

# **HILLGROVE**

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# **RESOURCES**

This document is important and requires your immediate attention.

The matters raised in this document will affect your shareholding in the company. You are advised to read this document in its entirety before the General Meeting referred to below is convened

If you are in any doubt about the action you should take, please consult your stockbroker, solicitor, accountant or other professional adviser.

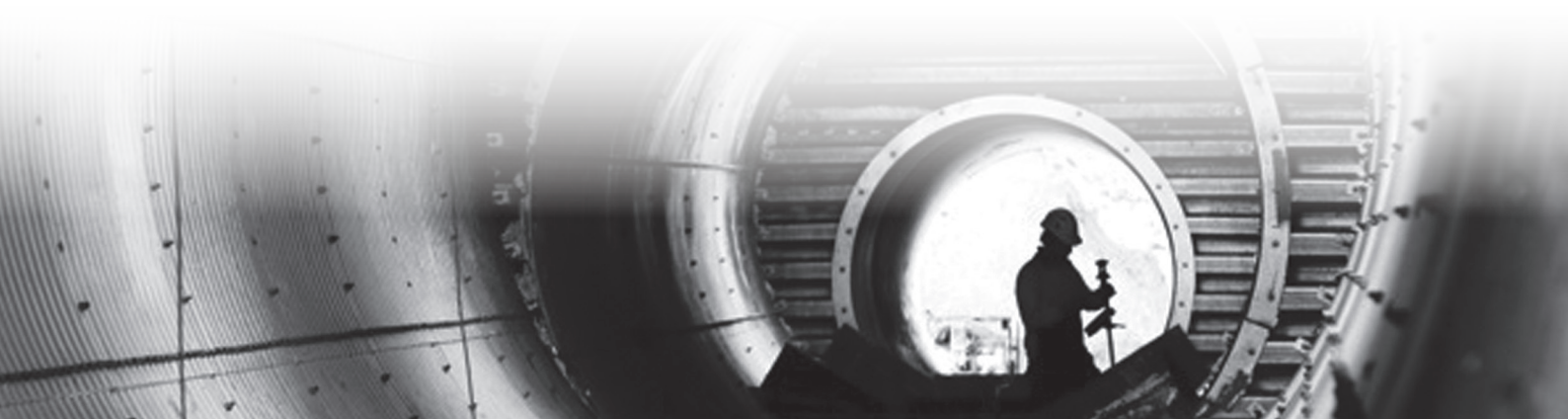
## **HILLGROVE RESOURCES LIMITED**

ACN 004 297 116

### **NOTICE OF ANNUAL GENERAL MEETING AND RELATED DOCUMENTATION**

Notice of Annual General Meeting to be held at 10:30am (Adelaide time) on Wednesday 22 June 2011 is included with these documents.

To be valid, forms of proxy for use at this meeting must be completed and returned to the company no later than 10:30am (Adelaide time) on Monday 20 June 2011.



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## PART A: ABOUT THESE DOCUMENTS

Shareholders in Hillgrove Resources Limited ABN 73 004 297 116 (**Company**) are requested to consider and vote upon each of the Resolutions set out in the Notice.

You can vote by:

- attending and voting at the Meeting; or
- appointing someone as your proxy to attend and vote at the Meeting on your behalf, by completing and returning the Proxy Form **DIRECTLY** to the Company or its share registry in the manner set out on the Proxy Form. The Company or its share registry must receive your duly completed Proxy Form by no later than 10:30am (Adelaide time) on Monday 20 June 2011.

A glossary of the key terms used throughout this document (including the Proxy Form) is contained in **Part E** of this Document.

**Please read the whole of this Document carefully, determine how you wish to vote and then cast your vote accordingly, either in person or by proxy.**

## PART B: LETTER FROM THE COMPANY SECRETARY

# HILLGROVE RESOURCES

21 May 2011

Dear Shareholder

I am pleased to invite you to attend our Annual General Meeting, being held in the Boulevard Room, Stamford Plaza Adelaide, 150 North Terrace, Adelaide, South Australia on Wednesday 22 June 2011 at 10:30am (Adelaide time). Enclosed with this letter is the Notice of Meeting which details the items of business to be dealt with.

If you are unable to join us you are encouraged to complete the enclosed Proxy Form. The signed Proxy Form should be returned as instructed in the Notice by no later than 10:30am (Adelaide time), Monday 20 June 2011. For details regarding voting by proxy please refer to the Notice of Meeting and instructions on the back of the Proxy Form. If you plan to attend the Meeting, please bring a copy of the Proxy Form with you to facilitate registration.

Shareholders that did not elect to receive a copy of the Company's 2011 Annual Report by mail are able to access it via the Investor Centre section of our website, at [www.hillgroveresources.com.au](http://www.hillgroveresources.com.au), by clicking the 'Annual Report' button on the left side of each page.

**Your vote is important and we encourage you to either attend the Meeting in person or complete the Proxy Form accompanying the Notice and return it in accordance with the directions provided.**

Yours faithfully



**Russell Middleton**  
Company Secretary

 **HILLGROVE RESOURCES LIMITED** ACN 004 297 116  
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# PART C: NOTICE OF ANNUAL GENERAL MEETING

## HILLGROVE RESOURCES LIMITED (ACN 004 297 116)

**Notice is hereby given** that the annual general meeting of the members of Hillgrove Resources Limited (ACN 004 297 116) (**Company**) will be held at the place, date and time set out in Section 1 below and for the purpose of considering and voting upon the Resolutions set out in Section 2 below.

### SECTION 1: TIME AND PLACE OF MEETING

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#### Venue

The annual general meeting of members of the Company will be held at:  
Boulevard Room, Stamford Plaza Adelaide  
150 North Terrace ADELAIDE SA 5000

#### Time and Date

The meeting will commence at 10:30am (Adelaide time) on Wednesday 22 June 2011.

#### How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

#### Voting in Person

To vote in person, please attend the Meeting on the date, time and place set out above.

#### Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Document as soon as possible and either send, deliver, courier or mail the duly completed Proxy Form:

- directly to the Company, attention Company Secretary at  
Level 41 Australia Square Tower, 264 George Street, Sydney NSW 2000, Australia;
- by facsimile to Registries Limited on facsimile number +61 (02) 9290 9655;
- online at [www.registries.com.au/vote/hillgroveagm2011](http://www.registries.com.au/vote/hillgroveagm2011);
- deliver to Registries Limited at Level 7, 207 Kent Street, Sydney NSW 2000, Australia; or
- mail to Registries Limited at GPO Box 3993, Sydney NSW 2001, Australia.

so that it is received no later than 10:30am (Adelaide time) on Monday 20 June 2011.

Complete details on how to vote by proxy are set out on the back of your Proxy Form.

Please read this Document carefully and in its entirety, determine how you wish to vote in relation to each of the Resolutions and then cast your vote accordingly, either in person or by proxy. If you do not understand any part of this Document, or are in any doubt as to the course of action you should follow, you should contact your financial or other professional adviser immediately.

#### Determination of Membership and Voting Entitlement for the Purpose of the Meeting

For the purpose of determining a person's entitlement to vote at the Meeting and in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), a person will be recognised as a member and the holder of Shares if that person is registered as a holder of Shares at the close of business on Monday 20 June 2011.

#### Voting Exclusion Statement

In accordance with the Corporations Act and the Listing Rules, the following persons must not cast any votes on the following Resolutions, and the Company will disregard any votes cast on that Resolution by:

RESOLUTION	EXCLUDED VOTERS
1, 2, 3, 5, 6 and 7	None
4	Mr. D. A. Simonsen and his associates All Directors of the Company and their associates

However, the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form to vote as the proxy decides.

#### **Proxies**

A Shareholder, entitled to attend and vote at this Meeting pursuant to the Constitution, is entitled to appoint no more than two proxies. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. A proxy need not be a Shareholder. Any instrument of proxy deposited or received by the Company in which the name of the appointee is not filled in shall be deemed to be given in the favour of the Chair of the Meeting.

The instrument appointing a proxy must be lodged, and any power of attorney or an office copy of a notarially certified copy thereof under which an attorney for a member appoints a proxy must be lodged by no later than **10:30AM (ADELAIDE TIME)** on **MONDAY 20 JUNE 2011** in accordance with the instructions provided in the Proxy Form.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney or if such appointor is a corporation, under the hand of its attorney or the hand of a person duly authorised by the corporation. The Proxy Form which accompanies this Notice may be used.

## **SECTION 2: RESOLUTIONS OF ANNUAL GENERAL MEETING**

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### **BUSINESS**

#### **A. Accounts**

To receive and consider the Company's financial statements for the 12 months ended 31 January 2011 and the related reports of the Directors and auditors.

#### **B. Remuneration Report**

The Remuneration Report is in the Directors' Report section of the Company's 2011 Annual Report (pages 41-48). Listed companies are required to submit the Remuneration Report to a vote for adoption at the Company's Annual General Meeting. The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company.

To consider and, if thought fit, to pass, with or without amendment, the following in accordance with section 250R(2) of the Corporations Act:

Resolution 1 – Remuneration Report

*"That the Remuneration Report in the 2011 Annual Report of the Company be adopted."*

#### **C. Re-Election of Director**

In accordance with the Company's constitution, Mr John E Gooding retires by rotation pursuant to Article 6.3, effective at the conclusion of this Meeting, and being eligible, offers himself for re-election.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

Resolution 2 – Re-election of Director Retiring By Rotation

*"That Mr John Gooding is re-elected as a Director of the Company."*

#### **D. Election of Director**

In accordance with the Company's constitution, Mr Edwin J Zemancheff who has been appointed since the Company's last annual general meeting, retires pursuant to Article 6.2, effective at the conclusion of this meeting, and being eligible, offers himself for election.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

Resolution 3 – Election of Director

*"That Mr Edwin Zemancheff is elected as a Director of the Company."*

#### **E. APPROVAL OF MANAGING DIRECTOR'S LONG TERM INCENTIVE**

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

Resolution 4 – Approval of Managing Director's Long Term Incentive

*"For the purposes of complying with the provisions of Listing Rule 7.1 and Listing Rule 10.14 and for all other purposes, the shareholders approve the proposed issue by the Company to Drew Anthony Simonsen of 1,875,000 Performance Rights in accordance with the Hillgrove Option and Performance Rights Plan."*

#### **F. MODIFICATION OF CONSTITUTION – COST OF UNMARKETABLE PARCEL SALE**

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

Resolution 5 – Modification of Constitution: Cost of Unmarketable Parcel Sale

*"That, in accordance with section 136(2) of the Corporations Act, the Company insert the following words immediately after clause 2.1(a)(iii) of Schedule 4 of the Constitution:*

*'2.1(a)(iv) the Company or the purchaser pay the costs of the sale.'*"

#### **G. MODIFICATION OF CONSTITUTION – PROCEEDS OF SALE OF UNMARKETABLE PARCEL**

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

Resolution 6 – Modification of Constitution: Proceeds of Sale of Unmarketable Parcel

*"That, in accordance with section 136(2) of the Corporations Act, the Company insert the following words immediately after clause 2.1(c) of Schedule 4 of the Constitution:*

*'2.1(d) The Company may only exercise the powers under clause 2.1(a), in respect of one or more Members, where the proceeds of the sale of the Shares will not be sent to the Members until the Company has received any certificate relating to the Shares or is satisfied, in respect of the Shares, that the certificate has been lost or destroyed.'*"

#### **H. MODIFICATION OF CONSTITUTION – MISCELLANEOUS**

Subject to Resolution 5 and Resolution 6 being passed, with or without any amendment, as a special resolution, to consider, and if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

Resolution 7 – Modification of Constitution: Miscellaneous

*"That, in accordance with section 136(2) of the Corporations Act, the Company:*

- 1. in respect of clause 2.1(a)(ii) of Schedule 4 of the Constitution, replace ';' and 'and' with ';;';*
- 2. in respect of clause 2.1(a)(iii) of Schedule 4 of the Constitution, replace '.' with ';; and'; and;*
- 3. in respect of Article (e) of Schedule 5 of the Constitution, omit in the second line the word 'not'."*

#### **I. OTHER BUSINESS**

To transact any other business as may be brought before the Meeting.

By order of the Board



**Russell Middleton**  
Company Secretary  
Dated: 20 May 2011

# PART D: EXPLANATORY NOTES

This Explanatory Statement is included in and forms part of the Notice of Meeting. It contains an explanation of, and information about, the Resolutions to be considered at the Meeting. It is given to Shareholders to help them determine how to vote on the Resolutions set out in the accompanying notice of meeting.

Shareholders should read this Explanatory Statement in full because individual sections do not necessarily give a comprehensive review of the Resolutions contemplated in this Explanatory Statement.

If you are in doubt about what to do in relation to a resolution, you should consult your financial or other professional advisor.

**No specific explanation is proposed for any of Resolution 1, Resolution 2 or Resolution 3 as the Directors feel that their intent and, if approved effect, is self-explanatory.**

## **1. Resolution 4 – Approval of issue of Performance Rights to Drew Simonsen**

### **Background and reasons for Resolution 4**

At the time Mr Simonsen was appointed Managing Director and Chief Executive Officer, it was a condition of his employment that, subject to Shareholder approval, Mr Simonsen would be offered the opportunity to participate, on an annual basis, in an appropriately designed, market competitive long term equity incentive plan.

The Board of the Company is aware that the offer of any equity based remuneration or benefit to a Director must consider contemporary remuneration guidelines and market practices. Your Board sought independent external guidance in making its determination.

The proposed offer of Performance Rights to Mr Simonsen, according to our independent advisers, broadly meets contemporary senior executive equity incentive guidelines in both quantum and design. The Board has decided to impose two internal performance conditions that are non standard. The Board's explanation as to why they consider these important to the success of the Company is set out below.

Because Mr Simonsen is a Director, Shareholder approval is required under Listing Rule 10.14 before any issue of Performance Rights, or any Shares pursuant to any exercise of those Performance Rights, can be made to Mr Simonsen.

The Listing Rules requires certain information about the issue of the Performance Rights to be provided to Shareholders. This information and additional supplementary information is set out, as follows.

### **Information under the Listing Rules**

The Company is seeking Shareholder approval to the proposed issue of 1,875,000 Performance Rights, pursuant to the provisions of the Company's Option and Performance Rights Plan (HOPRP) to Mr Simonsen.

In accordance with the combined requirements of Listing Rule 7.3, Listing Rule 10.14 and Listing Rule 10.15A, the Company advises as follows:

- (a) the Performance Rights are proposed to be issued to Drew Anthony Simonsen, the Chief Executive officer of the Company;
- (b) the maximum number of Performance Rights that it is proposed to issue to Mr Simonsen is 1,875,000 which if vested in and exercised by Mr Simonsen, will entitle him to acquire 1,875,000 Shares;
- (c) no cash consideration will be payable by Mr Simonsen for the issue to him of the Performance Rights referred to in paragraph (b);
- (d) the Performance Rights referred to in paragraph (b) above will be issued within three (3) months after the date of the Meeting, assuming that Shareholders approve Resolution 4 in accordance with its terms;
- (e) No Director or any associate of any Director has been issued with any securities in the Company under any employee incentive scheme since the date of the last approval of the issue of securities under the HOPRP, which occurred on 3 December 2010;

- (f) as stated in Annexure A, HOPRP will be used for offers to eligible invited executives of the Hillgrove group of companies as approved by the Board;
- (g) **Voting Exclusion Statement:** the Company will disregard any votes cast on Resolution 4 by Mr Simonsen and any of his associates, and all Directors of the Company and their associates.

However, the Company need not disregard a vote cast on Resolution 4 if:

- (i) it is cast by Mr Simonsen or any of his associates, as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides;
- (h) no loan is involved in relation to the proposed issue to Mr Simonsen of the Performance Rights that are the subject of Resolution 4;
- (i) details of any securities issued under the HOPRP will be published in the Company's annual report relating to the period in which those securities have been issued, and that approval for the issue of those securities was obtained under Listing Rule 10.14;
- (j) any additional persons who become entitled to participate in the HOPRP after the passage of Resolution 4 and who are not named in this Document (see paragraph (f) above), will not participate in the HOPRP until approval is obtained under Listing Rule 10.14.

**Additional Information**

**Performance Rights are to be issued to:** Mr Drew Simonsen or his designated associate

**Maximum number of Performance Rights to be issued:**

Tranche 1 -	562,500	(30%)
Tranche 2 -	375,000	(20%)
Tranche 3 -	937,500	(50%)
Total	1,875,000	(100%)

**Issue Date:** The issue date of the Performance Rights will not be more than three (3) months after the date of the 2011 Annual General Meeting.

**Exercise price:** Tranche 1, 2 and 3 – \$0.00

**Issue Consideration:** Tranche 1, 2 and 3 – \$0.00

**First Exercise Date (FED) or Vesting Date:** Tranche 1, 2 and 3 – 1 June 2014

**Last Exercise Date (LED):** Tranche 1, 2 and 3 – 30 June 2014

## **Performance Conditions:**

### **Tranche 1 – Internal Performance Measure**

#### **Expansion of the Kanmantoo Mineral Reserves to 10 years Life of Mine 2.4mtpa (i.e. equivalent of 24mt)**

**Thirty per cent (30%)** of the Performance Rights that are the subject of Resolution 5 (562,500) – the Tranche 1 Performance Rights – will vest i.e. be able to be exercised in accordance with their terms by Mr Simonsen, on achievement of the above performance condition.

Performance against this criteria will be measured as follows:

**Threshold** - upon achievement of a total Mineral Reserve that is greater than 19.5mt but that is less than 21mt, 140,625 Performance Rights will vest with Mr Simonsen;

**Target** - upon achievement of a total Mineral Reserve that is greater than 21mt but that is less than 24mt, 281,250 Performance Rights will vest with Mr Simonsen; and

**Stretch** - upon achievement of a total Mineral Reserve that is greater than or equal to 24mt, 562,500 Performance Rights will vest with Mr Simonsen

For the purpose of determining whether or not this performance condition has been satisfied, and if so to what extent, the term “Mineral Reserve” will be determined by adding the ‘total of accumulative mine production’ and ‘remaining reserves’.

If the above performance condition has not been performed on or before the Vesting Date - 1 June 2014 - the Tranche 1 Performance Rights subject to that performance condition will immediately lapse and be of no further force or effect.

The Board considers that extending the life of the Kanmantoo mine is an essential long term objective for Hillgrove. The extension is directly aligned with the strategic objectives outline in the Company’s strategic plan.

### **Tranche 2 – Internal Performance Measure**

#### **Definition of a JORC resource (outside the current Kanmantoo Mining Lease 6345, including but not limited to Indonesia)**

**Twenty per cent (20%)** of the Performance Rights (375,000) – the Tranche 2 Performance Rights – will vest i.e. be able to be exercised in accordance with their terms by Mr Simonsen, on achievement of the following performance condition.

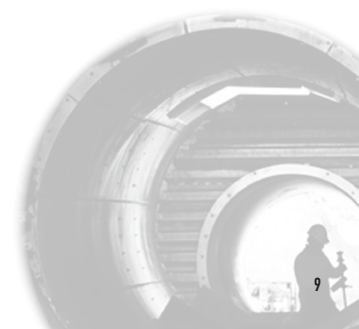
- identification of a JORC Mineral Resource within the three (3) year period located outside of the current Kanmantoo mining lease ML 6345. Such resources may be located in Australia, Indonesia or elsewhere;
- must be of material (financial) benefit to the Company; and
- the resource identified must be copper, gold, or copper and gold in nature.

If a JORC Mineral Resource in accordance with these conditions has not been achieved by the Vesting Date – 1 June 2014 – the Tranche 2 Performance Rights subject to this performance condition will immediately lapse and be of no further force or effect.

The Board considers that adding additional resources to the Company’s assets, outside the Kanmantoo mining lease, is an essential long term objective for Hillgrove. The addition of new resources is directly aligned with the strategic objectives outline in the Company’s strategic plan.

### **Tranche 3 – External Performance – Total Shareholder Return (TSR) Outperformance**

**Fifty per cent (50%)** of the Performance Rights (937,500) – the Tranche 3 Performance Rights – will vest i.e. be able to be exercised in accordance with their terms by Mr Simonsen, subject to Hillgrove’s relative TSR performance outperforming a selected peer group over the period from the date of the Meeting to 31 May 2014 (“**Measurement Period**”). Out-performance relative to the selected peer group of companies will be determined according to **Table 1**, as set out below.



**Table 1 – Performance Rights vesting as a function of TSR**

<b>TSR Relativity</b>	<b>% of Performance Rights Vesting</b>	<b>Increment</b>
Less than the peer median	Nil	
Equal to the peer median	50%	Straight line interpolation
At or above the 75th percentile of the peer median	100%	between the median and 75th percentile

The selected peer group of companies for determining TSR over the Measurement Period is shown in Table 2 (“Peer Group”).

**Table 2 – Selected TSR Peer Group for HGO TSR Out-Performance**

<b>Peer Group Company Name</b>	<b>Symbol</b>
1. Carrick Gold Limited	CRK
2. Tribune Resources N.L.	TBR
3. Morning Star Gold N.L.	MCO
4. Westgold Resources NL	WGR
5. Tanami Gold NL	TAM
6. Navigator Resources Limited	NAV
7. Crescent Gold Limited	CRE
8. Magma Metals Limited	MMW
9. Reed Resources Ltd	RDR
10. Jupiter Mines Limited	JMS
11. Focus Minerals Limited	FML
12. Highlands Resources Limited	HIG
13. Exco Resources Limited	EXS
14. Ramelius Resources Limited	RMS
15. Metals X Limited	MLX
16. Saracen Mineral Holdings Limited	SAR
17. Rex Minerals Limited	RXM
18. Catalpa Resources Limited	CAH
19. Integra Mining Limited	IGR

If, during the Measurement Period, the securities of any company named in the Peer Group are suspended from quotation by the ASX and/or the company is de-listed, either a replacement company will be added from the list below or its relative position at the date of listing preserved based on the Board’s determination at the time.

**Table 3 – Reserve List companies**

<b>Reserve List Company Name</b>	<b>Symbol</b>
1. Ironbark Zinc Limited	IBG
2. IMX Resources Limited	IXR
3. Golden West Resources Limited	GWR
4. Cape Lambert Resources Limited	CFE
5. Moly Mines Limited	MOL

Any Performance Rights subject to this performance condition which fail to vest on or before the Vesting Date – 1 June 2014 – will immediately lapse and be of no further force or effect.

**Estimated Value per Performance Right:** \$0.2964

**Estimated Income Statement cost:** \$555,821 (Value before performance discount)

**Valuation Assumptions**

**(as at 9 May 2011):**

Stock Volatility – 53.85%

Risk Free Rate – 5.17%

Dividend Yield – 0.00%

Expected Life – Grant Date to Last Exercise Date

Hillgrove Share Price – \$0.295

**Takeover, Scheme of Arrangement, Merger** In the event of a Change of Control any unvested Performance Rights will immediately become vested and available for exercise.

**Estimated monetary value of benefit to Mr Simonsen of the proposed Performance Rights**

The benefit of the proposed issue of the Performance Rights that are the subject of Resolution 4 to Mr Simonsen will depend on achievement of the performance conditions referred to above, the continuation of the provisions of his services as an employee of Hillgrove and the future price of the Shares.

Assuming all conditions of offer are met and estimating the future Share prices, the monetary value of the benefit to Mr Simonsen and the value compared to the growth in Hillgrove’s market capitalisation with constant capital assumed would be as follows:

Future Hillgrove Share price	Total Performance Right grant benefit based on assumptions*	Market Capitalisation based on Share price	Growth in Market Capitalisation (MC)^	% of increased value
\$0.35	\$626,250	\$277,794,501	\$43,653,422	1.50%
\$0.40	\$750,000	\$317,479,430	\$83,338,350	0.90%
\$0.50	\$937,500	\$396,849,288	\$162,708,208	0.58%
\$0.75	\$1,406,250	\$595,273,931	\$361,132,851	0.39%

\* based on a Share price of \$0.295 (9 May 2011).  
 ^ Assumes the number of Hillgrove shares on issue of 793,698,575 is unchanged.

**Previous offers received by Mr Simonsen under HOPRP**

Mr Simonsen was offered and accepted 2,000,000 Performance Rights on 17 September 2010. That grant was approved by Shareholders at the Company’s Extraordinary General Meeting held on 3 December 2010. Those Performance Rights will vest, assuming Mr Simonsen remains employed with Hillgrove and subject to meeting the performance conditions applicable to that grant, on 24 September 2013.

There are 4,720,000 Performance Rights outstanding under HOPRP (representing 0.58% of the Company’s issued capital on a fully diluted basis).

In addition, there are 3,437,685 Options outstanding with various exercise prices and expiry dates under legacy plans (representing 0.42% of the Company’s issued capital on a fully diluted basis) Mr Simonsen is not a participant in any of these Options.



#### **Other conditions and information required to be disclosed under Listing Rule 10.15A**

- Shares provided under HOPRP on exercise of any Options or Performance Rights may be acquired from a new issue or acquired by on market purchase.
- The Company will apply for any Shares issued and allotted upon exercise of any Options or Performance Rights, to be listed on ASX;
- Any Shares acquired on exercise of the Options or Performance Rights will rank pari passu in all respects with other Shares;
- Options offered under HOPRP may be offered for nominal or nil consideration. Shares acquired on exercise of any of those Options will require payment of the exercise price, if any.
- Hillgrove will bear all costs associated with the administration of HOPRP;
- Non-Executive Directors may be eligible to participate in HOPRP but only if Shareholder approval is first provided;
- Any offers under HOPRP to a Director requiring an issue of securities must be approved by Shareholders;
- Details of any Options or Performance Rights granted and Shares issued and allotted under HOPRP will be published in each annual report of Hillgrove relating to the period in which those Shares have been acquired, and that where required approval is obtained under ASX Listing Rule 10.14.

#### **2. Resolution 5 and Resolution 6 – Modification of Constitution**

The Company is seeking Shareholder approval, in respect of Resolution 5 and Resolution 6, for the proposed modification of the Constitution in accordance with section 136(2) of the Corporations Act.

The purpose of the modifications to the Constitution proposed by Resolution 5 and Resolution 6 is to permit the Company to sell the securities of a holder (including a Shareholder) who has less than a marketable parcel of those securities.

For these purposes, the term “marketable parcel” means a parcel of the Company’s securities that, at a given time and date, is valued at not less than \$500.00.

In accordance with Listing Rule 15.13, the Constitution must not permit the Company to sell the securities of a holder who has less than a marketable parcel of those securities unless the Constitution provides, among other requirements, that:

- the Company or purchaser pay the costs of the sale; and
- the proceeds of the sale will not be sent until the Company has received any certificate relating to the securities or is satisfied that the certificate has been lost or destroyed.

#### **3. Resolution 7 – Miscellaneous**

Subject to both Resolution 5 and Resolution 6 being passed, with or without any amendment, each as a special resolution, the Company is seeking Shareholder approval, in respect of Resolution 7, for the proposed modification of the Constitution in accordance with section 136(2) of the Corporations Act.

The purpose of the modification of the Constitution, pursuant to Resolution 7, is to:

- make the necessary consequential drafting modifications to the balance of the Constitution made necessary by the passing of Resolution 5 and Resolution 6; and
- rectify a typographical error in Article (e) of Schedule 5 of the Constitution.

## PART E: GLOSSARY

<b>2010 Annual Report</b>	means the Company's Annual Report for the 12 month period ended 31 January 2011.
<b>ASX</b>	means ASX Limited ACN 008 624 691 or the securities exchange market operated by it, as the context requires.
<b>Board</b>	means the board of Directors.
<b>Change of Control</b>	means an event:  (a) where:  (i) a person has, or is entitled to acquire, the right or power to secure, whether directly or indirectly, 50.1% or more in number of the issued share capital of the Company as a result of a takeover bid; and  (ii) that takeover bid has become unconditional; or  (b) being the announcement by the Company that:  (i) shareholders of the Company have, at a court convened meeting of those shareholders, voted in favour of, by the necessary majority, a proposed scheme of arrangement under which all the issued share capital of the Company is to be either:  (A) cancelled; or  (B) transferred to a third party; and  (ii) the court, by order, approved that proposed scheme of arrangement.  For the purposes of this Document and any part thereof, the acquisition of all or any of the Consideration Securities and the acquisition of all or any Shares that are issued as a result of the conversion or enforcement of any Performance Rights, will not be taken into account when determining whether or not a Change of Control Event has occurred.
<b>Company</b>	means Hillgrove Resources Limited ACN 004 297 116.
<b>Constitution</b>	means the constitution of the Company.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Director</b>	means a director of the Company.
<b>Document</b>	means this document entitled "Notice of Annual General Meeting and Related Documentation".
<b>HOPRP</b>	means the Hillgrove Option and Performance Rights Plan as constituted by the Rules adopted by the Company on 3 December 2010, and the material terms and conditions of which are more particularly set out in <b>Annexure A</b> .
<b>JORC</b>	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as more particularly set out in Appendix 5A of the Listing Rules.
<b>Listing Rules</b>	means the listing rules of the ASX as amended from time to time.
<b>LOM</b>	means life of mine.
<b>Meeting</b>	means the Annual General Meeting referred to in the Notice.
<b>Mineral Reserve</b>	means in accordance with 2004 JORC Code.
<b>Mineral Resource</b>	means in accordance with 2004 JORC Code.
<b>mt</b>	means million tonnes.
<b>Notice or Notice of Meeting</b>	means the Notice of Annual General Meeting, including in this Document.
<b>Option</b>	means the right to acquire a Share.

<b>Performance Right</b>	means a right to acquire a Share, the terms and conditions of which are set out in <b>Annexure A</b> .
<b>Proxy Form</b>	means the proxy form attached to this Document
<b>Resolution</b>	means a resolution set out in the Notice.
<b>Share</b>	means a fully paid ordinary share in the Company.
<b>Shareholder</b>	means a registered holder of Shares.

## **ANNEXURE A - MATERIAL TERMS AND CONDITIONS OF HILLGROVE OPTION AND PERFORMANCE RIGHTS PLAN**

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### **Plan Rules**

The Hillgrove Resources Option & Performance Rights Plan (**HOPRP**) Rules will establish the HOPRP. The specific terms of a particular grant, including any conditions of offer will be contained in the Invitation and associated documentation attached to any offer to an Eligible Person.

### **Eligible Persons**

The HOPRP will be used for offers to eligible invited executives of the Hillgrove group of companies (**Hillgrove Group**) as approved by the Board of the Company (**Board**). Each such person who participates in the HOPRP is hereafter referred to as a Participant.

### **Options or Rights to Acquire Shares**

Grants under the HOPRP will be of options or rights to acquire shares in the Company (each a **Performance Right**). The grants may comprise one or several tranches.

### **Invitation to Participate**

Under the HOPRP Rules, the Board may invite an Eligible Person to apply for Performance Rights. At the request of the Participant and with the approval of the Board, to the extent that the Participant does not personally apply for the full number of Performance Rights referred to in an Invitation, some or all of the balance of the Performance Rights may be granted to an Associate of the Participant. "Associate" for this purpose has the meaning given in the Income Tax Assessment Act.

### **Performance Rights are non-transferable**

A Performance Right granted to a Participant (including a nominated Associate) is not transferable and may not otherwise be dealt with, except with the Board's approval, or by force of law on death or legal incapacity.

### **Exercise Price**

The exercise price, if any, of a Performance Right will be an amount determined by the Board, fixed at the date of grant or determined by application of methodology approved by the Board.

### **Consideration**

A Participant may be required to pay nominal consideration to the Company to receive the Performance Rights or the Performance Rights may be offered for no consideration, at the discretion of the Board.

### **Exercise of Performance Rights**

Performance Rights will have a term as determined by the Board (**Exercise Period**). The Board may prescribe the date or the method of calculating the date on which a Performance Right becomes exercisable (**Exercise Date**). On or after the prescribed Exercise Date and provided any conditions to the exercise of a Performance Right prescribed by the Board have been achieved, including the achievement of any performance hurdles as referred to below, and where applicable, to the extent they have been achieved, a Participant may then acquire Shares by exercising his or her Performance Rights. In certain circumstances this exercise process may be automatic. Performance Rights will lapse if not exercised on or before the expiry of the Exercise Period pertaining to those Performance Rights.

### **Early Cessation of Employment**

If the Participant ceases employment with any member of the Hillgrove Group prior to the Exercise Date as a result of death or incapacity, the Board will have the discretion to allow some or all of the Performance Rights to be exercised. In accordance with Section 200E of the Corporations Act, the number and value of the Performance Rights able to be exercised will be determined by the Board having regard to the individual circumstances of the cessation event.

### **Change of Control**

If as a result of a takeover, scheme of arrangement or other change of control and the conditions attaching to the Performance Rights are rendered incapable of being met, the Board may determine that either a pro-rata or all the Performance Rights may be exercised, depending on the individual circumstances.

### **Performance Hurdles**

The Board is aware that best practice executive equity incentive design requires that long-term equity-based rewards should be linked to the achievement of relevant performance hurdles. The performance hurdles to be applied to individual invitations will be determined by the Board and may vary from offer to offer or from person to person.

### **Restrictions on Disposal**

The Board may implement an appropriate procedure to restrict the disposal of any Shares converted on the exercise of the Performance Rights to meeting any market or inside trading restrictions or holding locks.

### **Source of Shares**

Shares required for the purposes of the HOPRP may be sourced either by issuing new Shares or by, in accordance with the requirements of the Corporations Act, acquiring existing Shares off market or on market, at the Board's discretion.

### **Payment for Shares**

Any costs associated with Shares issued, purchased or otherwise acquired for the purposes of the HOPRP will be paid by the Company. Any Exercise Price payable on the exercise of a Performance Right will be paid by the Participant or his Associate.

### **No Loans**

Loans made by the Company or any other member of the Hillgrove Group will not be permitted as part of the HOPRP.

### **No hedging of Unvested Options or Performance Rights**

No Participant will be permitted to enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested Performance Rights.

### **Trust**

To manage the vesting conditions, exercise procedures, any holding lock or restrictions and the Employee Share Scheme reporting requirements, settlement of vested Performance Rights may be arranged using an Employee Share Trust.

### **Reconstructions, Bonus and Rights Issues**

The Exercise Price of a Performance Right will be adjusted in a manner contemplated by the ASX Listing Rules from time to time to take account of capital reconstructions and bonus issues.

If there is a rights issue by the Company to all Shareholders before a Performance Right under the HOPRP is exercised, the Exercise Price for a Performance Right will be appropriately adjusted in the same manner as provided in the formula provided by the ASX Listing Rules.

### **Limitation on Issues**

The number of Shares that may be issued under the HOPRP is set with regard to the limits prescribed by the Australian Securities and Investments Commission (**ASIC**) with respect to employee share scheme offers that may be made without the issue of a prospectus. Currently these limits provide that the number of shares that may be issued, when aggregated with the number of shares issued during the previous 5 years from share issues under all employee share schemes established by the Company (including as a result of exercise of options or rights to acquire shares granted during the previous 5 years under any such employee share scheme), must not exceed five per cent. (5%) of the total number of shares on issue disregarding certain unregulated offers.

### **Amendments to Plan Rules**

Subject to the provisions of the HOPRP, the Board may amend the HOPRP Rules or the terms of grant, if required to do so. However, the OPR Rules may not be amended if, broadly, in the Board's opinion the amendment would materially reduce the rights of the relevant Participant in respect of Performance Rights already granted.

Exceptions to this permit amendment for the purpose of complying with State or Commonwealth legislation or to address any adverse tax implications for Participants generally or by any member of the Hillgrove Group.



# HILLGROVE RESOURCES

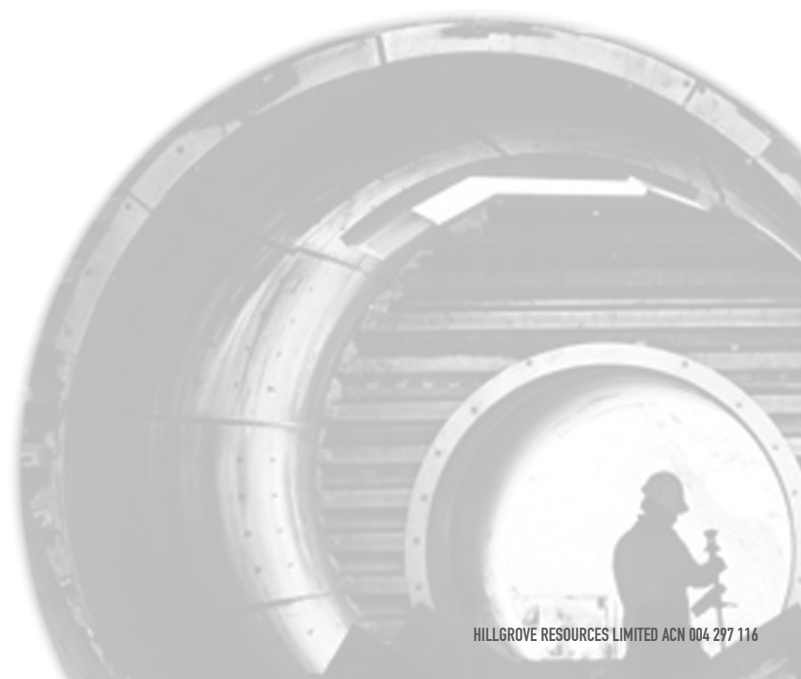
## HILLGROVE RESOURCES LIMITED

Level 41 Australia Square  
264-278 George Street  
Sydney N.S.W. 2000  
Australia

Tel: + 61 2 8247 9300

Fax: + 61 2 8221 0407

[www.hillgroveresources.com.au](http://www.hillgroveresources.com.au)



FOR ALL ENQUIRIES CALL:  
Registries Limited  
(within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

FACSIMILE  
+61 2 9290 9655

POSTAL ADDRESS:  
Registries Limited  
GPO Box 3993  
Sydney NSW 2001  
Australia

*DO NOT USE THIS FORM TO VOTE –  
PLEASE CONTACT REGISTRIES FOR  
YOUR OWN PERSONALISED COPY  
IF ONE HAS NOT ARRIVED BY MAIL*

#

## YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE  
10.30AM (ADELAIDE TIME) MONDAY 20 JUNE 2011



**Your Address:** This is your address as it appears on the company's share register. If incorrect, please mark the box with an "X" and correct on the form and return or correct via the Registries website. Securityholders sponsored by a broker should advise your broker of any changes required. **Please note you cannot change ownership of your securities using this form.**

**Reference Number:**

Please note it is important you keep this confidential

## TO VOTE ONLINE



STEP 1: VISIT [www.registries.com.au/vote/hillgroveagm2011](http://www.registries.com.au/vote/hillgroveagm2011)

STEP 2: Enter your holding/Investment type

STEP 3: Enter your Reference Number and VAC:

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

### STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### STEP 3 Sign the Form

The form must be signed

In the spaces provided you must sign this form as follows:

**Individual:** This form is to be signed by the securityholder.

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

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

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **10.30am (Adelaide time) on Monday, 20 June 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged:

**BY MAIL:** Share Registry – Registries Limited,  
GPO Box 3993, Sydney NSW 2001, Australia

**BY FAX:** + 61 2 9290 9655

**IN PERSON:** Share Registry – Registries Limited,  
Level 7, 207 Kent Street, Sydney NSW 2000, Australia

**Vote online at:**

**[www.registries.com.au/vote/hillgroveagm2011](http://www.registries.com.au/vote/hillgroveagm2011)  
OR turn over to complete the Proxy Form →**

# PROXY FORM

#

## STEP 1 – Appointment of Proxy

I/We being a member/s of **Hillgrove Resources Limited** and entitled to attend and vote hereby appoint:

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Hillgrove Resources Limited to be held at the Boulevard Room, Stamford Plaza Adelaide, 150 North Terrace, Adelaide SA 5000 on Wednesday, 22 June 2011 at 10.30am (Adelaide time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a resolution, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for the resolution, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on this resolution and your votes will not be counted in calculating the required majority if a poll is called. The Chair intends to vote all undirected proxies in favour of the resolution.

## STEP 2 – Voting Directions to Your Proxy - please mark to indicate your directions

Ordinary Business	For	Against	Abstain*
Resolution 1      Adoption of Remuneration Report in the 2011 Annual Report of the Company	<input type="checkbox"/>	# <input type="checkbox"/>	# <input type="checkbox"/>
Resolution 2      That Mr John Gooding is re-elected as a Director of the Company	<input type="checkbox"/>	# <input type="checkbox"/>	# <input type="checkbox"/>
Resolution 3      That Mr Edwin Zemancheff is elected as a Director of the Company	<input type="checkbox"/>	# <input type="checkbox"/>	# <input type="checkbox"/>
Resolution 4      Approval of issue of 1,875,000 Performance Rights to the Managing Director	<input type="checkbox"/>	# <input type="checkbox"/>	# <input type="checkbox"/>
Resolution 5      Modification of Constitution – cost of unmarketable parcel sale of securities	<input type="checkbox"/>	# <input type="checkbox"/>	# <input type="checkbox"/>
Resolution 6      Modification of Constitution – proceeds of sale of unmarketable parcels of securities	<input type="checkbox"/>	# <input type="checkbox"/>	# <input type="checkbox"/>
Resolution 7      Miscellaneous drafting modifications of the Constitution	<input type="checkbox"/>	# <input type="checkbox"/>	# <input type="checkbox"/>

In addition to the intentions advised above. The Chairman of the Meeting intends to vote 100% of all undirected proxies in favour of each of the items of business.

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## STEP 3 – Sign Here

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>
Individual or Sole Director/Company Secretary	Director	Director/Company Secretary

Contact Name ..... Contact Daytime Telephone ..... Date / / 2011