

Thursday, 19 July 2012

NOT FOR DISSEMINATION IN THE UNITED STATES OF AMERICA

HILLGROVE SHARE PURCHASE PLAN

Hillgrove Resources Limited ABN 73 004 297 116 (ASX: HGO) is pleased to attach copies of correspondence sent to eligible shareholders today.

For more information contact:

Drew Simonsen
Managing Director
Tel: +61 (0)2 8247 9300

Russell Middleton
Company Secretary
Tel: +61 (0)2 8247 9300

ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on the operation of the Kanmantoo Copper Mine in South Australia, and exploration on its Indonesian tenements, where the Company is targeting the discovery of world class epithermal gold and porphyry copper/gold.

The Kanmantoo Copper Mine is located less than 55km from Adelaide in South Australia. With construction now completed, Kanmantoo is an open-cut mine, and is ramping up to an initial throughput of 2.4Mt per annum in 2012, to produce approximately 80,000 tonnes of concentrate per annum.

Global Mineral Resource (March 2012)

	JORC Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Bi (g/t)	Cu Metal (kt)
In Situ Resource	Measured	4.2	0.85	0.13	2.26	173	35.3
	Indicated	20.5	0.87	0.16	2.34	129	178.3
	Inferred	6.5	0.66	0.15	1.73	114	43.0
Long Term Stockpiles	Measured	1.1	0.46	N/A	N/A	N/A	5.0
	Indicated	0.5	0.18	N/A	N/A	N/A	0.9
	Total	32.8	0.80	0.15	2.20	132	262.6

Note: The estimation of Bi is based on limited sampling data. Bi is recognised as a potential penalty element at Kanmantoo.

As at end of March 2012.

2012 In Situ Resource > 0.25% Cu.

Long Term Stockpiles > 0.15% Cu. Au, Ag and Bi assays are not available.



Ore Reserve (April 2010)

Category	Tonnage	Cu	Au	Ag
	Mt	(%)	(g/t)	(g/t)
Proved	2.3	0.87	0.13	3.2
Probable	12.5	0.84	0.18	3.1
Ore Reserve	14.8	0.85	0.17	3.1

Competent Person's Statements

The information in this release that relates to Kanmantoo Exploration Results, Exploration Targets and Stockpiles is based on information compiled by Mr Pat Manouge, who is a Member of The Australian Institute of Geoscientists. Mr Manouge is the Kanmantoo Copper Mine Exploration Manager for Hillgrove Resources and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'.

The information in this release that relates to in situ Mineral Resource estimates is based on information compiled by Mr Aaron Meakin, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Meakin is a full-time employee of AMC Consultants Pty Ltd and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'.

The information in this release that relates to Ore Reserve estimates is based on information compiled by Mr Geoff Davidson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Davidson is a Principal Consultant and Director of Mining and Cost Engineering Pty Ltd and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'.

The Competent Persons have consented to the inclusion in the release of the matters based on their information in the form and context in which it appears.

19 July 2012

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO US PERSONS

Dear Shareholder

RE: HILLGROVE SHARE PURCHASE PLAN

Hillgrove Resources Limited ABN 73 004 297 116 (ASX: HGO) (**Hillgrove** or the **Company**) is pleased to offer eligible shareholders with registered addresses in Australia and New Zealand who held shares in the Company at 7.00pm (Sydney time) on 12 July 2012 the opportunity to subscribe for ordinary shares in the Company (**Shares**) through a Share Purchase Plan (**SPP**) (**Offer**).

The SPP follows the recent A\$15 million share placement conducted at A\$0.085 per Share (**Placement**).

The proceeds of the Offer and the Placement will be used to supplement the Company's existing cash resources to ensure it has access to the necessary working capital to optimise mining operations at the Company's Kanmantoo mine in South Australia, and for general corporate purposes.

Under the Offer, eligible shareholders can buy up to A\$15,000 worth of Shares. The minimum application under the SPP is A\$2,500. All applications must be in increments of A\$2,500. Applications under the Offer can only be made for the following amounts:

- A\$2,500;
- A\$5,000;
- A\$7,500;
- A\$10,000;
- A\$12,500; and
- A\$15,000.

Under the terms and conditions of the SPP, Hillgrove has the right to scale back or withdraw the Offer.

The maximum number of Shares to be issued under the Offer will not exceed 30% of Shares on issue.

The issue price for Shares to be issued under the Offer is the lower of:

- (i) A\$0.085, being the price per Share set for the Placement; and
- (ii) a discount of 5% to the volume weighted average price of Shares traded in the ordinary course on ASX during the 5 trading days up to, and including, the Closing Date, rounded down two decimal points for each cent,



as determined at the Closing Date, subject to a potential adjustment to comply with the ASX Listing Rules following the close of the SPP, if the calculated SPP price would be less than 80% of the 5 day VWAP as calculated on the day on which the Offer was announced or the day prior to allotment of Shares under the Offer.

Important Dates

12 July 2012	Record Date
19 July 2012	Offer opens
19 July 2012	Personalised documents mailed to eligible shareholders
17 August 2012	Offer closes
29 August 2012	Allotment date
30 August 2012	New Shares commence trading on ASX
30 August 2012	Despatch of holding statements and confirmation advices

The above timetable is indicative only and Hillgrove may, at its discretion, vary any of the above dates by making an announcement to ASX.

IMPORTANT INFORMATION

Not Investment Advice

This document, the terms and conditions of the SPP, the Offer application form and any accompanying documents (collectively **SPP Documents**) do not constitute financial product advice and do not take into account the investment objectives, financial situation, tax position or particular needs of individuals. If you are in doubt as to the course of action you should follow, you should consult your stockbroker, accountant, taxation advisor, solicitor or other professional advisor before participating in the Offer.

Price Movements

You should be aware that the market price of the Shares may rise or fall between the date that the Offer opens and the date that the Shares are allotted and issued to you under the SPP. This means that the Issue Price that you pay for Shares under the SPP may be either higher or lower than the Share price at the time the Shares under the SPP are allotted and issued to you under the SPP.

Foreign Jurisdictions

The SPP Documents do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any US person (as defined in Regulation S under the *United States Securities Act of 1933*, as amended (**US Securities Act**)). Shares referred to in the SPP Documents may not be offered or sold in the United States absent registration under the provisions of the US Securities Act or an exemption from that registration. The SPP Documents have been prepared for publication in Australia and New Zealand only and may not be released elsewhere.

As the SPP offer closes on Friday 17 August 2012, I would encourage you to give the offer your early consideration.

Yours sincerely



Russell Middleton
Company Secretary

HILLGROVE RESOURCES

SHARE PURCHASE PLAN

TERMS AND CONDITIONS

IMPORTANT NOTICE: The offer to purchase Shares under this Share Purchase Plan (SPP) is not a recommendation to purchase Shares. If you are in any doubt about whether or not, or the extent that, you should participate in the SPP, you should obtain professional financial and/or taxation advice to assist you (taking into account your own financial situation, needs and objectives). Nothing in these Terms and Conditions, the Application Form or any other accompanying documentation constitutes investment or financial product advice or is intended to influence your decision whether or not to participate in the SPP.

If you apply to participate in the SPP by making a BPAY® payment or completing and returning the Application Form with a cheque or money order, you are accepting the risk that the market price of Shares may change between the Record Date, the date on which you send in an Application Form or make a BPAY® payment and the Allotment Date. This means it is possible that, up to, including or after the Allotment Date, you may be able to buy Shares at a lower price than the Issue Price.

Set out below are the terms and conditions of the Hillgrove Resources Limited ABN 73 004 297 116 (**Hillgrove** or **Company**) Share Purchase Plan and are binding on any person applying for New Shares via BPAY or by returning an Application Form. The Application Form forms part of the terms and conditions of the SPP.

Capitalised terms used in these Terms and Conditions are defined either in the body of these Terms and Conditions or specifically in clause 21 below.

If you have any questions in respect of the SPP, please contact the contact the Share Registry on 1300 737 760 (within Australia) and + 61 2 9290 9600 (for outside Australia).

1. The SPP

- (a) The Offer is an invitation to Eligible Shareholders to subscribe for New Shares at the Issue Price (see clause 5) per New Share under the SPP.
- (b) The minimum application amount under the Offer is A\$2,500. All applications must be in increments of A\$2,500.
- (c) The amount an Eligible Shareholder can apply for will be restricted to an aggregate total of A\$15,000. This is the case even if an Eligible Shareholder receives more than one Offer (for example, due to multiple registered holdings).
- (d) The Offer is conducted under the Class Order.
- (e) You are not obliged to participate in the Offer. **Participation in the Offer is optional.**
- (f) The Offer is made to each Eligible Shareholder on the same terms and conditions.

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- (g) Any Offer to you is personal to you and non-renounceable, which means that you are not entitled to, and must not, transfer, or permit the transfer of, any or all of your rights under the Offer to any other person.

2. Opening and Closing Date of the Offer

The Offer opens at 9.00am on Thursday, 19 July 2012 (Sydney time) and is scheduled to close at 5.00pm on Friday, 17 August 2012 (Sydney time). The Board reserves the right to vary the closing date of the Offer at any time by making an announcement to ASX.

3. Eligible Shareholders

- (a) You are eligible to participate in the Offer if you were a registered holder of Shares at 7.00pm on Thursday, 12 July 2012 (Sydney time) whose address in the share register of Hillgrove is in Australia or New Zealand, unless:
- (i) you hold Shares on behalf of another person who resides outside Australia or New Zealand and do not hold Shares in any other capacity;
 - (ii) you are in the United States or you are a US Person, or acting for the account or benefit of a US Person; or
 - (iii) your participation in the Offer would be in breach of the Class Order.
- (b) Hillgrove has determined that it is either unlawful or impractical for holders of Shares with registered addresses in jurisdictions outside Australia and New Zealand to participate in the Offer.
- (c) **(Single Holders)** If you are the only registered holder of Shares, but you receive more than one Offer (for example, due to multiple registered holdings), you may only apply for New Shares up to an aggregate value of A\$15,000.
- (d) **(Joint Holders)** If you are recorded with one or more other persons as the joint holder of Shares, that joint holding is considered to be a single registered holding for the purposes of the Offer, and, subject to the conditions of eligibility set out in this clause 3, the joint holders are entitled to participate in the Offer in respect of that single holding only. The certification under clause 9(d) by one joint holder will be effective in respect of the other joint holder(s). If the same joint holders receive more than one Offer due to multiple registered holdings, the joint holders may only apply for New Shares up to an aggregate value of A\$15,000.
- (e) **(Custodians)** If you are a Custodian and are the registered holder of Shares on behalf of one or more persons (each a **Beneficiary**), the Offer is made to you and you have the discretion whether to extend the Offer to the Beneficiaries. If you apply for Shares on behalf of a Beneficiary, Hillgrove will not issue you New Shares under the SPP unless you certify the following in writing to Hillgrove:
- (i) either or both of the following:
 - (A) that you hold the Shares on behalf of one or more persons that are not Custodians (**Participating Beneficiaries**); or
 - (B) that another Custodian (**Downstream Custodian**) holds beneficial interests in Shares on behalf of a Participating Beneficiary, and the Custodian holds the Shares to which those beneficial interests relate on behalf of the Downstream Custodian or another Custodian, on the Record Date and that each Participating Beneficiary has subsequently instructed the following persons:
 - (C) where sub-paragraph (A) applies – the Custodian; and
 - (D) where sub-paragraph (B) applies – the Downstream Custodian, to apply for SPP Shares on their behalf;

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- (ii) the number of Participating Beneficiaries;
 - (iii) the name and address of each Participating Beneficiary, and that each Participating Beneficiaries address is located in Australia or New Zealand;
 - (iv) in respect of each Participating Beneficiary:
 - (A) where sub-paragraph (i)(A) applies – the number of Shares that the Custodian holds on their behalf; and
 - (B) where sub-paragraph (i)(B) applies – the number of Shares to which the beneficial interests relate;
 - (v) in respect of each Participating Beneficiary:
 - (A) where sub-paragraph (i)(A) applies – the number or the dollar amount of New Shares they instructed the Custodian to apply for on their behalf; and
 - (B) where sub-paragraph (i)(B) applies – the number or the dollar amount of New Shares they instructed the Downstream Custodian to apply for on their behalf;
 - (vi) there are no Participating Beneficiaries in respect of which the total of the application price for the following exceeds A\$15,000:
 - (A) the New Shares applied for by the Custodian under the SPP in accordance with the instructions referred to in sub-paragraph (v); and
 - (B) any other Shares issued to the Custodian in the 12 months before the application as a result of an instruction given by them to the Custodian or the Downstream Custodian to apply for Shares on their behalf under an arrangement similar to the SPP;
 - (vii) that a copy of these Terms and Conditions was given to each Participating Beneficiary; and
 - (viii) where sub-paragraph (i)(B) applies – the name and address of each Custodian who holds beneficial interests in the Shares held by the Custodian in relation to each Participating Beneficiary.

Custodians must request a Custodian Certificate when making an application on behalf of Beneficiaries. To request a Custodian Certificate or further information about the Custodian application process, you should contact the Share Registry on 1300 737 760 (within Australia) and + 61 2 9290 9600 (for outside Australia). Applications received from Custodians must be accompanied by a duly completed and signed Custodian Certificate.

- (f) **(Trustees or nominees)** If you hold Shares as a trustee or nominee for another person, but are not a Custodian, you cannot participate for beneficiaries in the manner described in clause 3(e). In this case, the rules for multiple single holders apply.

4. How much can you invest?

- (a) The minimum application amount for New Shares under the Offer is A\$2,500. All applications must be in increments of A\$2,500. Applications under the Offer may only be made for the following amounts:
 - A\$2,500;
 - A\$5,000;
 - A\$7,500;
 - A\$10,000;
 - A\$12,500; and
 - A\$15,000.

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- (b) You may not apply for more than A\$15,000 of New Shares in aggregate under the SPP, even though you may receive more than one Offer, or Offers in more than one capacity, under the SPP.

5. Issue Price of New Shares

- (a) The Issue Price per New Share will be the lower of:
- (i) A\$0.085, being the price per Share set for the Placement; and
 - (ii) a discount of 5% to the volume weighted average price of Shares traded in the ordinary course on ASX during the 5 trading days up to, and including, the Closing Date, rounded down two decimal points for each cent,
- as determined at the Closing Date, subject to paragraph (b) below.
- (b) If the price calculated according to the formula set out in paragraph (a) would contravene ASX Listing Rule 7.2, Exception 15, the Issue Price shall be adjusted so that it is at least 80% of the average market price for the Company's shares, as calculated 5 days either before the day on which the Offer was announced or the day prior to the Allotment Date.
- (c) The current Share price can be obtained from the Company's website at **hillgroveresources.com.au** or from ASX's website at **asx.com.au** (ASX code: HGO) and is listed in the financial and business section of various major daily newspapers circulated in Australia.
- (d) A\$0.085 per Share, being the price paid by investors under the Placement, represented a discount of 19% to the closing price of Shares on Tuesday, 10 July 2012.
- (e) You agree to pay the Issue Price for each New Share, the number of which will be calculated under clause 6(a) or, if there is a Scale Back, the number of Shares calculated in accordance with clause 12.
- (f) You acknowledge that the market price of New Shares may rise or fall between the date of this Offer and the date that New Shares are allotted and issued to you under the Offer on the Allotment Date and that the effect of this is that the Issue Price you pay for the New Shares may exceed the market price of Shares on the Allotment Date.

6. Applying for New Shares

- (a) If you wish to apply for New Shares under the Offer, you must follow the instructions on the Application Form and:
- (i) make payment by BPAY® on the internet or by telephone, to the value of the parcel of New Shares you wish to apply for, using the details on the Application Form. New Zealand-based Eligible Shareholders cannot pay using BPAY® unless they have an Australian bank account); or
 - (ii) complete the Application Form and forward it with your payment by cheque or money order in Australian dollars made payable to **"Hillgrove Resources Limited Share Purchase Plan"** to the address of the Share Registry set out in the Application Form.
- (b) Funds paid via BPAY® or Application Forms (with cheque or money order payments) must be received by the Share Registry by **5.00pm (Sydney time) on the Closing Date**.¹

Hillgrove may reject applications received after this time. Without limitation to the terms of clause 6(f), if and to the extent that any monies represented by your cheque fail to clear,

¹ Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and should take this into consideration when making any electronic payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received in time.

your application will not be accepted and you agree to be responsible for any dishonour fees or other costs incurred.

- (c) **Do not forward cash.** Payment by cash will not be accepted. Receipts for payment will not be issued.
- (d) If you apply for New Shares under the Offer, you will apply for a certain value, rather than a certain number, of New Shares. Subject to clause 6(e), the Company will divide the parcel value you select by the Issue Price in order to determine the number of New Shares for which you have applied (rounded down to the nearest whole number of New Shares). Any balance of moneys sent by you that is remaining as a result of rounding will be retained by the Company and not refunded to you.
- (e) Eligible Shareholders who receive more than one Offer may apply on different Application Forms for New Shares but may not apply for New Shares with an aggregate value of more than A\$15,000.
- (f) The Company may accept or reject your application for New Shares, either in whole or in part, at its absolute discretion. For example, the Company may reject your application in any of the following circumstances (among others):
 - (i) it appears that you are applying to purchase a number of New Shares in excess of A\$15,000 in aggregate;
 - (ii) your Application Form is incorrectly completed, incomplete or otherwise determined by the Company to be invalid;
 - (iii) your cheque is dishonoured or the cheque or money order that you enclose with your Application Form is not made out for the amount corresponding to the value of the parcel of New Shares for which you have applied;
 - (iv) your Application Form or BPAY® payment is received after the Closing Date; or
 - (v) the Company believes you are not an Eligible Shareholder (subject to compliance with any applicable ASIC or ASX requirements).
- (g) Without limitation to the terms of clause 6(f), if your Application Form or application is incomplete, contains errors or is otherwise invalid or defective, the Company may, in its sole discretion, accept, reject, correct or amend your application, issue such number of New Shares to you as it considers appropriate, refund all or any part of your application money, or take any combination of these actions.
- (h) You cannot withdraw or revoke your application for New Shares once you have sent in an Application Form or paid via BPAY®.

7. Risk

- (a) Subscription for New Shares under the Offer is a speculative investment and the market price is likely to change between the date you apply for New Shares and the allotment and issue of New Shares to you. Accordingly, the value of New Shares applied for is likely to rise or fall. Importantly, there is a risk that during the period between when you apply for New Shares and when the New Shares are allotted and issued to you, the price at which Shares issued by the Company are traded on ASX may be less than the Issue Price payable under the Offer.
- (b) You should consider the information Hillgrove has previously announced to ASX about risks of making an investment in Hillgrove.
- (c) **This document is not a prospectus, and has not been lodged with ASIC.** The issue of a prospectus is not required for the purposes of the Offer. This document does not contain the types of disclosure required to be contained in a prospectus.

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- (d) In making any decision about whether or not you will participate in the Offer, and if applicable the extent of any such participation, you must rely on your own knowledge of Hillgrove, previous disclosures made by Hillgrove to ASX and, if necessary, consult your professional adviser when deciding whether or not to participate in the Offer.

8. Timetable

- (a) Subject to clause 8(b):
- (i) **(Record Date)** the record date for the Offer is 7.00pm on Thursday, 12 July 2012 (Sydney time);
 - (ii) **(Opening Date)** the Offer opens at 9.00am on Thursday, 19 July 2012 (Sydney time);
 - (iii) **(Closing Date)** the Offer closes at 5.00pm on Friday, 17 August 2012 (Sydney time);
 - (iv) **(SPP Results Announcement)** the number of New Shares to be issued, the Issue Price and, if applicable, any Scale Back will be announced to ASX on Friday, 24 August 2012;
 - (v) **(Allotment Date)** the Company proposes to allot and issue the New Shares on Wednesday, 29 August 2012;
 - (vi) **(Trading Date)** the New Shares are expected to commence trading on Thursday, 30 August 2012; and
 - (vii) **(Despatch Date)** the date on which transaction confirmations are sent and, if applicable, a direct credit deposit to your nominated account is made or refund cheque is dispatched, is expected to be Thursday, 30 August 2012.
- (b) The Company may vary any of the above dates in clause 8(a) at its discretion (even if the Offer has opened, or BPAY® or Application Forms have been received) by lodging a revised timetable with ASX.

9. Effect of Making an Application

If you submit a BPAY® payment or complete and return an Application Form together with a cheque or money order:

- (a) you acknowledge that you are an Eligible Shareholder;
- (b) you irrevocably and unconditionally agree to these Terms and Conditions and the terms of the Application Form and agree not to do any act or thing that would be contrary to the spirit, intention or purpose of the SPP or these Terms and Conditions;
- (c) you acknowledge your application is irrevocable and unconditional;
- (d) you certify that the total of the application price for the following does not exceed A\$15,000:
 - (ix) the New Shares the subject of your application;
 - (x) any other Shares or any similar arrangement in the 12 months before the date of your application;
 - (xi) any other New Shares which you have instructed a custodian to acquire on your behalf under the SPP; and
 - (xii) any other Shares issued to a custodian under an arrangement similar to the SPP in the 12 months before the date of your application for New Shares as a result of an instruction given by you to the custodian or another custodian and which resulted in you holding beneficial interests in such Shares.

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- (e) you authorise the Company to correct or amend your Application Form as contemplated by clause 6(g);
 - (f) you acknowledge that the Company may determine that your Application Form is valid, in accordance with these Terms and Conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
 - (g) you accept the risk associated with any refund that may be sent to your address or to your nominated bank account as shown on the Company's Share register;
 - (h) you are responsible for any dishonour fees or other costs the Company may incur in presenting a cheque for payment that is dishonoured;
 - (i) you acknowledge that no interest will be paid on any application moneys paid in connection with the Offer and that are held pending the allotment of the New Shares or that are subsequently refunded to you for any reason;
 - (j) you acknowledge that you have not been provided with investment advice or financial product advice by the Company or the Share Registry and that neither of them has any obligation to provide this advice in relation to your consideration as to whether or not to participate in, or the extent of such participation in, the Offer;
 - (k) you acknowledge that the Company is not liable for any exercise of its discretions referred to in these Terms and Conditions;
 - (l) you acknowledge that the market price of Shares may rise or fall between the date of the Offer and the Allotment Date and that the Issue Price you pay for the New Shares may exceed the market price of Shares on the Allotment Date;
 - (m) you acknowledge that the New Shares have not, and will not be, registered under the US Securities Act or the securities law of any other jurisdiction outside Australia or New Zealand and, accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
 - (n) you represent and warrant that you are not a US Person, and are not applying under the Offer for or on behalf of a US Person;
 - (o) you agree not to send any materials relating to the Offer to any person in the United States or to any person who is acting for the account or benefit of a US Person; and
 - (p) if you are a Custodian, you make additional representations that you meet the definition of "custodian" in the Class Order and have provided a Custodian Certificate to Hillgrove.

10. Waiver, Amendment, Suspension and Withdrawal

- (a) The Company may, at its discretion, waive compliance with any provision of these Terms and Conditions, amend or vary any of these Terms and Conditions, or suspend or withdraw the Offer at any time. Any such waiver, amendment, variation, suspension or withdrawal will be binding on all Eligible Shareholders even where the Company has not given notice of such waiver, amendment, variation, suspension or withdrawal.
- (b) The Company is not liable for any loss, cost, expense, liability or damage arising out of exercise of any of its discretions under these Terms and Conditions.

11. Rights Attaching

The rights and obligations of the New Shares are contained in the Constitution. The New Shares will be allotted and issued on the same terms as all other Shares and the Company will apply for the

New Shares to be quoted on ASX. If the New Shares are not quoted on ASX, the New Shares will not be issued and all application moneys will be refunded.

12. Scale Back

- (a) Hillgrove reserves the right to Scale Back applications by reducing the number of New Shares allocated to each applicant in its absolute discretion. For example, as Hillgrove is seeking to raise up to approximately A\$10 million under the SPP, if Hillgrove receives applications in excess of A\$10 million it may in its absolute discretion Scale Back or increase the amount raised under the SPP.
- (b) The Company also reserves the right to scale back applications if it believes that to do otherwise would be contrary to applicable law.
- (c) If undertaken, Hillgrove may apply the Scale Back to the extent and in any manner that it sees fit. If the Scale Back produces fractional entitlements, those fractional entitlements will be rounded down to the nearest whole number of New Shares.
- (d) If there is a Scale Back, the difference between the application moneys received from you, and the number of New Shares allocated to you multiplied by the Issue Price, will be refunded by the Company following allotment.

13. Costs of Participation

No brokerage, commissions or other transactions costs will be payable by you or any Eligible Shareholder in respect of the application for, and allotment and issue of, New Shares under the Offer.

14. Refunds

- (a) Refunds of application moneys under the Offer may be paid under certain circumstances, including if applications are made incorrectly (in which case the entire payment may be refunded), or if allocations are Scaled Back (in which case a partial refund may be made).
- (b) If a refund of application moneys is made, payment will be by cheque mailed to your address or to your nominated bank account as shown on the Company's Share register.
- (c) You will not receive any interest on any funds refunded to you.
- (d) Any refund made to you is dispatched at your risk.

15. Privacy

By receiving completed Application Forms, the Company collects personal information about shareholders of the Company. The Company will use this information for the purposes of processing the Application Form and updating the records of the Company. To the extent restricted by law, the Company will not disclose personal information about a shareholder to a third party. To the extent permitted by law, Shareholders are able to access, upon request, personal information about them held by the Company. A copy of the Company's privacy policy can be obtained from the Company's website at hillgroveresources.com.au.

16. Dispute Resolution

The Company may settle in any manner it thinks fit, any difficulties, anomalies or disputes that may arise in connection with or by reason of the operation of the SPP. The decision of the Company will be conclusive and binding on all participants and other persons to whom the determination relates. The Company's rights may be exercised by the Board or any delegate of the Board.

17. Governing Law

These Terms and Conditions are governed by the laws in force in New South Wales, Australia. Any dispute arising out of or in connection with these Terms and Conditions, the SPP or the Offer, will be determined by the courts of New South Wales, Australia. By applying for New Shares under the Offer, you agree to submit to the exclusive jurisdiction of the courts in New South Wales, Australia.

18. No Underwriting

The Offer will not be underwritten.

19. Notice to Shareholders in New Zealand

- (a) The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of Hillgrove with registered addresses in New Zealand as at the Record Date to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).
- (b) This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

20. United States

- (a) Participation in the Offer is not being offered, directly or indirectly, in the United States or to any person that is, or is acting for the account or benefit of, a US Person. This document and any related offering documents must not be mailed or otherwise transmitted or distributed in or into the United States or to, any person that is, or is acting for the account or benefit of, a US Person. Participation in the Offer, directly or indirectly, in violation of these restrictions is not permitted, and any such participation will be invalid.
- (b) This document is not an offer of securities for sale in the United States or to any person that is, or is acting for the account or benefit of, a US Person. Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or delivered, directly or indirectly, in the United States or to any person that is, or is acting for the account or benefit of, a US Person, except in accordance with an available exemption from registration.
- (c) Because of the legal restrictions summarised above, you must not send copies of any Offer materials to any of your clients (or any other person) in the United States or to any person that is, or is acting for the account or benefit of, a US Person. Consistent with the warranties set out above, you must not submit any Application Form or make payment by BPAY® or otherwise in respect of an application for or the purchase of New Shares under the Offer on behalf of any of your clients (or any other person) in the United States or that is, or is acting for the account or benefit of, a US Person. Failure to comply with these restrictions may result in violations of applicable securities laws.

21. Definitions

Allotment Date means the date upon which New Shares will be allotted under the Offer, which is expected to be Wednesday, 29 August 2012.

Application Form means the application form for the Offer which accompanies this document.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange, as the context requires.

Board means the board of directors of the Company, as constituted from time to time.

Class Order means ASIC Class Order CO 09/425.

Closing Date means the date the Offer closes, which is expected to be 5.00pm on Friday, 17 August 2012 (Sydney time).

Constitution means the constitution of the Company, as in force from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Custodian has the meaning given to that term in the Class Order.

Custodian Certificate means the certificate to be provided by a Custodian in compliance with the Class Order.

Eligible Shareholder means a person who is eligible to participate in the Offer in accordance with clause 3, and **you** or **your** has a corresponding meaning.

Issue Price means the price per New Share calculated in accordance with clause 5(a).

New Share means a fully paid ordinary Share allotted and issued pursuant to the Offer and in accordance with these Terms and Conditions.

Offer means the invitation to Eligible Shareholders to subscribe for Shares under the SPP and in accordance with these Terms and Conditions.

Opening Date means the date the Offer opens, which is expected to be 9.00am on Thursday 19 July, 2012 (Sydney time).

Placement means the placement of Shares to investors, the results of which were announced to ASX on Friday, 13 July 2012.

Record Date means 7.00pm on Thursday, 12 July 2012 (Sydney time).

Scale Back means the right of the Company, in its absolute discretion, to reduce the number of New Shares allotted and issued to each applicant in accordance with clause 12.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Boardroom Pty Ltd of Level 7, 207 Kent Street, Sydney NSW 2000.

SPP means the Hillgrove Share Purchase Plan, the terms and conditions of which are set out in the Terms and Conditions.

Terms and Conditions means the terms and conditions set out in this document and includes the Application Form.

US Person means a "U.S. person" as defined in Regulation S under the US Securities Act.

US Securities Act means the *United States Securities Act of 1933*, as amended.