HILLGROVE
RESOURCES

Monday 13 September 2004

**BOHENA SOUTH-1 CSG WELL SPUDS
AT GUNNEDAH GAS PROJECT**

Hillgrove Resources Limited (ASX: HGO), on behalf of the Gunnedah Gas Project Joint Venture, is pleased to announce that drilling at the Bohena South-1 coal seam gas well has commenced. 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 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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EasternStar
GAS

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BOHENA SOUTH-1 CSG WELL SPUDS
GUNNEDAH COAL SEAM GAS PROJECT: PEL 238

Eastern Star Gas Limited, the operator of the Gunnedah Coal Seam Gas Project Joint Venture, is pleased to announce that Bohena South-1 coal seam gas well commenced drilling operations at 1800 hours on Friday 10th September and at 0600 hours this morning the operation was drilling ahead at a depth of 278 metres after having set surface casing at a depth of 105 metres (KB). Bohena South-1 is the fourth well in the 2004 coal seam gas ("CSG") appraisal/development drilling program, and is located 3 kilometres south of the recently drilled Bohena-9.

Bohena South-1 will be drilled to a total depth of approximately 920 metres targeting coal measures within the Early Permian Maules Creek Formation at a depth of approximately 870 metres. Once the well has been completed with casing, the target coal seams will be hydraulically fracture stimulated and the well placed in test production.

Bohena South-1 forms an integral part of the Gunnedah Coal Seam Gas Project reserves certification process within the 260 square kilometre Bohena Project Area. The Bohena Project Area contains up to 3,700 PJ (3.7 trillion cubic feet) gas in place within both the Late Permian Black Jack Formation and the Early Permian Maules Creek Formation coal seams. The aim of this drilling program is to complete a production pilot and offset wells so as to establish sufficient proved and probable gas reserves to support long term sales contracts.

About the Gunnedah Coal Seam Gas 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 Coal Seam 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 & Other OTC: GSREF.PK) – 70% but reducing to 35%

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