HILLGROVE
RESOURCES

22 November 2006

Dear Option Holder,

Reminder of Expiry of 31 December 2006 Options

The Directors of Hillgrove Resources Limited wish to remind holders of 31 December 2006 20 cent options (ASX Code: HGOO) that these options will expire on 31 December 2006.

HGOO options will cease quotation at the close of trading on 20 December 2006. If payment for the exercise of these options is not received by 31 December 2006 the options will lapse and all rights under the options will cease at that time. Dispatch of holding statements for the new shares will take place on 17 January 2006.

Courses of action available to option holders include:

- ***Exercise your options*** – by no later than 5:00pm EST, 31 December 2006.
- ***Sell your options*** – quotation of the options will cease at the close of trading on 20 December 2006.
- ***Do nothing*** – if you do not take any action to exercise your options prior to 31 December 2006, the options will expire and your rights to purchase shares at 20 cents will lapse.

There is no obligation upon option holders to exercise their options. Option holders who wish to exercise options should complete the attached 'Option Expiry Notice' form and forward it together with a cheque for our receipt by 31 December 2006 to:

Computershare Investor Services Pty Limited
GPO Box 7115
Sydney NSW 2001
Telephone 1300 855 080
Facsimile 61 2 8235 8212

Computershare Investor Services Pty Ltd
Level 3
60 Carrington Street
Sydney NSW 2000

Cheques should be made payable to “Hillgrove Resources Limited” in Australian dollars only and crossed "Not Negotiable".

On the back of this letter is a summary of recent successes which should be considered when exercising your options.

Yours sincerely,

Ian Kirkham
Company Secretary

Recent successes:

- On 28 August Hillgrove announced the sale of its 32.5% interest in the Gunnedah Basin Coal Seam Gas Joint Venture to Eastern Star Gas Limited (ESG) for a fully diluted 28% shareholding in ESG. ESG is now positioned, with over 18.7 TCF of gas-in-place, as a major potential player in the NSW gas industry;
- The appointment of the Hon. Dean Brown, the South Australian Premier from 1993 to 1996, as Chairman of the company on the 11 October;
- On 18 October Hillgrove announced Roche Mining had completed a Pre-Feasibility Study of the Kanmantoo Copper Gold Project which confirmed Kanmantoo is an attractive project with a base case net present value of $75 million, an IRR of 32%, with projected net cash flow after capital of $141 million;
- At the same time, the Kanmantoo Resource was increased to 28 million tonnes at 0.94% copper and 0.20 g/t gold;
- On 19 October Hillgrove reported some of the best intersections recorded at Kanmantoo in new broad high grade zones, including 40 metres at 2.8% copper and 0.3 g/t gold;
- On 26 October Hillgrove announced underwriting commitments for $7.6 million worth of 31 December 2006 options which, together with $2 million of committed funding from Sempra Metals & Concentrates, means Hillgrove is fully funded through the Kanmantoo Definitive Feasibility Study;
- Hillgrove announced on 30 October that it would book a before tax profit of approximately $15.9 million on the sale of its coal seam gas interests to Eastern Star and that the investment is currently valued at $29.1 million;
- On 13 November Hillgrove announced that ongoing exploration in the Kanmantoo district had identified high grade polymetallic Broken Hill style mineralisation at the Wheal Ellen prospect (EL 3232 - 100% Hillgrove). Drilling intersected mineralised zones up to 10 metres wide with peak individual (1 metre) drill assays of up to 13.08% lead, 5.43% zinc, 8.88g/t gold and 258g/t silver;
- Investments in the ASX listed companies totalled $36.5 million on 21 November 2006 and included Eastern Star Gas Limited (ESG) ($30m) and InterMet Resources Limited (ITT) ($6.1m).

Deferred settlement

Deferred settlement trading commences on 21 December 2006 (under the code HGON) and will continue until 22 January 2006.

Hillgrove Resources Limited

ABN 73 004 297 116

Computershare

Please return completed form to:
Computershare Investor Services Pty Limited
GPO Box 7115 Sydney
New South Wales 2001 Australia
Enquiries (within Australia) 1300 855 080
(outside Australia) 61 3 9415 4000
Facsimile 61 2 8235 8212
web.queries@computershare.com.au
www.computershare.com

A

SAMPLE CUSTOMER
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLETOWN TAS 7000

Securityholder Reference Number (SRN)

I 1234567890 IND

Use a black pen.
Print in CAPITAL letters inside the grey areas.

A B C 1 2 3

Option Expiry Notice

Options exercisable at A$0.20 expiring at 5.00pm Sydney Time on 31 December 2006

Dear Optionholder(s)

You are reminded that the Options to subscribe for Shares in the capital of Hillgrove Resources Limited registered in your name expire on 31 December 2006. These Options are exercisable wholly or in part by the payment of A$0.20 for each option exercised. Payment has to be received at either of the addresses overleaf, by 5.00pm Sydney Time on 31 December 2006. For every one option exercised, the Optionholder will be allotted one Share in the capital of Hillgrove Resources Limited.

Options not exercised by 5.00pm Sydney Time on 31 December 2006 will lapse.

Optionholder Entitlement details

Subregister	Issuer
ASX Code	HGOO
Number of Options registered in your name	XXX,XXX,XXX
Amount payable on full exercise of Options at A$0.20 per Option	X,XXX,XXX.XX
Number of Shares to be issued	XXX,XXX,XXX

To be completed by Optionholder

B Number of Options to be exercised

C Amount enclosed at A$0.20 per Option

A$.

I/We enclose my/our payment for the amount shown above being payment of A$0.20 per Option.

To the Directors
The Sample Company
I/We the abovenamed being the registered holder(s) of the options, hereby exercise my/our option for Shares in Hillgrove Resources Limited and I/we request you allot such Shares to me/us and I/we agree to be bound by the Constitution of the Company.

Cheque details - Make your cheque or bank draft payable to Hillgrove Resources Limited

D

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$
				A$

Sign Here - This section must be signed for your instructions to be executed

E

Individual or Optionholder 1	Optionholder 2	Optionholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

The directors reserve the right to make amendments to this form where appropriate. Please refer to the lodgement instructions overleaf.
This form may not be used to effect an address change. Please contact Computershare Investor Services Pty Limited on 1300 850 505 for an appropriate form, or download a Change of Address Notification form from www.computershare.com

See back of form for completion guidelines

H G O OEN

How to complete this form

Exercise of your Options in full or part

A **Registration Name(s)**

Your name and address as it appears on the Register of Hillgrove Resources Limited.

B **Options Exercised**

Enter the number of Options you wish to exercise.

C **Exercise Monies**

Enter the amount of exercise monies. To calculate the amount payable, multiply the number of Options exercised by the exercise price.

D **Payment**

Make your cheque or bank draft payable to Hillgrove Resources Limited in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box C.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Expiry Notice being rejected. Pin (do not staple) your cheque(s) to the Options Expiry Notice where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

E **Signature(s)**

You must sign the form as follows in the space provided:

Joint holding: where the holding is in more than one name all of the securityholders must sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. Alternatively, attach a certified copy of the Power of Attorney to this form when you return it.

Deceased Estate: all executors must sign and, if not already noted by the registry, a certified copy of Probate or Letters of Administration must accompany this form.

Companies: this form must be signed by either 2 Directors or a Director and a Company Secretary. Alternatively, where the company has a Sole Director and, pursuant to the Corporations Act, there is no Company Secretary, or where the Sole Director is also the Sole Company Secretary, that Director may sign alone. Delete titles as applicable.

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with it, please consult your Financial or other Professional Advisor.

Lodgement of Notice

Option Expiry Notices must be received at the Sydney office of Computershare Investor Services Pty Limited by no later than 5.00pm Sydney Time on 31 December 2006. Return the Option Expiry Notice with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 7115
SYDNEY NSW 2001

OR

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
SYDNEY NSW 2000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

Recent Share Prices on Australian Stock Exchange

Latest available market sale price of the Hillgrove Resources Limited Shares was A$0.26 on 21 November 2006.

Highest sale price during the 3 months proceeding 21 November was A$0.285 on 7 November 2006.

Lowest sale price during the 3 months proceeding 21 November was A$0.20 on 12 September 2006.

Last trading day of Options on the Australian Stock Exchange will be on 20 December 2006.

Details of Underwriting Agreement

There is no Underwriting agreement for Hillgrove Resources Limited Options. Options not exercised by 5.00pm Sydney Time on 31 December 2006 will lapse.

If you have any enquiries concerning your Option holding, please contact Computershare Investor Services Pty Limited on 1300 855 080.

Please return the completed form in the envelope provided or to the address opposite:

Computershare Investor Services Pty Limited
GPO Box 7115
Sydney New South Wales 2001
Australia