HILLGROVE
RESOURCES

Monday, 5 July 2004

Drilling Kicks off on Gunnedah Gas Project

Hillgrove Resources Limited (ASX: HGO) advises that drilling has commenced on the Gunnedah Gas Project. An announcement by the Joint Venture is attached.

About Hillgrove Resources

Hillgrove is an Australian resources company listed on the Australian Stock Exchange which is focussed on 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. Commodities that are of particular interest include copper, gold, natural gas and silver, lead and zinc.

Hillgrove is earning a 32.5% interest in the Gunnedah Gas Project in NSW. The Project's coal bed methane resource is one of the largest onshore accumulations of natural gas in Australia. Hillgrove is also exploring a total of 974 km^2 in the Gawler Craton and the Kanmantoo Trough, two of the most prospective regions of South Australia for copper and gold.

For more information contact:

David Archer – Managing Director
0414 737 767

EASTERN STAR GAS

4th July 2004

$4 Million NSW Coal Seam Gas Appraisal/Production Programme

The Gunnedah Gas Joint Venture Partners are pleased to announce the commencement of one of the largest on shore gas drilling programmes to be conducted in New South Wales with the commencement of drilling operations at Bohena South-1C and Bohena-4L. The program is designed to prove natural gas reserves which will provide NSW gas consumers increased choice, reduce NSW's inter-state gas dependence and increase the competitiveness of NSW industry.

The programme is centred on proving up part of one of the largest accumulations of onshore gas in Australia, totalling 8,700 PJ (8.7 TCF) of P3 gas resources (representing approximately 62 years' supply at NSW's current rate of consumption) within PEL 238, near Gunnedah in New South Wales.

The five well Coal Seam Gas ("CSG") drilling programme will be located within the 215 square kilometre Bohena Fairway in which nine CSG wells have already been drilled. The 2004 drilling programme will target up to 3,700 PJ (3.7 TCF) gas in place within the main Maules Creek and Black Jack CSG production horizons the two main seams of which total 20 to 30 metres in thickness and total over 50 metres in all seams. The aim of this drilling programme is to prove sufficient proved and probable (1P and 2P) gas reserves to enter into gas sales contracts by completing a production pilot that will include:

- one horizontal well (Bohena-4L),
- three new vertical fracced wells (Bohena-9, 10 and 11) in the Bohena Pilot Area in the northern part of the Bohena Fairway,
- the drilling of one new vertical fracced well (Bohena South-1) and a corehole (Bohena South-1C) approximately 4 kms south of the Bohena Pilot Area,
- the fraccing of the previously drilled Bibblewindi-1 located approximately 10 kms south of the Bohena Pilot Area and
- the workover of Bohena-3 within the Bohena Pilot Area

All wells will then be placed into test production and gas flows monitored as a precursor to an independent reevaluation of reserves by Netherland, Sewell & Associates (www.netherlandsewell.com).

Dennis Morton, the Managing Director of Eastern Star Gas Limited, the Project Operator, said today "Following the recent disruptions to the supply of gas from SA into NSW it's clear that the Project's large gas resources lying only a few hundred kilometres from Australia's largest population centre will be playing a strategic role in the State's energy future".

The programme is the next stage of a multi year evaluation that incurred investment of approximately $39 million and which has advanced the project into the most mature gas development of its size in the NSW with the potential to provide a large proportion of the State's future gas requirements.

Increasingly large proportions of gas are being derived from CSG both in Australia where some 10% of Queensland's gas is supplied from coal seam sources and the United States where CSG provides up to 10%, and increasing, of their gas requirements.

EASTERN STAR GAS

About the Gunnedah Gas Project - *"Delivering Gas Independence to NSW"*

The Project is located in Petroleum Exploration Licence 238 between Narrabri and Gunnedah in New South Wales covering 9,100 kms² of the Gunnedah Basin. The PEL contains one of the largest onshore natural gas accumulations in Australia alone totalling 17,000 PJ (17 TCF) of gas-in-place within the two coal seams that are over 10 metres thick in each of two coal bearing formations. The Project is managed by Eastern Star Gas Limited and is owned by the Gunnedah Gas Project Joint Venture comprising:

Eastern Star Gas Limited (ASX: ESG) – 15% but acquiring up to 32.5%
Hillgrove Resources Limited (ASX: HGO) – 15% but acquiring up to 32.5%
*Gastar Exploration Limited (TSE: YGA) – 70% but reducing to 35%

* listed on the Toronto Stock Exchange - CDNX: YGA

For more information contact:

Dennis Morton
Managing Director – Eastern Star Gas
02-9251 5599
email: office@easternstar.com.au