

25 May 2015

## HILLGROVE RESOURCES LIMITED

### \$10 MILLION 'LOW DOC' PRO RATA NON-RENOUCEABLE ENTITLEMENT OFFER NOTIFICATION TO INELIGIBLE SHAREHOLDERS

Dear Shareholder,

On 25 May 2015, Hillgrove Resources Limited (**HGO**) announced a 'low-doc' pro rata non-renounceable entitlement offer of new fully paid ordinary shares in HGO (**New Shares**) to raise approximately A\$10 million (**Offer**). The offer price is A\$0.25 per New Share (**Offer Price**). The Offer is fully underwritten by Freepoint Metals & Concentrates LLC (**Freepoint**) and Wilson HTM Corporate Finance Ltd.

This letter is to inform you about the Offer and to explain why you will not be able to subscribe for New Shares under the Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

#### OFFER AND USE OF PROCEEDS

The Offer consists of an offer to eligible shareholders (as described below, **Eligible Shareholders**). The Offer is being made in accordance with section 708AA of the Australian *Corporations Act 2001* (Cth) (**Act**) (as modified by Australian Securities and Investments Commission Class Order 08/35), meaning that no prospectus needs to be prepared. The Offer will be used for the purposes of:

- raising equity as a condition precedent to, and for the purposes of supplementing funds provided under, a financing facility from Ventures Australia LLC, a subsidiary of Freepoint Commodities LLC;
- increasing HGO's cash balance in order to accelerate exploration activities at Kanmantoo, in particular, the evaluation of a second cutback on the Giant Pit and exploration of the northern extension of Kavanagh/Giant orebody; and
- together with the debt financing announced with the Offer, allowing HGO to be fully funded to undertake all development works for the Giant Pit.

#### DETAILS OF THE OFFER

The Offer is being made to Eligible Shareholders on the basis of 3 New Shares for every 11 existing HGO shares held on the Record Date of 7.00pm (Sydney time) on Friday, 29 May 2015 (**Entitlement**). An offer booklet in relation to the Offer will be lodged with the ASX and will be despatched to Eligible Shareholders on or around Wednesday, 3 June 2015 (**Offer Booklet**).

#### ELIGIBILITY CRITERIA FOR THE OFFER

Eligible Shareholders are those persons who:

- are registered as a holder of HGO ordinary shares as at the Record Date, being 7.00pm (Sydney time) on Friday, 29 May 2015;

- have a registered address on the HGO share register in Australia and New Zealand, or such other jurisdictions as HGO determines;
- are not in the United States and not acting for the account or benefit of a person in the United States (to the extent such person holds HGO ordinary shares for the account or benefit of such person in the United States), unless permitted in accordance with US law; and
- are eligible under all applicable securities laws to receive an offer under the Offer.

Shareholders who are not Eligible Shareholders are Ineligible Shareholders. HGO reserves the right to determine whether a shareholder is an Eligible Shareholder or an Ineligible Shareholder.

The restrictions upon eligibility under the Offer arise because of the legal and regulatory requirements in countries other than Australia and New Zealand, and the potential costs to HGO of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing HGO ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled. HGO has determined, pursuant to ASX Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3)(a) of the Act, that it would be unreasonable to make or extend offers to shareholders in certain countries under the Offer.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Act, HGO wishes to advise you that it will not be extending the Offer to you and you will not be able to subscribe for New Shares under the Offer. You will not be sent the documents relating to the Offer.

**YOU ARE NOT REQUIRED TO DO ANYTHING IN RESPONSE TO THIS LETTER**

For further information on the Offer or if you believe that you are an Eligible Shareholder, please contact Boardroom Pty Ltd on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8.15am to 5.00pm (Sydney time) Monday to Friday. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

On behalf of the Board of HGO, I thank you for your continued support.

Yours faithfully



**The Hon. Dean Brown, AO**  
Chairman  
Hillgrove Resources Limited

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES – IMPORTANT INFORMATION**

This letter is issued by Hillgrove Resources Limited (ABN 73 004 297 116). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in HGO in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of HGO ordinary shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia. In particular, neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be exercised or taken up by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of persons in the United States unless they are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on HGO's current expectations, estimates and projections about the industries in which HGO operates, and beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of HGO, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. HGO cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of HGO only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. HGO will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Please read the Offer Booklet, and if you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.