

# HILLGROVE RESOURCES

6 January 2009

Dear Shareholder,

**Re: Amended Share Purchase Plan Terms**

Enclosed with this letter is an offer to participate in an attractively structured Share Purchase Plan (SPP).

The offer complements today's exciting announcement around Hillgrove's expansion of its exposure to world class copper-gold terrains with the grant of a large exploration tenement in the Bird's Head area of West Papua in Indonesia, in which extensive gold and copper-gold mineralisation has been identified. The project is located along the **westward continuation of the New Guinea mineral belt** that hosts world class porphyry copper-gold and epithermal deposits, including Grasberg and Ertsberg in West Papua and Porgera and OK Tedi in Papua New Guinea.

We are also looking to a very exciting year around Eastern Star Gas Limited, which is a leading coal seam gas (CSG) company with a commanding CSG position in New South Wales. The CSG sector has recently been in the spotlight with much corporate activity, and the identification of world class CSG reservoirs on the East Coast of Australia has led to the development of a number of major LNG projects.

Hillgrove is well positioned with a strategic, fully diluted, direct 22.6% shareholding in Eastern Star Gas which is currently worth approximately \$112 million\*.

As the SPP offer closes on Friday 30 January 2009, I would encourage you to give the offer your early consideration.

Each of the Directors of Hillgrove intends to take up his full entitlement.

Yours sincerely,



**The Hon. Dean Brown, AO**  
Chairman

\* 153,723,529 shares and 24,250,000 15 cent options in Eastern Star Gas Limited at the last traded share price of 65 cents per share as at 6 January 2009.

# HILLGROVE RESOURCES

Tuesday, 6 January 2009

Dear Shareholder,

## HILLGROVE RESOURCES LIMITED – SHARE PURCHASE PLAN

On behalf of the Board of Directors, I am pleased to advise that Hillgrove Resources Limited (“**Hillgrove**” or “**Company**”) has introduced a share purchase plan (“**Plan**”).

Pursuant to the Plan, the Company will offer to all its shareholders, irrespective of the size of their respective shareholding (“**Offer**”), the opportunity to subscribe for up to A\$5,000 worth of fully paid ordinary shares in the Company (“**Plan Shares**”) at a price set out below (“**Offer Price**”). No brokerage, commission, stamp duty or other transaction costs will be payable by any shareholders in respect of their application for, and issue of, Plan Shares.

The Board has structured the Offer to encourage our loyal, smaller shareholders to apply and increase their holding in Hillgrove.

Each of the Directors of Hillgrove intends to take up his full entitlement.

Your Application Form must be received on or before 5.00pm (Eastern Standard Time) on the closing date of Friday 30 January 2009 (“**Closing Date**”).

### Offer Price

The Offer Price will be the lower of:

- A\$0.12 per Plan Share; and
- a 15% discount to the volume weighted average of the closing market price of Plan Shares over the five (5) trading days on which sales of the Hillgrove fully paid ordinary shares are recorded in the market operated by the Australian Securities Exchange immediately preceding the date of the issue of the Plan Shares.

Shareholders will be required, when submitting their Application Forms, to subscribe at the rate of A\$0.12 per Plan Share. In the event that the final Offer Price, based on the abovementioned formula, is lower than A\$0.12 per Plan Share, the Company will also issue to shareholders who have applied for Plan Shares in the Offer an additional number of Plan Shares that is determined, in accordance with the following formula:

$$A = \frac{(B \times C) - (B \times O)}{[O]}$$

Where:

- A** means the increased number of Plan Shares to be issued and allotted in the above stated circumstances;
- B** means the number of Plan Shares that a Shareholder has originally applied for;
- C** means the above stated price per Plan Share, namely A\$0.12; and
- O** means the actual Offer Price for a Plan Share the subject of the Offer that has been determined in accordance with the above stated alternative provisions.

### Hillgrove Resources Limited

ACN 004 297 116

Level 41 Australia Square, 264 George Street, Sydney NSW 2000

Tel: 02 8221 0404 Fax: 02 8221 0407

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

For example, assume that B equals 41,667 Plan Shares, but after application of the above stated provisions, the actual Offer Price i.e. O, is determined to be A\$0.10. In those circumstances, the Shareholder who has paid subscription funds of A\$5,000, would increase the allotted Plan Shares by 8,333 Plan Shares. If, as a result of such determination, a Shareholder would otherwise be entitled to a fraction of a Plan Share, that entitlement will be rounded up to the nearest whole number of Plan Shares.

You should note that the market price of Hillgrove's shares is likely to rise or fall between the date of the Offer and the date when the new Plan Shares are issued and allotted. This means that the price you pay per Plan Share under the Offer may exceed the market price of the Plan Shares at the date of the Offer and/or at the time the Plan Shares are issued and allotted to you. Accordingly, you should seek your own financial advice in relation to the Offer and your participation under the Plan.

In accordance with:

- ASX Listing Rule 7.2, Exception 15, the Company is not required to obtain any shareholder approval for the proposed issue of Plan Shares under the terms of the Plan;
- ASX Listing Rule 10.12, Exception 8, the Company is not required to obtain any shareholder approval in order to permit Hillgrove's directors to accept the Offer and participate in the Plan; and
- Policy Statement 125 issued by Australian Securities & Investments Commission ("**ASIC**") and ASIC Class Order 02/831, the Company is not obliged to issue a prospectus or any analogous disclosure statement in relation to the Offer or the Plan.

### **Entitlement**

The Offer is open to all Hillgrove shareholders who are registered as holders of shares in the Company at 5.00pm Eastern Standard Time on the record date of 12 January 2009 ("**Record Date**") and whose address as recorded in the register is in Australia or in any other jurisdiction within which it is lawful and (in the opinion of the Company) practical for the Company to offer Plan Shares under the Plan (each an "**Eligible Member**").

### **How much can be Invested**

Under the Plan, each Eligible Member may invest any one of the following amounts:

- A\$1,000;
- A\$3,000; or
- A\$5,000.

The maximum amount of A\$5,000 worth of Plan Shares will apply even if an Eligible Member receives more than one Offer – for example, if that Eligible Member has more than one shareholding but under separate accounts.

### **Purpose of the Offer**

The Offer allows many shareholders to increase their holdings into a more meaningful and financially viable marketable parcel of shares without incurring any brokerage and associated charges. It also offers shareholders the opportunity to support the growth of the Company by making a direct cash investment into Hillgrove.

The funds raised under the plan will be used to:

1. meet the ongoing costs of Hillgrove's recently announced gold and copper exploration programmes in Indonesia;

2. carry out continuing pre-mine development activities on the Kanmantoo Mine project, including the acquisition of long lead time equipment and activities associated with the final stages of statutory approvals; and
3. meet other corporate and offer costs and to provide additional general working capital.

This letter and the enclosed terms and conditions and Application Form set out in full the terms and conditions of the Offer. By accepting the Offer, you will have agreed to be bound by those terms and conditions.

**Participation in the Plan is entirely optional.** If you do not want to participate in the Plan, please ignore this document. You do not need to confirm to the Company or anyone else your election not to participate in the Plan.

### **How to participate in the Plan**

If you would like to participate in the Plan, please carefully read the attached Terms and Conditions, and return your completed Application Form, together with your cheque for the value of Plan Shares applied for. Your Application Form must be received on or before 5.00pm (Eastern Standard Time) on the closing date of Friday 30 January 2009 (“**Closing Date**”).

The value of your subscription funds should be either A\$1,000, A\$3,000 or A\$5,000 but in any event not exceeding a total amount of A\$5,000.

If the exact amount of money is not tendered with the Application Form, the Company reserves the right to disregard your application and not to allot any Plan Shares. However, any fractional entitlement to a Plan Share will be rounded up to the nearest whole Plan Share. No stamp duty or brokerage will apply to Plan Shares purchased under the Plan.

The Company may conduct a share purchase plan similar to the terms of this Plan in the future, but is not obliged to do so. However, as a practical matter, it is unlikely to do so more than once every 12 months.

Before deciding whether to accept the Offer, please consider the price at which the Hillgrove shares have been trading on ASX and read the enclosed terms and conditions carefully. If you feel it appropriate, you should seek independent financial or legal advice from your stockbroker, lawyer or financial adviser.

Hillgrove will apply for quotation of the Plan Shares to be issued under the Plan on ASX on or before 6 February 2009. The Plan Shares subscribed for will be allotted within 10 business days of the Closing Date. Shareholders will be issued with a holding statement or confirmation shortly after the allotment of the Plan Shares.

If you have any questions in relation to the above matter, please contact Mr. Russell Middleton on 02 8221 0404.

Yours faithfully



**The Hon. Dean Brown, AO**  
Chairman

**HILLGROVE RESOURCES LIMITED**

**ABN 73 004 297 116**

**SHARE PURCHASE PLAN**

**TERMS AND CONDITIONS**

The following sets out the terms and conditions of the Plan (“**Terms**”). By accepting the Offer, you will have agreed to be bound by the Terms and the Company’s Constitution.

**1. Eligibility to participate**

- (a) Those members of the Company who will be eligible to apply for shares in the issued capital of the Company (each a “**Plan Share**”) under the Offer (each an “**Eligible Member**”) are those who:
- are recorded in the Company’s register of members at 5.00pm Eastern Standard Time on the record date of 12 January 2009 (“**Record Date**”); and
  - have an address (as recorded in the Company’s register of members) in Australia.
- (b) Where a member is expressly noted on the Company’s register of members as a trustee or nominee on account of another person (“**Beneficiary**”), the Beneficiary will be deemed to be the Eligible Member and an acceptance of the Offer and subsequent issue of Plan Shares will be deemed to be made by or to the Beneficiary.
- (c) An Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful, in the reasonable opinion of the Company, to make such an offer.
- (d) Eligible Members may apply for up to a maximum of five thousand dollars (A\$5,000) worth of Plan Shares under the Plan. This maximum amount applies even if an Eligible Member receives more than one Offer or receives the Offer as a joint holder of Plan Shares. If an Offer is received by a member who is expressly noted on the Company’s register of members as a trustee or nominee on account of a Beneficiary, then any Plan Shares issued in relation to that Offer will not be included in calculating the maximum number of Plan Shares that may be applied for by that member, but will be included in calculating the maximum number of Plan Shares that can be applied for by the Beneficiary.
- (e) Offers made under the Plan are non-renounceable. This means that members cannot transfer their right to purchase Plan Shares under this Offer to another person.

**2. Offer Price**

- (a) The price at which Plan Shares are offered pursuant to the Offer will be the lower of:
- A\$0.12 per Plan Share; and
  - a 15% discount to the volume weighted average of the closing market price of Plan Shares over the five (5) trading days on which sales of the Hillgrove fully paid ordinary shares are recorded in the market operated by the Australian Securities Exchange immediately preceding the date of the issue of the Plan Shares.

- (b) Shareholders will be required, when submitting their Application Forms, to subscribe at the rate of A\$0.12 per Plan Share. In the event that the final Offer Price, based on the abovementioned formula, is lower than A\$0.12 per Plan Share, the Company will increase the number of Plan Shares in the Offer, in accordance with the following formula:

$$A = \frac{(B \times C) - (B \times O)}{[O]}$$

Where:

- A means the increased number of Plan Shares to be issued and allotted in the above stated circumstances;
- B means the number of Plan Shares that a Shareholder has originally applied for;
- C means the above stated price per Plan Share, namely A\$0.12; and
- O means the actual Offer Price for a Plan Share the subject of the Offer that has been determined in accordance with the above stated alternative provisions.

For example, assume that B equals 41,667 Plan Shares, but after application of the above stated provisions, the actual Offer Price i.e. O, is determined to be A\$0.10. In those circumstances, the Shareholder who has paid subscription funds of A\$5,000 would increase the allotted Plan Shares by 8,333 Plan Shares. If, as a result of such determination, a Shareholder would otherwise be entitled to a fraction of a Plan Share, that entitlement will be rounded up to the nearest whole number of Plan Shares.

- (c) By accepting an Offer and applying for Plan Shares under the Plan, each Eligible Member acknowledges that the Plan Shares are a speculative investment and the price of Hillgrove's fully paid ordinary shares quoted on ASX may change between the date of the Offer and the date of issue of the Plan Shares and that the value of Plan Shares received under the Plan may rise or fall accordingly. Accordingly each Eligible Member should seek their own financial advice in relation to this Offer and their participation in the Plan.

### 3. Terms of issue of Plan Shares

- (a) The Board reserves the right to refuse an application if it considers that the applicant is not an Eligible Member or has not otherwise complied with the terms of the Plan or for any other reason. If an application is refused, the application monies received will be refunded without interest.
- (b) The Closing Date of the Offer will be Friday 30 January 2009 ("**Closing Date**").
- (c) Plan Shares to be issued under the Plan will be allotted within 10 business days of the Closing Date. Shareholders will be issued with a holding statement or confirmation shortly after the allotment of the Plan Shares.
- (d) Plan Shares allotted under the Plan will rank equally in all respects with all other issued fully paid ordinary shares of the Company on the date of issue of those Plan Shares.
- (e) The Company will, by 6 February 2009, apply to ASX Limited ("**ASX**") for the official quotation of all the Plan Shares issued under the Plan.

- (f) In accordance with the Listing Rules of the ASX, no more than 30% of the currently issued ordinary shares (i.e. 102,341,772 Plan Shares) may be issued under the Plan.

#### **4. General**

- (a) The Plan will be administered by the Board or a committee of the Board that will have absolute discretion to:
  - (i) determine appropriate procedures for administration of the Plan consistent with these Terms;
  - (ii) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Terms; and
  - (iii) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of their powers or discretions under the Plan or these Terms.
- (b) The Plan and these Terms may be suspended, terminated or amended at any time by the Board. In particular the Board may waive compliance with any provision of these terms and conditions, or vary these terms and conditions if required to comply with the ASX Listing Rules.
- (c) The Company reserves the right to issue fewer Plan Shares than an Eligible Member applied for under the Plan (or none at all) if it believes that the allotment of those Plan Shares would contravene any law or ASX Listing Rule.