**
NET ASSETS / EQUITY	**41.6**	**54.9**	**(13.3)**

Total assets increased by $6.3 million during the year, primarily driven by a $7.8 million increase in property, plant, and equipment, reflecting asset purchases and the capitalisation of mining costs. Exploration and evaluation assets also grew by $1.7 million, primarily related to exploration activities outside the mining lease but within licensed exploration areas.

Inventories rose by $4.1 million, largely due to the ramp up of operations and a change in provision methodology following the commencement of production. Other asset movements included a $6.9 million decrease in cash and a $2.2 million increase in trade and other receivables. The receivables increase was primarily due to revenue-related receivables of $1.5 million, compared to none in the prior year.

Total liabilities increased by $19.6 million, reaching $65.8 million. This increase was primarily driven by an $8.7 million net movement in the royalty financial liability, largely due to a revaluation based on discounted cash flows from future revenue projections as at 31 December 2024. Additionally, trade payables rose by $12.4 million due to the operational expansion following the commencement of production. This expansion also led to a $1.8 million increase in employee benefits payable, reflecting the growth in the workforce.

These increases were partially offset by a $3.1 million reduction in lease liabilities and a $2.6 million reduction in right-of-use assets, both resulting from early lease terminations and replacements via service contracts.

The Directors have reviewed the ability of the consolidated entity to continue as a going concern for a period of 12 months from the signing of the financial statements and with the forecast cash flows and access to funding, concluded there are reasonable grounds to believe the consolidated entity will continue as a going concern.

The continued success of the Group is dependent on achieving the planned levels of production at the Kanmantoo mine. Therefore, included within the annual financial report for the year ended 31 December 2024 is an independent auditor’s report that includes a statement on “Material uncertainty relating to going concern”. For further information, refer to Note 1 in the annual financial report, together with the auditor's report.

Operating Review

In February 2024, the Company announced the commencement of copper production from the Underground mine, following the successful commissioning of the processing plant, which reached commercial production by the end of the June 2024 quarter.

As highlighted in the table below, the Company continued to ramp up production throughout 2024, processing 955k tonnes of ore at an average grade of 1.02% to produce 8,971mt of copper in concentrate. The continued ramp up led to records achieved over several key physical metrics in the December 2024 quarter – including development metres advanced, tonnes of ore mined, tonnes of ore processed, and copper recoveries.

Kanmantoo Production Metrics	Units	Dec 2024 Quarter	Sep 2024 Quarter	Jun 2024 Quarter	Mar 2024 Quarter
Mining Physicals					
Total Development	m	1,621	1,401	1,238	1,405
Inventory Mined	kt	311	280	211	122
Grade Mined	%	0.85	1.20	1.24	0.82
Processing Physicals					
Tonnes Processed	kt	329	266	256	104
Grade Processed	%	0.86	1.18	1.10	0.93
Recoveries	%	93.5	93.3	91.4	82.7
Production					
Copper Produced	t	2,637	2,923	2,584	827
Gold Produced	oz	490	626	535	162
Silver Produced	oz	21,854	26,372	23,377	5,810

Outlook and Future Developments

The focus of the Company will be the safe and sustainable production of copper concentrates from Kanmantoo. In addition, the Company will continue to explore and evaluate its near mine prospects, enabling it to expand its production and mine life.

Material Business Risks

The Company prepares its business plan based on estimates of production and financial performance, using a range of assumptions and forecasts. However, these assumptions and forecasts, due to the nature of the business, are subject to inherent uncertainties, and variations from them may result in actual performance differing from expected outcomes. The Company recognises that business risks can evolve over time and therefore continuously reviews key risks and uncertainties that have the potential to impact its operations. These uncertainties arise from various factors, including the inherent characteristics of the mining industry and broader economic conditions.

The Group actively manages material risks, along with other operational risks, through a range of structured and formal processes, including oversight by Board Committees, risk assessments conducted by leadership teams, and formal risk reporting mechanisms.

The key business risks that may impact the Group’s operational and financial performance as of 31 December 2024 are outlined below.

Fluctuations in Metal Prices and Exchange Rate Risk

The Group’s revenues are exposed to fluctuations in copper, gold, and silver prices. The volatility of metal prices creates revenue uncertainty and necessitates proactive management to ensure that operating cash margins are maintained in the event of a decline in the Australian dollar price of these commodities. Given the interrelationship between currency and commodity markets, exchange rate movements may either mitigate or amplify the impact of metal price fluctuations and associated commodity cost inputs. A sustained decline in metal prices could also impact operational decisions, including the need to reassess the economic feasibility of particular exploration activities or the Kanmantoo mine.

Mineral Resources and Ore Reserves

The estimation of Mineral Resources and Ore Reserves requires the application of geological, technical, and economic assumptions. This process involves determining the size, shape, and depth of mineralised bodies through the analysis of geological data, such as drilling samples. Given the complexity of geological formations, these estimations often require intricate geological interpretations and calculations.

Economic assumptions underpinning Mineral Resource and Ore Reserve estimates may vary from year to year. Additionally, as new geological data is obtained through ongoing exploration and mining activities, these estimates may be subject to change. Variations in reported Mineral Resources and Ore Reserves can have either a positive or negative impact on the consolidated entity’s financial performance.

There is no certainty that current or future exploration programs will result in the discovery of additional mineral resources. There is also a risk that Ore Reserves may be depleted without sufficient replacement through new discoveries or acquisitions. Should the Mineral Resource base decline without adequate replenishment, the Group may be unable to sustain production levels beyond the current mine life, based on existing production rates.

Mining Risks and Insurance Risks

The mining industry is inherently subject to a range of significant risks and hazards. These include environmental incidents, industrial accidents, unforeseen geological conditions, shortages of materials and equipment, pit wall failures, rock bursts, seismic events, cave-ins, and adverse weather conditions such as flooding and bushfires many of which are beyond the Group’s control. Such events have the potential to cause substantial costs or operational delays, which could materially affect the Group’s financial performance, liquidity, and overall results of operations.

To mitigate these risks, the Group maintains insurance coverage for the most common mining-related hazards. The level of insurance coverage is assessed based on the nature of each identified risk, with consideration given to factors such as property and liability exposure. However, it is important to note that insurance may not always provide full coverage for losses associated with these or other unforeseen risks and hazards.

Production and Cost Estimates

The Group prepares estimates of future production, cash costs, and capital costs for its operations. However, there is no assurance that these estimates will be achieved. Failure to meet production or cost targets, or material increases in costs, could negatively impact the Group’s future cash flows, profitability, operational results, and overall financial condition.

Actual production and costs may differ from estimates due to various factors, including:

- Variations between estimated and actual ore grades, tonnage, dilution, and metallurgical characteristics;
- Short-term operational factors related to Ore Reserves, such as the need for sequential development of ore bodies and processing of different ore grades;
- Revisions to mine plans;
- Mining-related risks and hazards;
- Natural phenomena such as adverse weather conditions, water availability, and flooding; and
- Unexpected labour shortages.

Production costs may also be influenced by factors such as labour costs, commodity price fluctuations, general inflationary pressures, and exchange rate volatility.

Environmental Regulatory Risk

The Group's operations are subject to environmental regulations at both the Commonwealth and State levels, covering areas such as air and water quality, waste management, emissions control, environmental impact assessments, mine rehabilitation, and access to ground and surface water. Some operations must also comply with environmental protection legislation and development consents specific to their jurisdiction.

The Directors are not aware of any material breaches of the Company's licences, and all mining and exploration activities are conducted in compliance with relevant environmental regulations. However, the Company's projects remain subject to evolving environmental laws and regulations, which may create the risk of regulatory liability.

The Company is committed to complying with all applicable environmental laws and regulations and conducts its activities in a responsible manner to minimise environmental impact.

Climate Change

The Group recognises that climate change is occurring and acknowledges its potential to impact communities, business operations, financial performance, cash flows, and investment decisions. Key climate-related risks include:

- Physical risks: Energy and emissions management, water security, and the effects of extreme weather events or health-related incidents.
- Transition risks: Legislative and regulatory changes, reputational considerations, technological advancements, market shifts, and increased shareholder activism.

The Group is committed to proactively managing these risks and integrating climate considerations into its business strategy and decision-making processes.

Financial Solvency Risks

The Group seeks to maintain an adequate cash balance to ensure sufficient liquidity for ongoing operations. Given the substantial working capital requirements associated with commodity sales and price volatility, maintaining liquidity is a critical factor in financial stability, which includes access to a standby debt facility.

Operational and financial risk factors impact liquidity, and the Board and management continuously monitor the Group's solvency position. The Company aims to maintain an appropriate level of working capital to mitigate solvency risks and ensure business continuity.

Operational Risk

The Company produces copper, silver, and gold under commercial contracts, with ongoing production essential for funding planned expenditures. Operational success depends on efficient resource management, production continuity, and effective risk mitigation.

Potential risks include:

- Operational disruptions: Machinery failures, power outages, and supply chain issues.
- Environmental hazards: Spills, emissions, noise, and extreme weather.
- Industrial incidents: Workplace accidents and unforeseen cost escalations.
- Regulatory and market risks: Government policy changes, inflation, and commodity price fluctuations.

Sustained production also requires resource discovery, efficient exploration, and securing necessary permits and approvals. The Group actively manages operational risks through structured governance and contingency planning.

Capital Raisings

In February 2024, the Company announced an institutional placement which raised $10.0 million (before costs) to fund mine extension drilling. The placement was completed at 6.0 cents per share and 171,644,245 new ordinary shares were issued, all proceeds were received in 2024.

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

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

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 production from the Kanmantoo Underground and increasing the mine life.

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 2024, Hillgrove Resources 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 102 of the Company's Constitution provides that "To the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company (including liabilities incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment)."

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 7(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 28.

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.

Remuneration Report (Audited)

The Directors of Hillgrove Resources Limited and its Consolidated Entities present the Remuneration Report for the Company for the year ended 31 December 2024, 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, Executive Director, and CFO (KMP). Details of the KMP are set out in the table below.

Directors	Title (At Year End)	Change in 2024 Financial Year
Mr L Wallace	CEO and Managing Director Member Treasury Committee	Resigned 1 July 2024
Mr R Fulker	CEO and Managing Director Member Treasury Committee	Appointed 1 July 2024
Mr D Carter	Chair Chair Nomination Committee Member Remuneration Committee Member Audit and Risk Committee	Full Year
Mr M Boyte	Director Chair Audit and Risk Committee Chair Treasury Committee Member Nomination Committee Member Remuneration Committee	Full Year
Mr R Higgins	Director Chair Remuneration Committee Member Nomination Committee Member Audit and Risk Committee Member Treasury Committee	Full Year
Other Key Management Personnel	**Title (At Year End)**	**Change in 2024 Financial Year**
Mr J Sutanto	Chief Financial Officer and Company Secretary 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.

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.

In the year ending 31 December 2024, the Remuneration Committee engaged advisors Guerdon Associates. Their analysis relating to the remuneration for the Chief Executive Officer & Managing Director (CEO & MD) and the Chief Financial Officer (CFO) was considered by the Remuneration Committee and the Board in forming their views on remuneration matters. The work completed did not constitute a remuneration recommendation in accordance with 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 2024 is within the aggregate amount approved by shareholders of $450,000 a year.	
Board/Committee Fees Per Annum	Board Chair Fee	$120,565
	Board NED Base Fee	$75,360
	Nomination Committee Chair Fee	$5,000
	Remuneration Committee Chair Fee	$5,000
	Audit and Risk Committee Chair Fee	$5,000

Post-Employment Benefits	
Superannuation	Superannuation contributions were made at a rate of 11.0% until 30 June 2024 and have been made at a rate of 11.5% of base fee from 1 July 2024 (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	
Equity Instruments	Non-Executive Directors may receive performance related remuneration or options and performance rights. In May 2021, there were two LTI Plans granted to Mr Derek Carter and Mr Murray Boyte. Subsequently, Mr Roger Higgins was granted performance rights in June 2024. At balance date, the following remains outstanding: • Tranche 1 = 12,000,000 options • Tranche 2 = 9,000,000 options Further information on Tranche 1 and Tranche 2 is as follows:

	T1 (2021)	T2 (2021)	T1 (2024)	T2 (2024)
Exercise Price	$0.10/share	$0.15/share	$0.10/share	$0.15/share
Grant Date	14 May 2021	14 May 2021	3 June 2024	3 June 2024
First Exercise Date	14 May 2023	14 May 2024	3 June 2024	3 June 2024
Last Exercise Date	14 May 2025	14 May 2026	14 May 2025	14 May 2026

Other Fees/Benefits	No payments were made to Non-Executive Directors during the 2024 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.

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

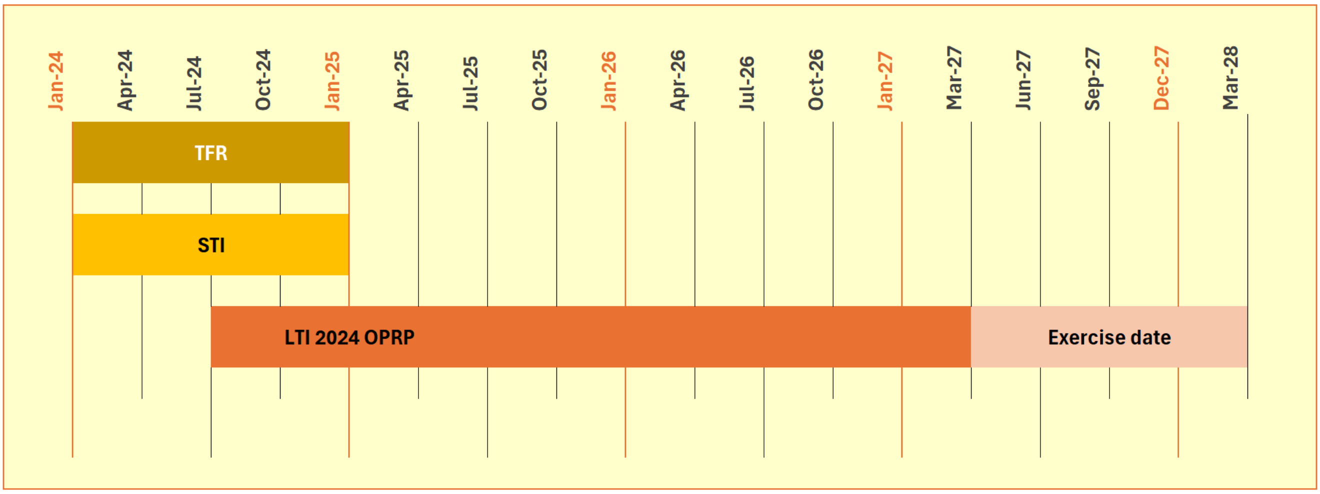
The Company endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and 'at risk'. The remuneration composition mix of the Company's Executive KMP can be illustrated as follows:

Remuneration Mix CY 2024

Position	TFR (Cash)	STI (Cash)	LTI (Equity)
CEO & MD	100%	Up to 75% of TFR	Up to 50% of TFR
CFO	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.



4.4 Variable 'At Risk' Remuneration

As set out in Section 4.3, variable remuneration forms a portion of the CEO & MD's and CFO'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 2024 STI performance. The Balanced Scorecard measures performance against the Company's internal goals, which includes ESG, resource and reserves, and mine plan metrics. 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 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.

	2024 Performance		
KMP	Opportunity ($)	Awarded (%)	Forfeited (%)
Mr R Fulker	240,000	0%	100%
Mr J Sutanto	196,519	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 2024 financial year, there were three LTI Plans outstanding to Executive KMP:

- 2022 Option and Performance Rights Plan (2022 OPRP) = 3,000,000 performance rights;
- 2023 Option and Performance Rights Plan (2023 OPRP) = 3,000,000 performance rights; and
- 2024 Option and Performance Rights Plan (2024 OPRP) = 5,250,000 performance rights.

2022, 2023 and 2024 OPRP Description

Detail	2022 OPRP	2023 OPRP	2024 OPRP
Purpose	To retain key executives and align their remuneration with shareholder value.		
Award	Under the LTI, executives and key staff are offered options and/or 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 options or performance rights.		
LTI Allocation	The size of individual LTI grants for the CEO/MD and CFO is determined in accordance with the Board approved remuneration strategy mix. See Section 4.3.		
Service Period	To the later of 1 March 2025 or when the Performance Hurdles are met	To the later of 1 March 2026 or when the Performance Hurdles are met	To the later of 1 March 2027 or when the Performance Hurdles are met
Performance Hurdles			
- **Measurement Price**	10.0 cents	12.0 cents	14.0 cents
- **Price Calculation Methodology**	10 day VWAP	10 day VWAP	10 day VWAP
- **Start of Testing Date**	1 March 2024	1 March 2025	1 March 2026
- **First Exercise Date**	1 March 2025	1 March 2026	1 March 2027
- **Last Exercise Date**	30 March 2026	30 March 2027	30 March 2028

On 1 July 2024, Mr R Fulker received a letter of offer for 6,800,000 rights associated with the above 2024 OPRP, as well as 5,000,000 sign-on rights.

The sign-on rights are subject to a two-year service period from the offer date, with a first exercise date of 1 July 2026, and a last exercise date of 31 July 2026. There is no exercise or measurement price.

Both offers are contingent upon approval at the 2025 AGM and, therefore, are not considered granted as at 31 December 2024. However, as the notifications were made in 2024, the associated share-based payment expense has been recognised in the current year, in accordance with AASB 2, and is disclosed in the relevant sections of the Remuneration Report and Annual Financial Report.

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 KMP Remuneration

4.5.1 Hillgrove Resources Financial Performance (31 December 2020 to 31 December 2024)

	12 Months to 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
Sales Revenue ($M)	20.4	-	-	-	112.4
Underlying EBITDA ($M)	(3.7)	(5.4)	(4.4)	(14.1)	22.5
Reported net profit / (loss) ($M)	(5.9)	(5.9)	(6.0)	(16.3)	(24.0)
Return on equity (ROE) % (1)	(24.0%)	(19.1%)	(17.0%)	(37.3%)	(49.8%)
Basic earnings per share (EPS) (cents)	(1.0)	(0.6)	(0.5)	(1.0)	(1.2)
Diluted EPS (cents)	(1.0)	(0.6)	(0.5)	(1.0)	(1.2)
Dividends paid (cents per share)	-	-	-	-	-
Share price as at 31 December (cents)	3.2	5.4	5.4	9.4	5.2
Total shareholder return (TSR) % (Annual)	(46.7%)	68.8%	0% (2)	74.0%	(44.7%)

(1) Based on average total equity.
(2) Share price as at 31 December was 5.4c in 2021 and 2022, which results in a 0% TSR in 2022.

4.6 KMP REMUNERATION TABLES – AUDITED

	Year	Fixed Remuneration ($)					
		Short-term		Long-term			Total
		Salary and Fees	Non-monetary Benefits	Super-annuation Benefits	Termination Benefits	Long Service Leave	
Directors							
Mr L Wallace (1)	**CY24**	**253,329**	**-**	**4,581**	**-**	**13,139**	**271,049**
	CY23	467,884	-	18,342	-	39,568	525,794
Mr R Fulker (2)	**CY24**	**305,000**	**-**	**16,825**	**-**	**-**	**321,825**
	CY23	-	-	-	-	-	-
Mr D Carter	**CY24**	**112,612**	**-**	**12,669**	**-**	**-**	**125,281**
	CY23	112,867	-	12,133	-	-	125,000
Mr M Boyte	**CY24**	**72,072**	**-**	**8,108**	**-**	**-**	**80,180**
	CY23	72,235	-	7,765	-	-	80,000
Mr R Higgins (5)	**CY24**	**71,853**	**-**	**3,733**	**-**	**-**	**75,586**
	CY23	39,423	-	3,733	-	-	43,156
Total (Directors)	**CY24**	**814,866**	**-**	**45,916**	**-**	**13,139**	**873,921**
	CY23	692,409	-	41,973	-	39,568	773,950
Other Key Management Personnel							
Mr J Sutanto (4)	**CY24**	**352,083**	**-**	**22,201**	**-**	**22,763**	**397,047**
	CY23	174,703	-	15,163	-	-	189,866
Total (Other KMP)	**CY24**	**352,083**	**-**	**22,201**	**-**	**22,763**	**397,047**
	CY23	174,703	-	15,163	-	-	189,866
Total	**CY24**	**1,166,949**	**-**	**68,117**	**-**	**35,902**	**1,270,968**
	CY23	867,112	-	57,136	-	39,568	963,816

4.6 KMP REMUNERATION TABLES – AUDITED (CONT.)

	Year	Variable Remuneration ($)			Total ($)	Proportion of Total Remuneration	
		Short-Term	Long-Term	Total	Fixed and Variable	Fixed (%)	Variable (%)
Directors							
Mr L Wallace (1)	**CY24**	**-**	**83,952**	**83,952**	**355,001**	**76%**	**24%**
	CY23	147,656	334,624(3)	482,280	1,008,074	52%	48%
Mr R Fulker (2)	**CY24**	**-**	**89,369**	**89,369**	**411,194**	**78%**	**22%**
	CY23	-	-	-	-	-	-
Mr D Carter	**CY24**	**-**	**-**	**-**	**125,281**	**100%**	**0%**
	CY23	-	-	-	125,000	100%	0%
Mr M Boyte	**CY24**	**-**	**-**	**-**	**80,180**	**100%**	**0%**
	CY23	-	-	-	80,000	100%	0%
Mr R Higgins (5)	**CY24**	**-**	**118,391**	**118,391**	**193,977**	**39%**	**61%**
	CY23	-	-	-	43,156	100%	0%
Total (Directors)	**CY24**	**-**	**291,712**	**291,712**	**1,165,633**	**75%**	**25%**
	CY23	147,656	334,624(3)	482,280	1,256,230	62%	38%
Other Key Management Personnel							
Mr J Sutanto (4)	**CY24**	**-**	**196,382**	**196,382**	**593,429**	**67%**	**33%**
	CY23	53,669	109,693(3)	163,362	353,228(4)	54%	46%
Total (Other KMP)	**CY24**	**-**	**196,382**	**196,382**	**593,429**	**67%**	**33%**
	CY23	53,669	109,693(3)	163,362	353,228	54%	46%
Total	**CY24**	**-**	**488,094**	**488,094**	**1,759,062**	**72%**	**28%**
	CY23	201,325	444,317(3)	645,642	1,609,458	60%	40%

(1) Mr L Wallace ceased being a KMP on 30 June 2024.
(2) Mr R Fulker was appointed on 1 July 2024.
(3) In the prior year, an incorrect service assumption was applied in calculating the share-based payment expense for L Wallace and J Sutanto. This has been restated, resulting in a decrease of $61,138 for Mr L Wallace and $19,894 for Mr J Sutanto.
(4) The table shows Mr J Sutanto's remuneration since 16 June 2023, when he was promoted to a KMP role. Additionally, Mr J Sutanto was incorrectly disclosed as an Executive Director throughout the Remuneration Report in the prior year and has been restated into other KMP.
(5) Mr R Higgins was appointed a Non-Executive Director of the Company on 6 June 2023.

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)	N/A	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 options and performance rights granted as remuneration to each Key Management Personnel, and the movements during the period are set out below:

KMP	Grant Date	Balance held at 31/12/23		Granted	Number Vested and Exercised	% Vested	Number Forfeited	% Forfeited	Balance held at 31/12/24		Maximum value for future years
		Vested	Unvested						Vested	Unvested	
Mr D Carter	May-21	-	7,000,000	-	-	0%	-	0%	-	7,000,000	-(3)
Mr M Boyte	May-21	-	7,000,000	-	-	0%	-	0%	-	7,000,000	-(3)
Mr R Higgins	May-24	-	-	7,000,000	-	-	-	-	-	7,000,000	-(3)
Mr L Wallace (1)	May-21	-	5,000,000	-	5,000,000	100%	-	0%	-	-	-
	Jul-22	-	5,000,000	-	-	0%	1,268,865	25%	-	3,731,135	N/A
	Jul-23	-	5,000,000	-	-	0%	5,000,000	100%	-	-	-
Total (Directors) (2)		**-**	**29,000,000**	**7,000,000**	**5,000,000**	**17%**	**6,268,865**	**22%**	**-**	**24,731,135**	**-**
Mr J Sutanto	May-21	-	3,000,000	-	3,000,000	100%	-	0%	-	-	-
	Jul-22	-	3,000,000	-	-	0%	-	0%	-	3,000,000	$52,924
	Jul-23	-	3,000,000	-	-	0%	-	0%	-	3,000,000	$66,869
	May-24	-	-	5,250,000	-	0%	-	0%	-	5,250,000	$257,738
	TOTAL	**-**	**9,000,000**	**5,250,000**	**3,000,000**	**33%**	**-**	**0%**	**-**	**11,250,000**	**$377,531**
Total (Other KMP)		**-**	**9,000,000**	**5,250,000**	**3,000,000**	**33%**	**-**	**0%**	**-**	**11,250,000**	**$377,531**

(1) Mr L Wallace ceased being a KMP on 30 June 2024.
(2) Note that Mr R Fulker is excluded from the above figures. Refer to section 4.4.3 of the Remuneration Report for further details.
(3) No service conditions and therefore these were fully expensed in the year they were granted.

5.3 Value of Options and Performance Rights Granted and on Foot to KMP as at 31 December 2024

KMP (3)	Outstanding options and rights	Face Value per right (1) ($)	Fair Value per right (2) ($)	Fair Value ($)
Directors				
Mr D Carter				
2021 Options Tranche 1	4,000,000	0.052	0.0384	$153,440
2021 Options Tranche 2	3,000,000	0.052	0.0355	$106,353
Mr M Boyte				
2021 Options Tranche 1	4,000,000	0.052	0.0384	$153,440
2021 Options Tranche 2	3,000,000	0.052	0.0355	$106,353
Mr R Higgins				
2024 Options Tranche 1	4,000,000	0.052	0.0169	$67,652
2024 Options Tranche 2	3,000,000	0.052	0.0169	$50,739
Total (Directors)	**21,000,000**			**$637,977**
Other Key Management Personnel				
Mr J Sutanto				
2022 OPRP	3,000,000	0.052	0.0694	$208,200
2023 OPRP	3,000,000	0.052	0.039	$117,000
2024 OPRP	5,250,000	0.052	0.058	$304,500
Total (Other KMP)	**11,250,000**			**$629,700**

(1) The Face Value is the closing share price on 31 December 2024.
(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. These have been rounded to four decimal places for presentation in the above table.
(3) Note that Mr R Fulker is excluded from the above figures. Refer to section 4.4.3 of the Remuneration Report for further details.

5.4 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 31/12/23	Exercise of Options and Rights	Net Other Changes	Held as at 31/12/24
Directors and Other KMP					
Mr D Carter	Shares	2,371,247	-	-	2,371,247
Mr M Boyte	Shares	4,048,253	-	-	4,048,253
Mr R Higgins	Shares	-	-	1,200,000	1,200,000
Mr R Fulker	Shares	-	-	700,000	700,000
Mr L Wallace	Shares	21,962,296	5,000,000	-	26,962,296(1)
Mr J Sutanto	Shares	5,570,765	3,000,000	(500,000)	8,070,765

(1) As at 30 June 2024, the date Mr L Wallace ceased being a KMP.

6.0 Service Contracts and Employment Agreements

The Company does not enter into service contracts for KMP. The following sets out details of the employment contract for the Executive KMPs as at 31 December 2024.

Employee	Mr R Fulker	Mr J Sutanto
Position	Chief Executive Officer and Managing Director	Chief Financial Officer and Company Secretary
Commencement	1 July 2024	16 June 2023
Fixed Remuneration	$640,000 per annum reviewed periodically	$393,038 per annum reviewed periodically
Short-term Incentive	Up to 75% of fixed remuneration	Up to 50% of fixed remuneration
Long-term Incentive	Up to 50% of fixed remuneration	Up to 50% of fixed remuneration
Contract Length	Indefinite	Indefinite
Notice Periods for Resignation or Termination	6 months	3 months
Redundancy Benefit	National Employment Standards and Group Redundancy Policy	National Employment Standards and Group Redundancy Policy
Death or Total and Permanent Disability Benefit	No specific benefit	No specific benefit
Change of Control	No effect	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	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	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	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.

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 28.

Signed in accordance with a resolution of the Directors:

Dated at Adelaide this 28th day of February 2025.

Derek Carter
Chair

Robert Fulker
Managing Director

Auditor's Independence Declaration

As lead auditor for the audit of Hillgrove Resources Limited for the year ended 31 December 2024, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 2025

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note	31 Dec 2024 $'000	31 Dec 2023 $'000
Revenue	5	**112,388**	-
Other income	6	**838**	779
Expenses	7(a)	**(122,269)**	(15,387)
Interest and finance charges	7(b)	**(14,381)**	(941)
Impairment charges	7(c)	**(380)**	(103)
(Loss) before income tax		**(23,804)**	(15,652)
Income tax (expense) / benefit	8	**(227)**	(675)
(Loss) for the year attributable to owners		**(24,031)**	(16,327)
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		**(24,031)**	(16,327)
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	10	**(1.2)**	(1.0)
Diluted earnings per share (cents)	10	**(1.2)**	(1.0)

The Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 33 to 76.

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	31 Dec 2024 $'000	31 Dec 2023 $'000
Current assets			
Cash and cash equivalents	11	**3,260**	10,240
Trade and other receivables	12	**3,715**	1,461
Inventories	13	**7,330**	3,137
		14,305	14,838
Non-current assets			
Property, plant and equipment	14	**76,881**	69,089
Right-of-use assets	18	**9,237**	11,800
Exploration and evaluation expenditure	15	**6,962**	5,328
		93,080	86,217
Total assets		**107,385**	101,055
Current liabilities			
Trade and other payables	16	**26,133**	13,694
Provisions	17	**1,114**	1,090
Lease liabilities	18	**4,343**	4,311
Employee benefits payable	19	**3,383**	1,594
Deferred income	21	**1,358**	-
Other financial liabilities	22	**4,470**	2,997
		40,801	23,686
Non-current liabilities			
Provisions	20	**8,334**	8,500
Lease liabilities	18	**4,342**	7,506
Deferred income	21	**631**	2,000
Other financial liabilities	22	**11,706**	4,487
		25,013	22,493
Total liabilities		**65,814**	46,179
Net assets		**41,571**	54,876
Equity			
Contributed equity	23	**302,711**	292,947
Reserves	24	**32,128**	31,166
Accumulated losses	25	**(293,268)**	(269,237)
Total equity		**41,571**	54,876

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the financial statements set out on pages 33 to 76.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance 1 January 2023		256,088	29,388	(252,910)	32,566
(Loss) for the period		-	-	(16,327)	(16,327)
Transactions with owners:					
Contributions of equity, net of transaction costs and tax	23	36,859	-	-	36,859
Share-based payments	34	-	1,778	-	1,778
Balance 31 December 2023		**292,947**	**31,166**	**(269,237)**	**54,876**
(Loss) for the period		-	-	(24,031)	(24,031)
Transactions with owners:					
Contributions of equity, net of transaction costs and tax	23	9,764	-	-	9,764
Share-based payments	34	-	962	-	962
Balance 31 December 2024		**302,711**	**32,128**	**(293,268)**	**41,571**

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 33 to 76.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	**31 Dec 2024**	31 Dec 2023
	Note	**$'000**	$'000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of GST)		**106,838**	17
Cash payments in the course of operations (inclusive of GST)		**(85,835)**	(9,556)
Net cash from/(used) by operating activities	29	**21,003**	(9,539)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		**(2,272)**	(689)
Payments for property, plant and equipment		**(29,950)**	(21,824)
Proceeds on disposal of property, plant and equipment		**200**	55
Net cash used in investing activities		**(32,022)**	(22,458)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)		**9,697**	36,834
Lease payments		**(5,719)**	(664)
Interest received		**61**	762
Net cash from financing activities		**4,039**	36,932
Net (decrease)/increase in cash and cash equivalents		**(6,980)**	4,935
Cash and cash equivalents at the beginning of financial period		**10,240**	5,305
Cash and cash equivalents at the end of the financial period	11	**3,260**	10,240

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the consolidated financial statements set out on pages 33 to 76.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. Statement of Material 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.

For the twelve-month period ended 31 December 2024, the Group reported a loss of $24.0 million (31 December 2023: $16.3 million loss) and a net current liability of $26.5 million (31 December 2023: $8.8 million) as at that date.

The Group holds $3.3 million (31 December 2023: $10.2 million) in cash and cash equivalents and has generated net cash inflows from operating activities of $21.0 million (31 December 2023: cash outflow of $9.5 million) for the twelve-month period ended 31 December 2024. Revenue was $112.4 million (31 December 2023: $0.0 million). Operational performance has improved in January 2025 and is expected to progressively improve during the 2025 financial year.

The most recent cash flow forecast indicates positive cash flows from operations, which will enable the Group to meet its obligations, build cash reserves, and manage working capital without the need for external financing, however, this is dependent on the Group achieving planned levels of production at the Kanmantoo copper mine. The cash flow forecast considered the performance of the Kanmantoo copper mine during the twelve month period ended 31 December 2024. To mitigate short-term downside risk in copper prices for expected output, as of 31 December 2024, the Group has fixed pricing for 7,900 tonnes of future copper production at an average price of $14,056 per tonne.

If required, the Directors could further generate positive cash inflow through one or a combination of the following:

- Managing the timing of capital development drives within the mine;
- Reducing operational expenditure programs and maximising mine output;
- Drawing down on the existing $10 million debt facility; and/or
- Support from existing shareholders and/or new shareholders.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. Statement of Material Accounting Policies (continued)

(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 material to the financial statements are disclosed in Note 2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. Statement of Material Accounting Policies (continued)

(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.

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 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".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. Statement of Material Accounting Policies (continued)

(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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. Statement of Material Accounting Policies (continued)

(i) Standards and interpretations in issue

(i) Mandatory standards adopted in the current reporting period

The Group has adopted all 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 material impact on the Group's accounting policies, or the amounts reported during the year.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. Critical Accounting Estimates and Judgements (continued)

(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 17 and 20.

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

Future royalty payments to Freepoint are classified as a financial liability and 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 effective interest rate is the rate that discounts estimated future cashflows to the initial fair value and this was calculated to be 24.06%, which does not change throughout the life of the liability.

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 to future estimated cash flows related to the settlement of the liability 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.

Refer to Note 26(a) for analysis of the estimated impact of movements in the copper price on the financial liability valuation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. Critical Accounting Estimates and Judgements (continued)

(e) Lease liabilities

Certain contractual arrangements not in the form of a lease require the Group to apply significant judgement in evaluating whether the Group controls the right to direct the use of assets and therefore whether the contract contains a lease. Management considers all facts and circumstances in determining whether the Group or the supplier has the rights to direct how, and for what purpose, the underlying assets are used in certain mining contracts. Judgement is used to assess which decision-making rights mostly affect the benefits of use of the assets for each arrangement. Where a contract includes the provision of non-lease services, judgement is required to identify the lease and non-lease components.

Where the Group cannot readily determine the interest rate implicit in the lease, estimation is involved in the determination of the incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate reflects the rates of interest a lessee would have to pay to borrow over a similar term, with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Under the Group’s portfolio approach to debt management, the Group does not specifically borrow for asset purchases. Therefore, the incremental borrowing rate is estimated referencing the latest data available to management based on relevant contracts that offer interest applied credit facilities.

(f) Reserve and resource estimates

To estimate reserves and resources (reserves), assumptions are required about a range of technical and economic factors, including quantities, qualities, production techniques, recovery efficiency, production and transport costs, commodity supply and demand, copper prices and exchange rates. Estimating the quantity and/or quality of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data, such as drilling samples and geophysical survey interpretations. Economic assumptions used to estimate reserves change from period-to-period as additional technical and operational data is generated. This process may require complex and difficult geological judgements to interpret the data.

Estimates of reserves may change from period-to-period as the economic assumptions used to estimate reserves change and additional geological data is generated during operations. Changes in reserves may affect the Group’s financial results and financial position in a number of ways, including: asset carrying values may be affected due to changes in estimated future production levels depreciation, depletion and amortisation charged to the income statement may change where such charges are determined on the units of production basis, or where the useful economic lives of assets change rehabilitation provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities financial liabilities may change as estimated reserves will impact future revenues on which royalties are based.

(g) Amortisation of mine development asset

Major mine development costs incurred that are capitalised that benefit the entire ore body are amortised using a units of production (“UOP”) method and amortised over the reserves of the entire ore body. Sustaining mine development costs incurred that are capitalised that benefit specific areas of the ore body are also amortised on a UOP basis and amortised over the reserves specific to that area. There are significant assumptions involved in estimating reserve data, that is defined under the JORC code, that drives forecast recoverable tonnes which involves complex and difficult geological judgements to interpret the data.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. Dividends

	31 Dec 2024 $'000	31 Dec 2023 $'000
Franked dividends paid	**-**	-
Amount of franking credits available to shareholders for subsequent financial years	**17,556**	17,556

4. Financial Reporting by Segment

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. Management currently identifies the Consolidated Entity as having only one reportable segment, being exploration, development and operations for minerals through its ownership of the Kanmantoo copper mine. The financial results from this segment are equivalent to the financial statements of the Group. The financial results from this segment are equivalent to the financial statements of the consolidated entity. All assets are located in Australia.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. Revenue

	31 Dec 2024 $'000	31 Dec 2023 $'000
Copper	**111,418**	-
Gold	**5,382**	-
Silver	**2,936**	-
Treatment and refining deductions	**(7,348)**	-
Total revenue	**112,388**	-

Revenue is measured at the fair value of the consideration received or receivable and recognised at a point in time.

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

The price for delivering concentrate to the port includes its value adjusted for treatment and refining charges.

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

6. Other Income

	31 Dec 2024 $'000	31 Dec 2023 $'000
Interest	**67**	763
Release of government grant deferred income	**730**	-
Sale of excess seed	**25**	16
Other	**16**	-
Total other income	**838**	779

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

7. Expenses

Profit or loss before income tax includes the following expenses:

(a) Expenses per profit or loss

	Note	**31 Dec 2024 $'000**	31 Dec 2023 $'000
Mining costs	(i)	**53,368**	5,964
Processing costs	(ii)	**20,465**	-
Transport and shipping	(iii)	**4,024**	-
Other site costs		**5,246**	4,940
Movement in inventory stockpile valuation (cash costs)		**(2,500)**	(974)
Government royalties	(iv)	**5,383**	-
Corporate costs	(v)	**4,736**	3,741
Processing plant commissioning		**-**	1,310
Depreciation and amortisation		**31,763**	746
Movement in inventory stockpile valuation (non-cash costs)		**210**	-
Rehabilitation provision adjustment	(vi)	**(262)**	(115)
Gain on sale of fixed assets		**(167)**	(50)
Foreign exchange gain		**3**	(175)
Total expenses		**122,269**	15,387

(i) <u>Mining costs</u>
Mining costs refers to non-capitalised development, drilling and blasting, loading and hauling, underground diamond drilling, mine services, labour, supervision, and technical support.

(ii) <u>Processing costs</u>
Includes costs related to crushing, grinding, flotation and other associated processing activities excluding treatment and refining charges.

(iii) <u>Transport and shipping</u>
All charges related to the transport and shipment of saleable concentrate from site and port.

(iv) <u>Government royalties</u>
The accrued expenditure relating to the royalty payable to the South Australian government, directly linked to the revenue generated from operations less any allowable deductions.

(v) <u>Corporate costs</u>
Reflects costs mainly associated with running the corporate head office, board of directors, and employee share option expenses.

(vi) <u>Rehabilitation provision adjustment</u>
Reflects the expense associated with the reduction in the rehabilitation provision due to a change in model. This is part of the reduce provision recognised in Note 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

7. Expenses (continued)

(b) Interest and finance charges

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Discount on unwind of royalty financial liability	1,572	1,692
Discount on unwind of rehabilitation provision	350	360
Interest on leases	1,103	278
Borrowing costs, bank fees and charges	8	8
Interest on financial liabilities	1,748	6
Revaluation of royalty financial liability (refer to Note 22)	9,600	(1,403)
Total interest and finance charges	**14,381**	941

(c) Impairment charges

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Exploration assets	380	103

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.

(d) Other required disclosures

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Employee benefits (excluding share-based payments)	24,764	8,916
Employee share-based payments (see Note 34)	752	1,036

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

7. Expenses (continued)

(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 2024	31 Dec 2023
		$	$
(i)	**Audit Services**		
	PricewaterhouseCoopers:		
	Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**224,080**	202,100
		224,080	202,100
(ii)	**Taxation Services**		
	Services by PricewaterhouseCoopers:		
	Tax advice and tax compliance	**30,000**	48,270
		30,000	48,270

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

8. Income Tax

	31 Dec 2024 $'000	31 Dec 2023 $'000
(a) Income tax expense		
Income tax expense comprises:		
- Current tax expense	**-**	-
- Deferred tax expense	**227**	675
Income tax expense	**227**	675
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense/(benefit)	**(23,804)**	(15,651)
Tax at the Australian tax rate of 30%	**(7,141)**	(4,695)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share based payments	**226**	311
- Non-deductible expenses	**-**	5
- Tax temporary differences (recognised) / not recognised	**7,142**	5,054
Income tax expense	**227**	675
(c) Amounts recognised directly in equity		
Deferred tax – recognised directly in equity	**227**	675

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

8. Income Tax (continued)

(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.

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.

9. Deferred Tax

(i) Deferred tax assets have been recognised to the extent of the deferred tax liability. As such there are no deferred tax balances on the statement of financial positions.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. Deferred Tax (continued)

The balance of deferred tax assets comprises temporary differences attributable to:

	31 Dec 2024 $'000	31 Dec 2023 $'000
Tax losses and credits	**84,761**	77,772
Business related costs	**686**	717
Provisions and accruals	**3,860**	3,379
Accrued expenses	**216**	-
Deferred income	**5,234**	600
Lease liability	**2,606**	3,545
Total deferred tax assets	**97,363**	86,013

The balance of deferred tax liabilities comprises temporary differences attributable:

	31 Dec 2024 $'000	31 Dec 2023 $'000
Exploration expenditure / PPE	**4,472**	154
Total deferred tax liabilities	**4,472**	154
Net deferred tax assets	**92,891**	85,859
Deferred tax assets not recognised	**(92,891)**	(85,859)
Recognised net deferred tax assets	**-**	-

The company has unrecognised capital losses of $11.3 million (2023: $11.3 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

10. 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 consider 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.

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 2024**	31 Dec 2023
	Number	Number
Weighted average number of ordinary shares used in calculating basic and dilutive EPS	**2,062,272,006**	1,685,663,053

(b) Reconciliation of earnings used in calculating earnings per share	**31 Dec 2024**	31 Dec 2023
	$'000	$'000
(i) Basic earnings		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(24,031)**	(16,327)
(ii) Diluted earnings		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(24,031)**	(16,327)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

10. Earnings Per Share (continued)

	31 Dec 2024 Cents	31 Dec 2023 Cents
(i) Basic earnings per share		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(1.2)**	(1.0)
(ii) Diluted earnings per share		
(Loss) from continuing operations attributable to the ordinary equity holders of the Company:	**(1.2)**	(1.0)

11. Cash and Cash Equivalents

	31 Dec 2024 $'000	31 Dec 2023 $'000
Cash at bank and on hand	**2,908**	9,924
Restricted cash	**352**	316
	3,260	10,240

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 two bank guarantees.

12. Trade and Other Receivables

	31 Dec 2024 $'000	31 Dec 2023 $'000
Trade receivables	**1,487**	-
Prepayments	**211**	377
Other receivables	**764**	515
GST receivable	**1,253**	569
	3,715	1,461

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

13. Inventories

Current assets	31 Dec 2024	31 Dec 2023
	$'000	$'000
Stores and consumables	**4,063**	2,163
ROM stockpiles	**97**	974
Concentrates	**3,170**	-
Total current inventory	**7,330**	3,137

Consumable Inventory and Spares

Stores and consumables comprise of materials used in the mining and production process. These inventories are valued at the lower of cost and net realisable value (NRV), with cost determined using the weighted average method. Cost includes purchase price, transportation, and other directly attributable costs incurred to bring the inventory to site. Obsolescence and slow-moving stock are regularly reviewed, with appropriate provisions made where necessary.

During the current year, the provision methodology for stores and consumables was updated following the commencement of production, as the historic provision applied during care and maintenance was no longer appropriate. This resulted in a reduction in the provision and a corresponding increase in inventory value of $0.9 million.

Run-of-Mine (ROM) Stockpiles

ROM stockpiles relate to unprocessed ore extracted from mining operations. The cost of ROM stockpiles is determined by allocating costs between production and development activities, with costs and activities monitored at each stage of the production process and assigned to physical units accordingly. These are costs that are incurred to date and estimated future costs to process the stockpiles.

ROM stockpiles are valued at the lower of cost and NRV. NRV is based on the estimated amount expected to be realised when the inventory is fully processed and sold. This estimation requires judgement regarding the quantity of recoverable metal, future commodity prices, production costs, and selling costs.

Concentrates

Concentrates represent processed mineral products that are ready for sale. These inventories are recorded at the lower of cost and NRV, with cost determined using the weighted average method. Cost includes direct production costs, an allocation of processing costs, and transport costs to the point of sale. NRV is based on estimated future sales prices, less selling costs.

Stockpile and concentrate valuations are reviewed regularly, considering fluctuations in commodity prices, processing recoveries, and cost structures to ensure appropriate valuation adjustments are made when necessary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

14. Property, Plant and Equipment

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Land and buildings		
At cost	**5,840**	5,840
Accumulated depreciation and impairment	**(379)**	(379)
	5,461	5,461
Plant and equipment		
At cost	**87,025**	82,138
Accumulated depreciation and impairment	**(64,568)**	(60,465)
	22,457	21,673
Motor vehicles		
At cost	**1,075**	952
Accumulated depreciation	**(550)**	(456)
	525	496
Mine development		
At cost	**231,134**	201,519
Accumulated depreciation and impairment	**(182,881)**	(160,060)
	48,253	41,459
Capital work in progress		
At cost	**185**	-
Accumulated depreciation	**-**	-
	185	-
Total property, plant and equipment	**76,881**	69,089

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

14. Property, Plant and Equipment (continued)

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 as follows:

- Motor Vehicles 3 years
- Plant & Equipment 3 – 10 years

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.

Mine development includes development costs incurred related to the Kanmantoo mine.

When proven mineral reserves are determined and development is approved, capitalised exploration and evaluation expenditure is reclassified as mine development within property, plant and equipment. All subsequent development expenditure is capitalised and classified as mine development, provided commercial viability conditions continue to be satisfied. On completion of development, all relevant assets included in mine development are reclassified as plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

14. Property, Plant and Equipment (continued)

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

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Land and buildings		
Carrying amount at beginning of period	**5,461**	4,898
Additions	**-**	563
Depreciation	**-**	-
Carrying amount at end of period	**5,461**	5,461
Plant and equipment		
Carrying amount at beginning of period	**21,673**	13,610
Additions	**4,569**	7,214
Depreciation	**(4,387)**	(582)
Transfers	**744**	1,431
Disposals	**(142)**	-
Carrying amount at end of period	**22,457**	21,673
Motor vehicles		
Carrying amount at beginning of period	**496**	82
Additions	**314**	501
Depreciation	**(231)**	(87)
Transfers	**17**	
Disposals	**(71)**	-
Carrying amount at end of period	**525**	496
Mine development		
Carrying amount at beginning of period	**41,459**	21,441
Additions	**28,335**	21,799
Depreciation	**(22,822)**	(350)
Transfers	**1,281**	(1,431)
Carrying amount at end of period	**48,253**	41,459
Capital work in progress		
Additions	**2,227**	-
Transfers	**(2,042)**	-
Carrying amount at end of period	**185**	-
Total property, plant and equipment	**76,881**	69,089

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15. 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 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 2024	31 Dec 2023
	$'000	$'000
Exploration and evaluation expenditure	**6,962**	5,328
Carrying amount at beginning of period	**5,328**	4,784
Additions	**1,996**	647
Impairment	**(362)**	(103)
Carrying amount at end of period	**6,962**	5,328

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

16. Trade and Other Payables

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Trade payables	**17,203**	7,578
Other payables and accruals	**8,930**	6,116
	26,133	13,694

Information about the Group's exposure to liquidity risk is provided in Note 26(c).

17. Provisions – Current

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Rehabilitation provision	**1,114**	1,090
	1,114	1,090

Movement in provisions		
Carrying amount at the beginning of the year	**1,090**	766
Payments charged against provision	**(172)**	(97)
Transfer from non-current provision	**196**	421
Carrying amount at the end of the year	**1,114**	1,090

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 tenement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

18. Leases

(i) Amounts recognised in the statement of financial position

	31 Dec 2024	31 Dec 2023
Right-of-use assets	**$'000**	$'000
Plant and equipment	**9,237**	11,800
Closing carrying amount at 31 December	**9,237**	11,800
Lease liabilities		
Current lease liability	**4,343**	4,311
Non-current lease liabilities	**4,342**	7,506
Closing balance at 31 December	**8,685**	11,817

Additions to the right-of-use assets during current year were $7.2 million (2023: $14.0 million).

The total cash outflow for these leases in the current year was $4.2m (31 December 2023: $0.7m).

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Depreciation charge of right-of-use assets – Plant and equipment	**4,558**	(1,530)
Expense relating to short-term leases (included in expenses)	**1,178**	158
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in expenses)	**27**	23
Interest expense (included in interest and finance charges)	**1,103**	278
Expense relating to variable lease payments not included in lease liabilities (included in expenses)	**8,375**	763

Contractual maturities of lease liabilities

The maturity profile of lease liabilities based on the undiscounted contractual amounts is as follows:

At 31 December 2024	Less than 1 year $'000	1 to 2 years $'000	Over 2 years $'000	Total cash flows $'000	Carrying amount $'000
Lease liabilities	4,811	2,634	2,538	9,983	8,685

Notes to the Consolidated Financial Statements

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19. Employee Benefits Payable

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Employee benefits payable – current	**3,383**	1,594

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 $3.4 million (2023: $1.6 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 utilisation, 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 2024	31 Dec 2023
	$'000	$'000
Leave obligations expected to settle after 12 months	**1,418**	482

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

20. Provisions – Non-Current

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Rehabilitation provision	**8,334**	8,500
Movement in provisions		
Carrying value at the beginning of the period	**8,500**	9,006
Charged/(credited) to profit or loss		
Discount on unwind of rehabilitation provision	**350**	360
Transfer to current provisions	**(196)**	(421)
Reduce provision recognised	**(320)**	(445)
Balance at end of period	**8,334**	8,500

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. Closing and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Closing 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 based on 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.

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 South Australian 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 South Australian Government, the Group has delayed the timing of this payment and, whilst the intention is for the payment to be made in future, it should be noted that non-payment would increase the Group's rehabilitation provision by approximately $1.5 million. However, such a scenario is not expected to materialise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

21. Deferred Income

	31 Dec 2024	31 Dec 2023
Current	**$'000**	**$'000**
Deferred revenue	**719**	-
Government grant income	**639**	-
	1,358	-
Non-Current		
Government grant income	**631**	2,000
Total deferred income	**1,989**	2,000

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

22. Other financial liabilities

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Discounted net smelter return royalty – Current	**4,470**	2,997
Discounted net smelter return royalty – Non Current	**11,706**	4,487
	16,176	7,484

During August 2022, the Group entered into a royalty funding agreement with Freepoint Metals and Concentrates LLC (Freepoint). Net proceeds of $5.9 million were received from Freepoint, 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.

In accordance with AASB 9, this arrangement is classified as a financial liability, measured at amortised cost, using the effective interest method. This resulted in initial recognition of a financial liability of $5.87 million recognised in August 2022, with an effective interest rate of 24.06%. The liability is re-measured at each reporting year for any changes in assumption (such as copper price), however the effective interest rate will not change. At 31 December 2024, the liability was remeasured for a movement in the copper spot price and forecasted royalty payments, which increased the liability by $8.7 million.

Refer to Note 26(a) for the potential impact on the amount payable due to copper price fluctuations.

Notes to the Consolidated Financial Statements

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23. Contributed Equity

Share capital

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Issued and paid-up capital for 2,095,555,597 fully paid shares (31 December 2023: 1,911,971,009)	**302,711**	292,947

Ordinary shares issued – movements during the period

	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	No. of shares		**$'000**	
Opening balance	**1,911,971,009**	1,174,289,057	**292,947**	256,088
Employee option schemes / issues	**11,940,313**	12,500,000	**-**	-
Capital raise	**171,644,245**	725,181,952	**10,335**	38,435
Less – transaction costs (net of tax)	**-**	-	**(571)**	(1,576)
Balance at end of period	**2,095,555,567**	1,911,971,009	**302,711**	292,947

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

24. Reserves

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Share based payments reserve	**10,046**	9,084
Profit reserve	**22,082**	22,082
	32,128	31,166

Movements:		
Share based payments reserve (i)		
Opening balance	**9,084**	7,306
Share based compensation expense	**962**	1,778
Closing balance	**10,046**	9,084
Profit reserve (ii)		
Opening balance	**22,082**	22,082
Transfer of current year profit	**-**	-
Dividend paid	**-**	-
Closing balance	**22,082**	22,082

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 for placement and share purchase plans.

(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.

Notes to the Consolidated Financial Statements

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25. Accumulated Losses

	31 Dec 2024	31 Dec 2023
	$'000	$'000
At beginning of the period	**(269,237)**	(252,910)
Net loss (not carried forward to profit reserve)	**(24,031)**	(16,327)
Accumulated losses at end of the period	**(293,268)**	(269,237)

26. 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

(i) Copper Pricing

The Group has exposure to copper commodity prices arising from the royalty agreement entered with Freepoint Metals and Concentrates LLC during August 2022 (refer Note 22). 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 2024	
	Impact on current value of royalty payable	
	Increase	**Decrease**
	$'000	**$'000**
Impact of 10% increase/decrease in copper price	**1,548**	**(1,548)**

(ii) Foreign exchange risk

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 these has been reflected in the above market price table. Additionally, the Group has exposure to FX changes in relation to AUD payments made for a lease charged in USD.

Additionally, at 31 December 2024, the Group has US$ denominated receivables of $924,628 (31 December 2023: $Nil). An increase/decrease in AUD:USD foreign exchange rates of 10% will result in $92k impact to net assets and pre-tax profit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

26. Financial Risk Management (continued)

(b) 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 as appropriate financial institutions.

The group has trade receivables of $1,487,258 (31 December 2023: $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, considering its financial position, experience and other relevant factors.

(c) 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 drawn borrowing facilities at the reporting date.

Notes to the Consolidated Financial Statements

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26. Financial Risk Management (continued)

(c) Liquidity risk (continued)

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.

31 December 2024 $'000	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
Trade and other payables	26,133	-	-	-	-	-	26,133	26,133
Financial liabilities	4,470	4,829	5,327	5,220	4,606	4,604	29,056	16,176
Total	30,603	4,829	5,327	5,220	4,606	4,604	55,189	42,309

31 December 2023 $'000	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
Trade and other payables	13,694	-	-	-	-	-	13,694	13,694
Financial liabilities	2,997	3,806	3,600	-	-	-	10,404	7,484
Total	16,691	3,806	3,600	-	-	-	24,098	21,178

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For the year ended 31 December 2024

27. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hillgrove Resources Limited (the "parent entity") as at 31 December 2024 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;

Name of controlled entity	Country of incorporation	Class of share	Equity holding 31 Dec 2024 %	Equity holding 31 Dec 2023 %
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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

28. Commitments

(a) Non-cancellable commitments

Future commitments not provided for in the financial statements and payable:

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Within one year	**76**	16
One to five years	**-**	-
	76	16

(b) Exploration expenditure commitments

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 2024	31 Dec 2023
	$'000	$'000
Within one year	**45**	487
One to five years	**359**	677
	404	1,164

(c) Capital commitments

At 31 December 2024, there were no contracted capital commitments (31 December 2023: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

29. 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 11.

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Operating profit/(loss) after income tax	**(24,031)**	(16,327)
Add/(less) items classified as investing/financing activities		
Gain on sale of fixed assets	**(167)**	(50)
Net interest expense	**2,783**	284
Finance lease payments	**(5,719)**	(664)
Tax expense on capital raise costs	**(227)**	(675)
Add/(less) non-cash items		
Depreciation and amortisation	**31,763**	746
Movement in inventory stockpile valuation (non-cash costs)	**210**	-
Asset impairments	**380**	103
Employee share options	**752**	1,036
Discount on unwind of rehabilitation provision	**350**	360
Discount on unwind of royalty financial liability	**1,572**	1,692
Revaluation of royalty financial liability	**9,600**	(1,403)
Unrealised foreign exchange gain on lease liability	**(3)**	(175)
Rehabilitation adjustment	**(262)**	(114)
Movement in Comet Vale rehabilitation provision	**-**	(286)
Changes in operating assets and liabilities		
Increase in receivables, prepayments and inventories	**(6,446)**	(1,820)
Increase in right-of-use assets	**(46)**	(13,330)
Increase in trade creditors and accruals	**12,439**	12,992
Decrease in deferred income	**(11)**	-
(Decrease) / increase in lease liabilities	**(3,132)**	11,817
Decrease in other operating liabilities	**(360)**	(4,473)
Increase in provisions and employee benefits	**1,558**	748
Net cash from/(used) by operating activities	**21,003**	(9,539)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

29. Notes to the Consolidated Statement of Cash Flows (continued)

(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 2024	31 Dec 2023
	$'000	$'000
Cash and cash equivalents	**3,260**	10,240
Financial liabilities – repayable within one year	**(8,813)**	(7,308)
Financial liabilities – repayable after one year	**(16,048)**	(11,993)
Net debt	**(21,601)**	(9,061)

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 2023	5,305	-	-	(7,195)	(1,890)
Cash flows	4,935	-	-	-	4,935
Other non-cash movements	-	-	(7,308)	(4,798)	(12,106)
Net funds/(debt) as at 31 December 2023	10,240	-	(7,308)	(11,993)	(9,061)
Cash flows	(6,980)	-	-	-	(6,980)
Other non-cash movements	-	-	(1,505)	(4,055)	(5,560)
Net funds/(debt) as at 31 December 2024	**3,260**	**-**	**(8,813)**	**(16,048)**	**(21,601)**

Non-cash movements represent accrued interest, repayment timing movements between current and non-current and revaluations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

30. Key Management Personnel Disclosures

Key management personnel compensation

	31 Dec 2024	31 Dec 2023
	$	$
Short-term employee benefits	**1,166,949**	867,112
Post-employment benefits	**104,019**	96,704
Cash bonus (accrued)	**-**	201,325
Share based payments	**488,094**	444,317
	1,759,062	1,609,458

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

31. 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 27.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 30.

(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.

The Group entered into a standby debt facility agreement in October 2024 with Freepoint Metals and Concentrates LLC, whom are substantial shareholders of Hillgrove Resources Limited. Material terms of this standby debt facility are as follows:

1. **Facility** – Freepoint will provide Hillgrove with a A$10 million stand-by facility in two A$5 million tranches, subject to conditions and to be repaid by 6 instalments commencing 7 months after first draw down with final instalment payable 12 months after first draw down.
2. **Security** – the Facility is secured by a new comprehensive security package over Hillgrove's assets. The security documents expressly provide that:
    i. the security is limited to the funds due under the Facility and existing financial accommodation with Freepoint (i.e. hedging);

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. Related Party Transactions (continued)

(d) Related parties (continued)

ii. the security will be discharged when the funds due under the Facility and existing financial accommodation have been satisfied in full;

iii. in the event the security is enforced, the assets can only be disposed of to Freepoint or an associate of Freepoint if the disposal is first approved by Hillgrove's security holders under ASX Listing Rule 10.1; and

iv. otherwise, if the holder of the security exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the security, the assets must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to Freepoint in accordance with their legal entitlements.

3. **Conditions** – loan availability and funding under the Facility will be subject to customary conditions precedent for transactions of this nature, including registration of the security documents and obtaining a waiver from the ASX from the requirement to obtain securityholder approval under Listing Rule 10.1 with respect to the grant of securities for the purposes of the Facility.

   Hillgrove has applied for and has been granted a waiver by the ASX from the requirement to obtain securityholder approval under Listing Rule 10.1 subject to certain conditions including any variation to the terms of the Facility or the Security which:

   - advantages Freepoint in a material respect;
   - disadvantages the Company in a material respect; or
   - is inconsistent with the terms of the waiver,
   - must be subject to security holder approval under Listing Rule 10.1; and
   - for each year while they remain on foot, a summary of the material terms of the Facility and the Security is included in the related party disclosures in the Company’s audited annual accounts.

4. **Operational Covenants** – the Facility contains standard operational covenants on providing securities, asset dealings, and corporate activities.

5. **Price Participation** – in addition to typical commitment fees and commercial interest rates, if following draw down on the Facility, the copper price is more than US$8,800/t in respect of any concentrate sold under the existing offtake agreement between the parties, then Freepoint is entitled to 10% of the additional value above the strike price until the earlier of:

   i. end of mine life; or

   ii. 15,000t of payable copper metal has been supplied by Hillgrove to Freepoint under the offtake agreement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. Related Party Transactions (continued)

(d) Related Parties (continued)

The Price Participation is capped at an amount equal to 4.99% of the equity interests as set out in the Company's latest accounts.

6. **Conversion Option** – if draw down under the Facility has occurred, Freepoint has the option to convert some or all of outstanding loan amount under the Facility into ordinary Hillgrove shares: the shares will be issued at a price based on a 10% discount to the VWAP over the 5 trading days immediately prior to Freepoint issuing a notice to convert. The proposed conversion and issue of shares must not result in:

    i. greater than 3% increase in Freepoint's voting power in Hillgrove, within a 6 month period for a maximum of 2 periods (i.e. 2 x 3% over 12 months); and

    ii. Freepoint's total voting power in Hillgrove exceeding 30%.

32. Events After the Reporting Period

There were no events subsequent to balance date.

33. Contingent Liabilities

Guarantees

	31 Dec 2024	31 Dec 2023
	$'000	$'000
Electranet performance bond to support the build, own, operate and maintain agreement for installation of transmission infrastructure at the Kanmantoo site	**600**	388
Security bonds on tenements	**5**	5
	605	393

The consolidated entity had no other contingent liabilities at 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. Share-Based Payments

(a) Movements in options and performance rights during the year

	31 December 2024		31 December 2023	
	Number of options and performance rights	**Weighted average exercise price ($)**	Number of options and performance rights	Weighted average exercise price ($)
Balance at beginning of year	**53,802,800**	**0.03**	58,500,000	0.03
Granted – employees	**9,657,768**	**-**	15,000,000	-
Granted – nonexecutive directors	**7,000,000**	**0.12**	-	-
Forfeited during the year	**(10,631,352)**	**-**	(7,197,200)	-
Exercised during the year	**(11,940,313)**	**-**	(12,500,000)	-
Expired during the year	**-**	**-**	-	-
Balance at end of year	**47,888,903**	**0.05**	53,802,800	0.03
Exercisable at end of year	**-**	**-**	-	-

At the end of the year there were 47,888,903 performance rights outstanding and the weighted average remaining contractual life at the end of the period was 1.31 years (31 December 2023: 2.15 years).

(b) Summary of options and performance rights outstanding

	31 December 2024		31 December 2023	
	Number of options and performance rights	**Last exercise date**	Number of options and performance rights	Last exercise date
2021 OPRP (Tranche 2)	**-**	**30 March 2025**	13,802,800	30 March 2025
2022 OPRP (Tranche 3)	**9,731,135**	**30 March 2026**	11,000,000	30 March 2026
2023 OPRP (Tranche 1)	**7,500,000**	**30 March 2027**	15,000,000	30 March 2027
2024 OPRP (Tranche 1)	**9,657,768**	**30 March 2028**	-	-
Director Options T1 (2021)	**8,000,000**	**14 May 2025**	8,000,000	14 May 2025
Director Options T2 (2021)	**6,000,000**	**14 May 2026**	6,000,000	14 May 2026
Director Options T1 (2024)	**4,000,000**	**14 May 2025**	-	-
Director Options T2 (2024)	**3,000,000**	**14 May 2026**	-	-
TOTAL	**47,888,903**		53,802,800	

Note that Mr R Fulker is excluded from the above figures. Refer to section 4.4.3 of the Remuneration Report for further details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. Share-Based Payments (continued)

(b) Summary of options and performance rights outstanding (continued)

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

	2021 OPRP	2022 OPRP	2023 OPRP	2024 OPRP
Consideration	-	-	-	-
Exercise price	-	-	-	-
Method of settlement	Equity	Equity	Equity	Equity
Performance hurdles				
- Share price target (cents)	8.0	10.0	12.0	14.0
- Price calculation methodology	10 day VWAP	10 day VWAP	10 day VWAP	10 day VWAP
- Start of testing date	1 March 2024	1 March 2024	1 March 2025	1 March 2026
- First exercise date	1 March 2024	1 March 2025	1 March 2026	1 March 2027
- Last exercise date	30 March 2025	30 March 2026	30 March 2027	1 March 2028

In addition, further information for each of the outstanding director options are as follows:

	T1 (2021)	T2 (2021)	T1 (2024)	T2 (2024)
Consideration	-	-	-	-
Exercise price	$0.10/share	$0.15/share	$0.10/share	$0.15/share
Method of settlement	Equity	Equity	Equity	Equity
Grant date	14 May 2021	14 May 2021	3 June 2024	3 June 2024
First exercise date	14 May 2024	14 May 2024	3 June 2024	3 June 2024
Last exercise date	14 May 2025	14 May 2026	14 May 2025	14 May 2026

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. Share-Based Payments (continued)

(c) Additional information on options and performance rights issued during the year

	2024 OPRP
Grant date	2 July 2024
Valuation date	31 May 2024
Consideration	-
Exercise price	-
Number of rights granted	11,025,000
Performance hurdles	
- Share price target - cents	14.0
- Price calculation methodology	10 day VWAP
- Start of testing date	1 March 2026
- First exercise date	1 March 2027
- Last exercise date	30 March 2028
Valuation	
- Performed by	External advisers
- Methodology	Binomial
- Share price volatility	65%
- Expected dividend yield	0%
- Risk free interest rate	4.10%
- Valuation per right - cents	6.70

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. Share-Based Payments (continued)

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

	31 December 2024		31 December 2023	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Balance at beginning of year	**55,000,000**	**0.0790**	20,000,000	0.0780
Granted	**10,000,000**	**0.0900**	35,000,000	0.0795
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**(2,000,000)**	**-**	-	-
Expired during the year	**(18,000,000)**	**-**	-	-
Balance at end of year	**45,000,000**	**0.0807**	55,000,000	0.0790

At the end of the year there were 45,000,000 options outstanding and the weighted average remaining contractual life at the end of the period was 1.51 years (31 December 2023: 1.75 years).

(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 2024	31 Dec 2023
	$'000	$'000
Performance rights issued under the OPRP:		
Equity based	**752**	1,036
Cash based	**-**	-
	752	1,036

During the period, the expensed share based payment amounts were calculated based on an adjusted form of the Black Scholes Model, third party valuation using a binomial option pricing model, or share price on the date of issue against the probability that they will vest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

35. 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 2024	**31 Dec 2023**
	$'000	**$'000**
Profit / (loss) after income tax	**(24,031)**	(14,790)
Total comprehensive income	**(24,031)**	(14,790)
Statement of financial position		
Total current assets	**530**	10,308
Total assets	**42,266**	55,688
Total current liabilities	**695**	812
Total liabilities	**695**	812
Net assets	**41,571**	54,876
Shareholder's equity		
Contributed equity	**302,711**	292,947
Reserves	**16,912**	15,950
Accumulated losses	**(278,052)**	(254,021)
Total equity	**41,571**	54,876

Material 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.

Consolidated Entity Disclosure Statement as at 31 December 2024

Name of controlled entity[1]	Trustee, partner or participant in JV	% of share capital	Place of incorporation	Australian resident or foreign resident	Foreign jurisdiction of foreign residents
Hillgrove Resources Limited	-	n/a	Australia	Australian	N/A
Hillgrove Copper Pty Ltd	-	100	Australia	Australian	N/A
Hillgrove Copper Holdings Pty Ltd	-	100	Australia	Australian	N/A
Hillgrove Exploration Pty Ltd	-	100	Australia	Australian	N/A
Hillgrove Mining Pty Ltd	-	100	Australia	Australian	N/A
Hillgrove Operations Pty Ltd	-	100	Australia	Australian	N/A
Hillgrove Wheal Ellen Pty Ltd	-	100	Australia	Australian	N/A
Kanmantoo Properties Pty Ltd	-	100	Australia	Australian	N/A
Mt Torrens Properties Pty Ltd	-	100	Australia	Australian	N/A
SA Mining Resources Pty Ltd	-	100	Australia	Australian	N/A
Hillgrove Indonesia Pty Ltd	-	100	Australia	Australian	N/A
PT Hillgrove Indonesia	-	100	Indonesia	Foreign	Indonesian

(1) All entities are body corporate entities

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 33 to 76 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 2024 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, and

(c) the consolidated entity disclosure statement on page 77 is true and correct

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 2025

Mr Derek Carter

Chair

Mr Robert Fulker

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 2024 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 financial report comprises:

- the consolidated statement of financial position as at 31 December 2024
- 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, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 31 December 2024
- 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.

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that as at 31 December 2024 the Group's current liabilities exceeded its current assets by $26.5 million and is dependent on achieving planned levels of production through the Kanmantoo copper mine. This condition, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our 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.

Audit scope	*Key audit matters*
• Our audit also focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • In establishing the overall approach to the audit of the Group, we determined the type of work that needed to be performed by us, as the group auditor.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Mine development expenditure – Revaluation of royalty financial liability • These are further described in the *Key audit matters* section of our report.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters 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***

Mine development expenditure
(Refer to note 14)
 	
We considered the additions during the year in mine development expenditure a key audit matter given it is a financially significant balance.
	We performed the following procedures, amongst others:
	
	• Considered the latest available information regarding the project through inquiries of management and the directors, and inspection of relevant press releases;
	
	• For a sample of additions to mine development expenditure, we:
	  ○ Assessed the appropriateness of the additions to the mine development in accordance with the requirements of Australian Accounting Standards; and
	  ○ Tested the accuracy of the additions to mine development expenditure by comparing the amounts capitalised to invoices or other relevant supporting documents.
	
	• Evaluated the reasonableness of the disclosures against the requirements of Australian Accounting Standards.

Revaluation of royalty financial liability *(Refer to note 22)* In August 2022, the Group entered into a royalty funding agreement with Freepoint Metals and Concentrates LLC (Freepoint). Any fluctuations arising from re-estimating the cash flows (e.g. price of copper, Life of Mine assumptions) would be recognised in the statement of profit or loss within the relevant reporting period. We considered the revaluation of the royalty financial liability a key audit matter given it is a financially significant balance and there is a level of judgement involved in assessing the key assumptions relevant to the revaluation of the royalty financial liability.	We performed the following procedures, amongst others: • Assessed the executed royalty agreement to verify the accurate interpretation and application of certain key clauses, such as the royalty rates, thresholds for payable copper, and the reduction in percentage after certain production levels; • Tested the mathematical accuracy of the calculation of the financial liability and the associated finance cost by reperforming the calculation; • Evaluated the measurement of the liability, scrutinizing management's estimates and judgments regarding future cash flows, including copper price forecasts and Life of Mine assumptions. • Evaluated the reasonableness of disclosures against 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 2024, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the director's report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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://auasb.gov.au/media/bwvjcgre/ar1_2024.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 the directors' report for the year ended 31 December 2024.

In our opinion, the remuneration report of Hillgrove Resources Limited for the year ended 31 December 2024 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 2025