

## Appendix 3B

### New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

HILLGROVE RESOURCES LIMITED

ABN

73 004 297 116

We (the entity) give ASX the following information.

#### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |  |  |
|---|--|--|
| 1 | +Class of +securities issued or to be issued   | Unsecured Convertible Notes - Unlisted           |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | 2,000,000 Unsecured Redeemable Convertible Notes |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | See Annexure A.                                  |

+ See chapter 19 for defined terms.



	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	
	300,000	Unlisted Options expiring 31/03/07 @ \$0.20
	3,340,000	Unlisted ESOP & ExSOP Options expiring 28/10/09 @ \$0.20
	3,750,000	Unlisted ESOP & ExSOP Options expiring 8/2/2011 @ \$0.16
	3,750,000	Unlisted Options expiring 31/1/09 @ \$0.30
	8,000,000	Unlisted Options expiring 30/9/10 @ \$0.40
	2,000,000	Unlisted Unsecured Convertible Notes converting on or before 20/10/2010 @ \$1
	2,000,000	Unlisted Unsecured Convertible Notes converting on or before 28/04/2011 @ \$1

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

## Part 2 - Bonus issue or pro rata issue

- 11 Is security holder approval required?
- 12 Is the issue renounceable or non-renounceable?
- 13 Ratio in which the +securities will be offered
- 14 +Class of +securities to which the offer relates
- 15 +Record date to determine entitlements

+ See chapter 19 for defined terms.

16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has +security holders who will not be sent new issue documents  <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	
19	Closing date for receipt of acceptances or renunciations	
20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	
25	If the issue is contingent on +security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	
31	How do +security holders sell <i>part</i> of their	

+ See chapter 19 for defined terms.

	entitlements through a broker and accept for the balance?	
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	
33	+Despatch date	

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
(tick one)

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

#### Entities that have ticked box 34(a)

##### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37  A copy of any trust deed for the additional +securities

#### Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

+ See chapter 19 for defined terms.

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

42 Number and +class of all +securities quoted on ASX (*including* the securities in clause 38)

Number	+Class

### Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

+ See chapter 19 for defined terms.

- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:

(Company Secretary)

Date: 12 May 2006

Print name: .....Jan Kirkham.....

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## ANNEXURE A

### Key terms of the Convertible Notes

<b>Issuer</b>	Hillgrove Resources Limited (Hillgrove)
<b>Issue Type</b>	Unlisted convertible redeemable unsecured securities ("Convertible Notes")
<b>Issue Date</b>	28 April 2006
<b>Issue Price</b>	\$1.00
<b>Number Issued</b>	2,000,000
<b>Amount Raised</b>	\$2,000,000
<b>Listing</b>	Unlisted
<b>Maturity Date</b>	The fifth anniversary of the Issue Date or the earlier date on which a Convertible Note is converted or redeemed pursuant to its terms.
<b>Interest Rate</b>	Interest is payable on all Convertible Notes that have not been converted or redeemed at LIBOR plus 250 basis points. Interest is payable on the last day of each ninety (90) day interest period.
<b>Interest Payment</b>	Interest can be paid in cash or by shares issued at a price equivalent to a 15 day VWAP.
<b>Conversion by Issuer</b>	Subject to the requisite shareholder approval required under the ASX Listing Rules, Hillgrove may at any time convert all or any of the Convertible Notes (in multiples of 10,000) into ordinary fully paid shares, subject to obtaining the Noteholder's prior consent if such conversion would result in the Noteholder holding, on a fully diluted basis after conversion of any options held by it, more than fifteen percent (15%) of the voting shares of Hillgrove. Further, if an event of default subsists pursuant to the terms of issue of the convertible Notes, Hillgrove may be restricted from converting the Convertible Notes.
<b>Conversion by Noteholder</b>	The Noteholder does not have the discretion to convert the Convertible Notes.
<b>Conversion Formula</b>	<p>The formula for the calculation of the number of ordinary shares to be issued for any Convertible Note is as follows:</p> <ol style="list-style-type: none"> <li>1. the issue price of each Convertible Note multiplied by the number of Convertible Notes to be converted; and</li> <li>2. the accrued but unpaid interest on the Convertible Notes to be converted up to but excluding the Conversion Date;</li> </ol> <p>divided by:</p> <ol style="list-style-type: none"> <li>3. the volume weighted average price of Hillgrove ordinary shares over the fifteen (15) trading days immediately prior to the conversion date.</li> </ol>

<b>Redemption</b>	Hillgrove may redeem any of the Convertible Notes at any time by payment of the issue price of the Convertible Note redeemed and any accrued but unpaid interest on the Convertible Note to be redeemed. Also, Hillgrove must redeem all outstanding Convertible Notes that are not converted on the Maturity Date.
<b>Security</b>	The Convertible Notes are unsecured.
<b>Participation Rights</b>	<p>Prior to Conversion, but subject to the requisite shareholder approval required under the ASX Listing Rules, the Noteholder has the right to participate in bonus share issues. Reconstruction of the capital of Hillgrove prior to Maturity Date by way of consolidation, subdivision, reduction, return, scheme of arrangement or otherwise (but other than by way of bonus issue, rights issue or other security issue), a proportional adjustment will be made to the number and issue price of ordinary shares to which the Noteholder is entitled upon conversion of the Convertible Notes so that the value of each Convertible Note is not adversely affected by the reconstruction.</p> <p>The Convertible Notes do not entitle the Noteholder to participate in dividend payments or other entitlement in respect of ordinary shares in the capital of Hillgrove.</p>
<b>Voting Rights</b>	The Convertible Notes do not entitle the Noteholder to any voting rights.