

HILLGROVE RESOURCES

Wednesday, 10 January 2007.

OPTION EXERCISE RAISES \$7.6 MILLION

93.5% of Options Exercised - Remainder Underwritten

Hillgrove Resources Limited (ASX:HGO) advises that option holders have exercised 93.5% of its 20c Options (ASX:HGOOA) which expired on 31 December 2006. The unexercised options which have now expired are the subject of underwriting agreements, as previously announced on 26 October 2006. A total of \$7.61M has been raised from the issue of the 31 December 2006 options.

The Company will allot 30,336,998 shares today; an Appendix 3B follows this announcement.

The Board is delighted with this strong support for the Company and its Kanmantoo Copper Project. The Company is now well funded and will continue to move forward with the Definitive Feasibility Study of the Kanmantoo Copper Project.

About Hillgrove

Hillgrove is an Australian resources company listed on the Australian Stock Exchange which focuses on identifying resources opportunities that can either be brought into production readily or those where there is a clearly defined value adding route within a clearly understood risk environment. Commodities that are of particular interest include copper, gold, garnet, silver, lead, zinc, uranium and natural gas.

Hillgrove is exploring a total of 974 km² in the Kanmantoo Trough and the Gawler Craton, two of the most prospective regions of South Australia, for copper and gold.

Hillgrove is launching a Definitive Feasibility Study of the re-development of the Kanmantoo Copper Mine, a potential mid-tier copper producer, where it has established an Indicated and Inferred Resource of 28 MT grading 0.94% copper and 0.20 g/t gold. Additionally, the copper/gold mineralisation is associated with what is thought to be a World Class resource of garnet which has application as an abrasive.

In October 2005 Hillgrove announced a strategic alliance with Sempra Metals & Concentrates, a subsidiary of Fortune 500 Company Sempra Energy, involving an \$8 million equity and debt package to assist the development of Kanmantoo.

The Company has an initial strategic 19.9% shareholding in Eastern Star Gas Limited (fully diluted 28% interest) which is an integrated natural gas and electricity production company with a focus on developing gas reserves for the major Eastern Australian Market.

Hillgrove has a 31% shareholding in InterMet Resources Limited (ASX:ITT) which has an extensive portfolio of exploration interests in South Australia targeting IOCG deposits, gold, nickel and uranium.

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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 | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 30,336,998 fully paid ordinary shares |
| 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) | Fully Paid Shares – N/A |

+ See chapter 19 for defined terms.

4	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					
5	Issue price or consideration	20 cents per share				
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Exercise of 30,336,998 Dec 06 options for fully paid shares				
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	11 January 2007				
8	<i>Number and ⁺class of all ⁺securities quoted on ASX (including the securities in clause 2 if applicable)</i>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">⁺Class</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px; text-align: center;">220,133,361</td> <td style="padding: 5px;">Fully Paid Ordinary Shares</td> </tr> </tbody> </table>	Number	⁺ Class	220,133,361	Fully Paid Ordinary Shares
Number	⁺ Class					
220,133,361	Fully Paid Ordinary Shares					

⁺ 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)	Unlisted ESOP & ExSOP Options expiring: ➤ 3,340,000 ➤ 28/10/2009 @ \$0.20 ➤ 3,750,000 ➤ 8 / 2 /2011 @ \$0.16 ➤ 400,000 ➤ 15/12/2011 @ \$0.30 Unlisted Options expiring: ➤ 300,000 ➤ 31/03/2007 @ \$0.20 ➤ 7,500,000 ➤ 31/ 1/2009 @ \$0.30 ➤ 5,000,000 ➤ 30/ 6/2009 @ \$0.30 ➤ 10,000,000 ➤ 24/10/2011 @ \$0.30 ➤ 8,000,000 ➤ 30/ 9/2010 @ \$0.40 Unlisted Unsecured Convertible Notes converting on or before: ➤ 2,000,000 ➤ 20/10/2010 @ \$1 ➤ 2,000,000 ➤ 28/04/2011 @ \$1 ➤ 2,000,000 ➤ 29/11/2011 @ \$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	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	

+ See chapter 19 for defined terms.

18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	
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 entitlements through a broker and accept for the balance?	
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	

+ See chapter 19 for defined terms.

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: 10 January 2007

Print name:Jan Kirkham.....

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+ See chapter 19 for defined terms.