HILLGROVE
RESOURCES

Monday, 19 July 2004

Drilling Ahead on Gunnedah Gas

Hillgrove Resources Limited (ASX: HGO) advises that it has received the attached drilling programme progress report from Eastern Star Gas Limited concerning the Gunnedah Gas Project.

About Hillgrove Resources

Hillgrove is an Australian resources company listed on the Australian Stock Exchange which is focused 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 km² in the Gawler Craton and the Kanmantoo Trough, two of the most prospective regions of South Australia for copper and gold.

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DRILLING PROGRAMME PROGRESS REPORT

Eastern Star Gas advises the progress in the current drilling programme of the Gunnedah Coal Seam Gas Project as follows:

Bohena South - 1C

The Bohena South -1C corehole, spudded on 2 July 2004, is currently at 873m depth and will drill ahead to an estimated Total Depth of 900m. The corehole was open-hole drilled to 493m in the lower Napperby Shale then HQ cored from 493m to its current depth of 873m. Three thick coal seams with good vertical fracture development were intersected in the Late Permian Black Jack Formation at depths between 618m and 654m with a cumulative coal thickness of 15m, including a 5.9m thick Hoskissons coal seam at 648m. Four coal seams have so far been intersected in the early Permian Upper Maules Creek Formation at depths between 814m and 863m with a cumulative coal thickness of 7m. These coals also contain well developed sub-vertical fractures. Several samples of coal have been placed on desorption test to ascertain the gas content of the coals and the gas composition.

Bohena – 4L

The Bohena - 4L horizontal well, spudded on 9 July 2004, is currently at a true vertical depth of 860m and began deviating from vertical to horizontal at 760m. The horizontal section of the well is targeting the Early Permian Bohena coal seam within the Maules Creek Formation at a true vertical depth of 895m.

The Gunnedah Coal Seam Gas Project is located in Petroleum Exploration Licence 238 between Narrabri and Gunnedah in New South Wales covering 9,100 kms^2 of the Gunnedah Basin. 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 (TSX: YGA and OTC BULLENTIN BOARD: GSREF) – 70% but reducing to 35%

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