

**Appendix 4D**  
**Interim Report**  
**Half year ended 30 June 2022**

<b>Name of entity</b>	Hillgrove Resources Limited
<b>ABN</b>	73 004 297 116
<b>Half year ended</b>	30 June 2022
<b>Previous corresponding reporting period</b>	30 June 2021

**Results for announcement to the market**

Revenue from ordinary activities	unchanged	\$Nil	to	\$Nil
Loss from ordinary activities after tax attributable to the owners of Hillgrove Resources Limited	reduced	6%	to	\$2,634,000
Loss for the period attributable to the owners of Hillgrove Resources Limited	reduced	6%	to	\$2,634,000

**Dividends**

No dividends were paid or proposed to members during the half year ended 30 June 2022.

**Brief explanation of results**

A net loss after tax of \$2,634,000 is reported by the Group for the half year (30 June 2021: net loss of \$2,805,000).

Refer to the directors' report, financial statements and supporting notes in the attached Interim Report for the half year ended 30 June 2022 for additional detail.

**Statements**

The following statements are included in the attached Interim Report for the half year ended 30 June 2022:

- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows.

**Dividend reinvestment plans**

There are no dividend reinvestment plans in operation.

### Net tangible assets per security

<b>NTA backing</b>	<b>Current period 30 June 2022</b>	<b>Previous period 31 December 2021</b>
Net tangible asset backing per ordinary security (undiluted)	3.0 cents	3.2 cents

### Control gained or lost during the period

There were no transactions entered into by the Group during the half year ended 30 June 2022 that resulted in control being gained or lost over any entities.

### Subsidiaries

The consolidated results incorporate the assets, liabilities and results of the following subsidiaries.

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Class of Share</b>	<b>Equity Holding 2022</b>	<b>Equity Holding 2021</b>
<b>Controlled entity</b>			<b>%</b>	<b>%</b>
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 Pte Ltd	Indonesia	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

## **Commentary on results for the period**

### **Review of operations**

Refer to the directors' report, financial statements and supporting notes in the attached Interim Report for the half year ended 30 June 2022.

### **Feign entities**

Australian Accounting standards have been used in compiling the report.

### **Report based on audited accounts**

This report has been based on the attached accounts which have been reviewed by the Group's auditors.

### **Interim review of accounts**

The interim financial statements have been reviewed by the Group's independent auditor. The review report is included within the interim financial report which accompanies this Appendix 4D. The independent auditor's review report contains a material uncertainty in relation to going concern. The emphasis of matter draws attention to Note 1(a) of the interim financial report and states that the factors described in that going concern note to the interim financial statements indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. In Note 1(a), the Directors confirm that the Group is assessing funding alternatives. Based on the Company's historical success in raising capital as well as the robust economics of the Underground Project, the Directors are confident that the required amount of financing will be secured to support the cash flow needs of the Group as required for twelve months from the date of this report and as such, the accounts have been prepared on a going concern basis.



**Interim Report  
for the Half Year Ended  
30 June 2022**

**Hillgrove Resources Limited  
and its Controlled Entities**

**ACN 004 297 116**

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*Note: All dollars in this report are Australian unless otherwise noted.*

## Directors' Report

The Directors present their report on the consolidated entity consisting of Hillgrove Resources Limited ("Hillgrove" or the "Company") and its controlled entities (the "Group" or the "Consolidated Entity") for the six-month period to 30 June 2022.

### Directors

The Directors of the Company during this period were:

- Derek Carter;
- Murray Boyte; and
- Lachlan Wallace.

### 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 (Underground) Copper Mine in South Australia and mineral exploration in the south-east of South Australia.

### Kanmantoo Copper Mine

The Kanmantoo Copper Mine in South Australia is located 55 kilometres from Adelaide. A main highway passes close to the project and being approximately 90 kilometres by road to Port Adelaide, enables the trucking of copper concentrate to the port. The mine site is connected to the electricity grid and has water supplied by the District Council of Mount Barker's treated wastewater facility with additional water capacity from the Murray River which provides 100% redundancy for the project. Open cut mining was completed in May 2019 and the processing of ore stockpiles completed in March 2020.

With the completion of the open cut operations, focus is on the development of the Underground project, which presents an opportunity to resume production in the near term for relatively low capital investment due to the existing processing and tailings storage facility, and short distance from the base of the open pit to the mineralised lodes. The mine is fully permitted and has strong community support in an excellent mining jurisdiction, with exploration upside both on the mining lease and nearby areas which provides an opportunity to further increase the mining inventory to take advantage of forecast rising copper prices as the world decarbonises.

### Environment and Community

Hillgrove continues to maintain the rehabilitated areas on the Kanmantoo Mining Lease and it's established high-quality native vegetation on surrounding properties to meet its environmental offset obligations. These areas in total amount to 122 hectares of vegetation. Statutory environmental monitoring activities for the site continue to be undertaken during the care and maintenance phase of the operation.

Hillgrove continues to actively engage with local communities and landowners around the Kanmantoo mine, through regular meetings of the Kanmantoo Callington Community Consultative Committee and the Master Planning Committee, which has the ongoing amenity of the mine site and surrounds post-closure as an objective.

## Directors' Report (continued)

### Development Activities

Hillgrove is aiming to maximise the value from the mining lease through continued use of the existing infrastructure at Kanmantoo including the processing plant and permitted tailings storage facility. This will be undertaken through a staged approach, whereby the Kanmantoo Underground will also seek to leverage the existing 360m deep open pit to access ore zones below the pit and nearby satellite pits for relatively low development capital, subject to continuing positive exploration and drilling results. The Underground is fully permitted and has the opportunity to restart quickly and for low capital owing to the existing processing and tailings infrastructure which is maintained on care and maintenance for a ready restart.

Drilling continued during the half year in both Kavanagh and Nugent, with highlights including:

- 36.5m @ 1.76% Cu, 0.29 g/t Au from 367.7m downhole (KTDD208\_W2)<sup>1</sup>
- 15.3m @ 2.15% Cu, 0.21 g/t Au from 471.0m downhole (KTDD208\_W1)<sup>2</sup>
- 16.55m @ 1.22% Cu, 0.43 g/t Au from 229.05m downhole (KTDD224)<sup>3</sup>
- 14.5m @ 1.60% Cu, 0.34 g/t Au from 175m downhole (KTDD230)<sup>4</sup>

Following the successful drilling campaigns, it culminated in the release of an updated Mineral Resource Estimate for Kavanagh Underground<sup>5</sup> and Nugent Underground<sup>6</sup>, which saw copper metal at Kanmantoo increasing from 65.5kt to 75.9kt. With this drilling, the proportion of Resources classified as Measured and Indicated also increased from 67% to 76%.

During the half, the continuous mining trial completed. This trial enabled the Company to get a better look at the geotechnical conditions, establish services at the portals, and commence early stope definition drilling, all of which de-risks the project and further reduces what is a very quick and low cost capital development.

### Exploration Activities

Regionally, the Company continues to advance the exploration in its extensive pipeline of opportunities, with over more than 6,100km<sup>2</sup> of tenements. These include copper-gold targets within 10 kilometres of the Kanmantoo processing plant (Stella, Mullewa and North West Kanmantoo) as well as the South East of South Australia (which partly covers the Delamerian orogeny, which is being investigated by the Geological Survey of South Australia and MINEX-CRC for its magmatic arc related copper-gold endowment).

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<sup>1</sup> ASX Release 21 March 2022

<sup>2</sup> ASX Release 21 March 2022

<sup>3</sup> ASX Release 3 May 2022

<sup>4</sup> ASX Release 3 May 2022

<sup>5</sup> ASX Release 11 May 2022

<sup>6</sup> ASX Release 26 July 2022

## Directors' Report (continued)

### Operating and Financial Review

#### Review of Consolidated Financial Results

The underlying EBITDA for the half year was a loss of \$2,531k compared to a loss of \$2,749k in the corresponding period.

The cash balance at 30 June 2022 was \$4,474k compared to \$10,737k at 31 December 2021.

#### Income Statement Overview

\$000's	Half Year June 2022	Half Year June 2021	Change
Care and maintenance costs and other site costs	(1,340)	(1,174)	(166)
Corporate costs	(1,216)	(1,631)	415
Other income	25	56	(31)
<b>TOTAL COSTS</b>	<b>(2,531)</b>	<b>(2,749)</b>	<b>218</b>
<b>EBITDA</b>	<b>(2,531)</b>	<b>(2,749)</b>	<b>218</b>
Depreciation and amortisation	(34)	(41)	7
<b>EBIT</b>	<b>(2,565)</b>	<b>(2,790)</b>	<b>225</b>
Net interest and financing charges	(69)	(15)	(54)
Income tax benefit/(expense)	-	-	-
<b>NET LOSS AFTER TAX</b>	<b>(2,634)</b>	<b>(2,805)</b>	<b>171</b>

With the completion of processing operations in 2020 there is no revenue to be reported in the current period. Costs for the 6 months to 30 June 2022 related to processing plant care and maintenance, other site overheads and corporate costs. Refer to note 3 for additional information.

**Directors' Report (continued)**  
**Operating and Financial Review (continued)**

**Cash Flow Overview**

<b>\$000's</b>	<b>Half Year June 2022</b>	<b>Half Year June 2021</b>	<b>Change</b>
Net cash inflows / (outflows) from operating activities	(2,822)	(2,224)	(598)
Net cash used in investing activities	(3,422)	(4,726)	1,304
Net cash inflows/ (outflows) from financing activities	(19)	8,008	(8,027)
Net increase/(decrease) in cash held	(6,263)	1,058	(7,321)
<b>Cash and cash equivalents at the end of half year</b>	<b>4,474</b>	<b>6,659</b>	<b>(2,185)</b>

***Operating Activities Cash Flow***

The net cash outflow of \$2,822k in the current period relates to payments for site care and maintenance and overheads together with corporate overheads. Outflows in the comparative period were reduced by receipt of Job-keeper income which ceased in 2021.

With the completion of processing operations in 2020, the Group is not currently generating revenue. However, operating cash outflows continue during plant care and maintenance and underground development investigations. Note 1a draws attention to the Group's ability to continue as a going concern without further funding and a material uncertainty relating to going concern is included in the Auditor's Review Report.

***Investing Activities Cash Flow***

The Group's continued focus on Underground development and exploration resulted in the majority of cash outflows for the half year ended 30 June 2022 relating to investing activities. During the period, there were cash outflows of \$5,339k on the Underground development and \$313k on the various exploration leases held by the Group. Partially offsetting these outflows were government grants received in the period of \$2,000k relating to the Underground project (refer to note 10 for additional information) and \$230k relating to exploration activities.

***Financing Activities Cash Flow***

During the current period there was \$23k of costs relating to the 2021 capital raise and \$4k of interest received. The inflow in the comparative period represents net capital raise proceeds of \$7,999k and interest received of \$9k. There was no capital raised in the current period.

**Directors' Report (continued)**  
**Operating and Financial Review (continued)**

**Statement of Financial Position Overview**

	<b>30 June 2022</b>	<b>31 Dec 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	<b>4,474</b>	10,737
Receivables and inventories	<b>2,536</b>	2,839
Property, plant and equipment	<b>38,271</b>	33,284
Exploration	<b>4,605</b>	4,434
<b>Total assets</b>	<b>49,886</b>	51,294
Trade and other payables	<b>1,618</b>	1,800
Provisions	<b>9,958</b>	10,050
Employee benefits	<b>755</b>	1,501
Deferred income	<b>2,000</b>	-
<b>Total liabilities</b>	<b>14,331</b>	13,351
<b>Net Assets / Equity</b>	<b>35,555</b>	37,943

**Assets**

The decrease in total assets primarily related to the cash expenditure incurred on site and corporate costs. The cash expenditure on property, plant and equipment, and exploration is offset with an increase in the carrying value of those assets due to additions in the period.

**Liabilities**

The increase in total liabilities of \$980k was largely driven by the reduction in employee liabilities and the introduction of \$2,000k of deferred income for the government grant noted on page 6. The grant will be released to the profit and loss over the life of the underground mine (refer to note 10 for additional information). Trade creditors continue to be on normal trading terms.

**Rounding of Amounts**

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded in accordance with that Class Order to the nearest thousand dollars.

## **Directors' Report (continued)** **Operating and Financial Review (continued)**

### **Outlook**

With the copper price decreasing recently, current market conditions may affect financial and operational decisions. Despite this, even at the current prices, the Kanmantoo Underground project remains robust, due in large part to the established and permitted infrastructure which keeps the capital development very low relative to other copper projects.

As announced to the market on 24 August 2022, the Company entered into a royalty agreement with Freepoint Metals & Concentrates LLC. This \$6 million funding enables the Company to consider a range of options.

### **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 9.

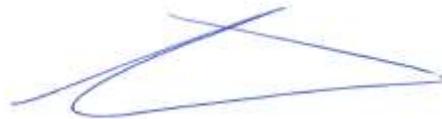
This report is made in accordance with a resolution of the Directors:

Dated at Adelaide this 29<sup>th</sup> day of August 2022



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**Mr Derek Carter**  
Chairman



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**Mr Lachlan Wallace**  
Managing Director



## Auditor's Independence Declaration

As lead auditor for the review of Hillgrove Resources Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hillgrove Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Julian McCarthy', written over a horizontal line.

Julian McCarthy  
Partner  
PricewaterhouseCoopers

Adelaide  
29 August 2022

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 June 2022

	Note	Half Year	
		June 2022	June 2021
		\$'000	\$'000
Other income	2	25	56
Expenses	3	(2,590)	(2,840)
Interest and finance charges	4	(69)	(21)
<b>Loss before income tax</b>		<b>(2,634)</b>	<b>(2,805)</b>
Income tax benefit/(expense)		-	-
<b>Loss for the half year attributable to owners</b>		<b>(2,634)</b>	<b>(2,805)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
		-	-
<b>Total comprehensive income for the period attributable to equity holders of Hillgrove Resources Limited</b>		<b>(2,634)</b>	<b>(2,805)</b>
<b>Earnings per share for income attributable to the ordinary equity holders of the Company:</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(0.2)	(0.3)
Diluted earnings per share		(0.2)	(0.3)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

As at 30 June 2022

	Note	30 June 2022 \$'000	31 Dec 2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	4,474	10,737
Trade and other receivables		651	923
Inventories	6	100	100
<b>Total current assets</b>		<b>5,225</b>	<b>11,760</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	38,271	33,284
Exploration and evaluation expenditure		4,605	4,434
Inventories	6	1,785	1,816
<b>Total non-current assets</b>		<b>44,661</b>	<b>39,534</b>
<b>Total assets</b>		<b>49,886</b>	<b>51,294</b>
<b>Current liabilities</b>			
Trade and other payables	8	1,618	1,800
Provisions	9	686	736
Employee benefits payable		755	1,501
Deferred income	10	2,000	-
<b>Total current liabilities</b>		<b>5,059</b>	<b>4,037</b>
<b>Non-current liabilities</b>			
Provisions	9	9,272	9,314
<b>Total non-current liabilities</b>		<b>9,272</b>	<b>9,314</b>
<b>Total liabilities</b>		<b>14,331</b>	<b>13,351</b>
<b>Net assets</b>		<b>35,555</b>	<b>37,943</b>
<b>Equity</b>			
Contributed equity	11	256,076	256,118
Reserves		29,050	28,762
Retained earnings / (accumulated losses)		(249,571)	(246,937)
<b>Total equity</b>		<b>35,555</b>	<b>37,943</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

For the half year ended 30 June 2022

	Contributed equity	Reserves	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance 1 January 2021</b>	236,550	27,755	(241,082)	23,223
Loss for the period	-	-	(2,805)	(2,805)
Other comprehensive income	-	-	-	-
Transactions with owners:				
Share-based compensation	-	633	-	633
Contributions of equity, net of transaction costs	8,084	-	-	8,084
<b>Balance 30 June 2021</b>	<b>244,634</b>	<b>28,388</b>	<b>(243,887)</b>	<b>29,135</b>
<b>Balance 31 December 2021</b>	256,118	28,762	(246,937)	37,943
Loss for the period	-	-	(2,634)	(2,634)
Other comprehensive income	-	-	-	-
Transactions with owners:				
Share-based compensation	-	288	-	288
Contributions of equity, net of transaction costs	(42)	-	-	(42)
<b>Balance 30 June 2022</b>	<b>256,076</b>	<b>29,050</b>	<b>(249,571)</b>	<b>35,555</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

For the half year ended 30 June 2022

	Half-year	
	June 2022 \$'000	June 2021 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	23	38
Cash payments in the course of operations	(2,845)	(2,262)
<b>Net cash generated from operating activities</b>	<u>(2,822)</u>	<u>(2,224)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration, evaluation and development	(313)	(221)
Grant income received relating to exploration	230	-
Payments for property, plant and equipment and project costs	(5,339)	(4,505)
Grant income received	2,000	
<b>Net cash used in investing activities</b>	<u>(3,422)</u>	<u>(4,726)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net of transaction costs)	(23)	7,999
Interest received	4	9
<b>Net cash provided / (used) in financing activities</b>	<u>(19)</u>	<u>8,008</u>
<b>Net increase / (decrease) in cash held</b>	<b>(6,263)</b>	<b>1,058</b>
<b>Cash at beginning of the half year</b>	<u><b>10,737</b></u>	<u><b>5,601</b></u>
<b>Cash at end of the half year</b>	<u><b>4,474</b></u>	<u><b>6,659</b></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the Consolidated Financial Statements

### For the half year ended 30 June 2022

#### 1. Basis of Preparation

This consolidated interim financial report for the half year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by Hillgrove Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

##### a. Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

Whilst the Group has \$4.5 million in cash and cash equivalents at 30 June 2022, it recorded an operating loss of \$2.6 million, had net cash outflows from operating activities of \$2.8 million and there are no expected cash inflows from operating activities for the next 12 months.

As announced to the market on 24 August 2022, the Board has secured \$6 million of funding from Freepoint Metals & Concentrates LLC to support the cash flow needs of the Group. However, the Group continues to have ongoing expenditure including care and maintenance costs, rehabilitation activities, corporate costs, exploration, and development of the Underground project. Whilst the Group has the option to reduce discretionary expenditure to manage cash flow, the Board does not expect to pursue this option and expects further funding will need to be obtained to progress development and funding of the Underground project.

Without further funding, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. To address this uncertainty, the Group is assessing funding alternatives to optimise shareholders' returns. Based on the Group's historical success in raising capital as well as the robust economics of the Underground Project, the Directors are confident that the required amount of financing will be secured to support the cash flow needs of the Group as required for twelve months from the date of this report.

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

## Notes to the Consolidated Financial Statements

For the half year ended 30 June 2022 (continued)

### 1. Basis of preparation (continued)

#### b. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

##### 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.

Annual assessments of the discounted future cash flows for the Kanmantoo CGU have resulted in no adjustments to the carrying values.

Separate to the CGU, the ultimate recoupment of costs capitalised and carried forward for exploration and evaluation activities is dependent on successful development and commercial exploitation, or sale of the respective areas.

##### 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.

The provision represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine.

#### c. Changes in Accounting Policy

The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting periods.

### 2. Other income

	Half Year	
	June 2022	June 2021
	\$'000	\$'000
Interest	4	8
Other	21	48
<b>Total other income</b>	<b>25</b>	<b>56</b>

Other income of \$21k relates to the sale of excess seed that was produced as part of the Group's rehabilitation obligations.

## Notes to the Consolidated Financial Statements

For the half year ended 30 June 2022 (continued)

### 3. Expenses

	Half Year	
	June 2022	June 2021
	\$'000	\$'000
Care and maintenance and other site costs	1,340	1,168
Corporate costs	1,216	1,631
Depreciation and amortisation	34	41
<b>Total expenses</b>	<b>2,590</b>	<b>2,840</b>

#### Care and Maintenance

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

#### Corporate Costs

Corporate costs reflect the costs of running the Group's head office and include \$288k of non-cash costs in relation to the Group's share-based payments plan. Refer to note 14 for further information.

### 4. Interest and finance charges

	Half Year	
	June 2022	June 2021
	\$'000	\$'000
Discount on unwind of rehabilitation provision	65	17
Bank fees and other borrowing costs	4	4
<b>Total interest and finance charges</b>	<b>69</b>	<b>21</b>

### 5. Cash and cash equivalents

	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Cash at bank	3,916	10,178
Restricted cash	558	559
	<b>4,474</b>	<b>10,737</b>

Restricted cash cannot be accessed without consent and comprises deposits to cash back environmental bonds and office rental security deposits.

## Notes to the Consolidated Financial Statements

For the half year ended 30 June 2022 (continued)

### 6. Inventories

	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
<b>Current Assets</b>		
Stores inventory and consumables	100	100
<b>Non-Current Assets</b>		
Stores inventory	1,785	1,816
<b>Total inventories</b>	<b>1,885</b>	<b>1,916</b>

### 7. Non-current assets – Property, plant and equipment

	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
<b>Land and buildings</b>		
At cost	5,277	5,277
Accumulated depreciation	(379)	(379)
	<b>4,898</b>	<b>4,898</b>
<b>Plant &amp; equipment</b>		
At cost	73,569	73,559
Accumulated depreciation	(59,927)	(59,887)
	<b>13,642</b>	<b>13,672</b>
<b>Motor vehicles</b>		
At cost	451	436
Accumulated depreciation	(369)	(369)
	<b>82</b>	<b>67</b>
<b>Mine development</b>		
At cost	179,359	174,357
Accumulated depreciation	(159,710)	(159,710)
	<b>19,649</b>	<b>14,647</b>
<b>Total property, plant and equipment</b>	<b>38,271</b>	<b>33,284</b>

## Notes to the Consolidated Financial Statements

For the half year ended 30 June 2022 (continued)

### 8. Trade and other payables

	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Trade payables	469	567
Other payables and accruals	1,149	1,233
	<u>1,618</u>	<u>1,800</u>

#### Financing arrangements

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

### 9. Provisions

	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
<b>Current Liability</b>		
Rehabilitation provision	<u>686</u>	<u>736</u>
<b>Non-Current Liability</b>		
Rehabilitation provision	<u>9,272</u>	<u>9,314</u>
<b>Total Provisions</b>	<u>9,958</u>	<u>10,050</u>

## Notes to the Consolidated Financial Statements

For the half year ended 30 June 2022 (continued)

### 10. Deferred income

	30 Jun 2022	31 Dec 202
	\$'000	\$'000
Government grant income	2,000	-
	<u>2,000</u>	<u>-</u>

A \$2 million government grant was received during the period from the South Australian Government to assist with the trial of new underground mining technology. In accordance with AASB120, the grant has been disclosed as deferred income and, on the commencement of underground mining operations, will be released to the consolidated statement of profit or loss and other comprehensive income over the life of the associated mine development asset.

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

### 11. Contributed equity

	30 Jun 2022	31 Dec 202
	\$'000	\$'000
<b>Share capital</b>		
Issued and paid up capital 1,174,289,057 shares (2021: 1,168,169,769) fully paid	<u>256,076</u>	256,118
<b>Ordinary shares - movements during the year</b>		
Balance as at beginning of year	256,118	236,550
<b>Shares issued</b>		
Capital raise	-	20,553
Transaction costs arising from share issues	(42)	(985)
<b>Balance at end of year</b>	<u>256,076</u>	<u>256,118</u>

### 12. Financial reporting by segment

Through its ownership of the Kanmantoo copper mine, the Group has one operating segment in the resources industry, in Australia.

## Notes to the Consolidated Financial Statements

For the half year ended 30 June 2021 (continued)

### 13. Contingent liabilities

	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
<b>Guarantees</b>		
Electranet performance bond to support the build, own, operate and maintain agreement for installation of transmission infrastructure at the Kanmantoo site	359	338
Security bonds on rental properties and tenements	16	16
	<u>375</u>	<u>354</u>

#### Native vegetation fund payment

The Group has obligations to restore land disturbed under exploration and mining licences for which a rehabilitation provision is already on the balance sheet. The maximum obligation to the South Australian Government in respect of the Kanmantoo copper mine has been assessed at a value of \$9.2 million and is secured by the SA Government on a first ranking basis against the assets of the consolidated entity.

Included in the rehabilitation provision is a payment of approximately \$1.7 million to the Native Vegetation Fund. With permission from the State Government, the Group has delayed the timing of this payment and, whilst the intention is for the payment to be made at a later date, it should be noted that non-payment would increase the Group's rehabilitation provision by approximately \$1.5 million. This circumstance is not expected to eventuate.

## Notes to the Consolidated Financial Statements

For the half year ended 30 June 2021 (continued)

### 14. Share based payments

Total expenses arising from share-based payment transactions recognised during the period as part of corporate costs were as follows:

	Half Year	
	June 2022	June 2021
	\$'000	\$'000
<u>Performance rights issued under the Options and Performance Rights Plan (OPRP)</u>		
Equity based	288	113
Cash based (plan revaluation at reporting date)	-	172
	<b>288</b>	<b>285</b>
<u>Non executive directors' options issued under the OPRP</u>		
Equity based*	-	520
<b>Total expense relating to OPRP</b>	<b>288</b>	<b>805</b>

\*The options granted to the non-executive directors do not contain service conditions and as such the full value of the options has been expensed in the current period as required under AASB 2 – Share-based payments.

### 15. Events occurring after the reporting period

On 24 August 2022, Hillgrove Resources Limited announced that it had entered into a royalty agreement with Freepoint Metals & Concentrates LLC. Subject to the satisfaction of conditions precedent, the Company is to receive consideration of \$6,000,000. In return, Freepoint will receive 2.5% of net smelter returns for the first 85,000 tonnes of payable copper at the Kanmantoo project, reducing to 0.5% thereafter.

The financial effects of the above transaction have not been brought to account at 30 June 2022.

**Directors' Declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 21 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 30 June 2022 and of its performance for the half year ended on that date.
- (b) there are reasonable grounds to believe that Hillgrove Resources Limited will be able to pay its debts as and when they become due and payable.

This report is made in accordance with a resolution of the directors:

Dated at Adelaide this 29<sup>th</sup> day of August 2022.



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**Mr Derek Carter**  
Chairman



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**Mr Lachlan Wallace**  
Managing Director



## Independent auditor's review report to the members of Hillgrove Resources Limited

### Report on the half-year financial report

#### Conclusion

We have reviewed the half-year financial report of Hillgrove Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Hillgrove Resources Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date.
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Material uncertainty relating to going concern

We draw attention to Note 1(a) in the half-year financial report, which indicates that the Group recorded an operating loss of \$2.6 million and had net cash outflows from operating activities of \$2.8 million during the half year ended 30 June 2022, and there are no expected cash inflows from operating activities for twelve months from the date of this report. As a result, the Group will require additional funding over the next twelve months. These conditions, along with other matters set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**Responsibilities of the directors for the half-year financial report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

**Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Julian McCarthy', written over a faint, larger version of the same signature.

Julian McCarthy  
Partner

Adelaide  
29 August 2022