HILLGROVE
RESOURCES

Wednesday, 23 June 2004

Chairman's Address to Annual General Meeting

The first full 12 months of operations for Hillgrove has resulted in it establishing a core portfolio of outstanding projects each of which has the characteristics to develop into major Australian resources projects. The projects are the Kanmantoo Mine Project (Hillgrove 100%) and the Gunnedah Gas Project (Hillgrove earning 32.5%).

Each of the projects is the result of the application of Hillgrove's corporate goal of "identifying resources opportunities that can either be brought into production readily or those where there is a clearly defined value adding route within a clearly understood risk environment".

Each of the projects exhibits similar and superior value adding potential. Both are placed in the middle of the traditional resources value adding path where traditional value adding initiatives can be applied.

The Kanmantoo Mine Project is based around an established JORC compliant inferred resource of 8.5 million tonnes grading 1.2% copper. The project is close to infrastructure, has known milling and metallurgical characteristics and is advantaged in having significant near pit exploration potential such as Emily Star, O'Neils and the Paringa lode. There is potential for as yet un-assessed although meaningful gold credits. A drilling programme

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is being designed for implementation over the coming months. We have commissioned resource consultant, RSG Global Pty. Limited, to complete a scoping study of the project to identify the broad parameters to which the Project will work. The results of the scoping study will be available in July and will be followed by results from the in pit and near pit drilling programme. Depending upon these results, a full feasibility study of a mine development could be commissioned as early as next year.

Earlier this year Hillgrove acquired an interest in the Gunnedah Gas Project. The Project is based around one the largest on shore natural gas accumulations in Australia assessed at 8.7 TCF of P3 resources by Netherland, Sewell and Associates. Like Kanmantoo, this Project is at an advanced stage and exhibits all the key critical parameters for a successful development as a major energy development for New South Wales. A drilling programme is being designed to move some of the resources into the P1 and P2 reserve categories. Establishment of a proven reserve base will open the way for the negotiation of gas sale contracts and the development of the Project and a pipeline to the Newcastle, Sydney and Wollongong markets.

In summary, Hillgrove is energetically moving its two major resource projects forward. The development of either or both will provide the platform for fast track growth into a medium sized resources company.

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