

Wednesday, 24 June 2009

ADJUSTMENT OF CONVERSION PRICE OF US\$30M CONVERTIBLE BONDS

On 30 June 2008, Hillgrove Resources Limited (Hillgrove) (ASX:HGO) announced the issue of US\$30 million 4% coupon/9% yield to maturity, secured, convertible bonds due 30 June 2011 (**Bonds**). Shareholders approved the issue and allotment of the Bonds in accordance with their terms at a General Meeting held on 13 August 2008.

Pursuant to the terms of the Bonds the Initial Conversion Price of the Bonds (A\$0.38081) was reset to \$0.19041 (equal to 50% of the Initial Conversion Price) on 15 December 2008 (**Reset Price Floor**). Under the terms of the Bond the Conversion Price can neither be further reset below the Reset Price Floor nor reset above the Reset Price Floor, other than as described below.

Pursuant to the terms of the Bonds the prevailing Conversion Price is subject to adjustment where any new issue of shares is less than 95% of the Current Market Price. As a result of three recent issues of new shares by Hillgrove, the Conversion Price has been adjusted to \$0.18592.

Should the Bondholders elect to convert the Bonds into Hillgrove shares at any time up to 30 June 2011, the conversion would result in the issue of a maximum (subject to any further anti-dilution Conversion Price adjustments) of 168,451,534 (i.e. $30,000,000 \div 0.9579$ (Fixed AUD/USD Exchange Rate) $\div 0.18592$) new fully paid ordinary shares in the capital of Hillgrove and the extinguishing of the US\$30 million debt.

The terms of the Bonds provide that the conversion formula is based on an agreed fixed AUD/USD exchange rate of US\$0.9579. The Bonds are secured against Hillgrove's share and option holdings in Eastern Star Gas Limited. These holdings are currently valued at approximately \$142 million.

Further details on the Bonds including definitions of terms can be found in the Notice of Extraordinary Meeting issued on 9 July 2008.

About Hillgrove

Hillgrove is an Australian resources company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its South Australian, Queensland and Indonesian base and precious metals projects. The Company has an exploration portfolio of over 970km² within the Kanmantoo Trough and the Gawler Craton which are recognised as being amongst Australia's most prospective regions for copper and gold.

Hillgrove's key asset is the Kanmantoo Copper Gold Project, located less than 60km from Adelaide. Kanmantoo currently hosts a Mineral Resource of 32.2Mt (2.3MT Measured, 22.5Mt Indicated and 7.4MT Inferred) grading 0.9% copper and 0.20g/t gold, containing 292,200 tonnes of copper, 191,100 ounces of gold and 3,313,600 ounces of silver. With production targeted for mid 2010, Kanmantoo will be a 2Mt p.a. open-cut mine producing approximately 17,000 tonnes of copper in concentrate and 8,000 ounces of gold per annum.

Hillgrove also holds a portfolio of strategic positions in emerging energy and resources companies. These include a fully diluted direct 20.1% shareholding in coal seam gas company Eastern Star Gas Limited (ASX:ESG) and a direct 85% shareholding in Queensland and South Australian focussed minerals explorer InterMet Resources Limited (ASX:ITT).

The information in this report that relates to Exploration Results is based on information compiled by Mr. Dale Ferguson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Ferguson is the Director – Exploration and Operations of Hillgrove Resources 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'. Mr. Ferguson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For more information contact:

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