

HILLGROVE RESOURCES

Monday, 14 March 2005

GUNNEDAH CSG DEVELOPMENT UPDATE

Hillgrove Resources Limited (ASX: HGO), advises that gas and water production from the, Gunnedah Basin Coal Seam Gas Joint Venture, CSG wells within the Bohena project area continue to support the production model interpretation of a major CSG province with the potential for high (3-5 bcf) recoverable reserves per well.

For more details please refer to the attached announcement from the Joint Venture manager, Eastern Star Gas Limited.

About Hillgrove

Hillgrove is an Australian resources company listed on the Australian Stock Exchange which focuses on identifying resource 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, garnet, gold, silver, lead, zinc and natural gas.

Hillgrove is 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.

The Company is also earning a 32.5% interest in the Gunnedah Joint Venture's PEL 238 Coal Seam Gas Project in the Gunnedah Basin in NSW. Four production test wells have recently been completed and are currently undergoing production testing. PEL 238 contains one of the largest onshore accumulations of natural gas in Australia.

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PROGRESS REPORT GUNNEDAH BASIN CSG PROJECT

Summary

Eastern Star Gas Limited, the operator of the PEL 238 Gunnedah Basin Coal Seam Gas Joint Venture, is pleased to announce that gas and water production from the coal seam gas ("CSG") wells within the 265 kms² Bohena Project Area continues to support the production model interpretation of a major CSG province with the potential for high (3-5 BCF) recoverable reserves per well.

Development Update

The Joint Venture will have a total of 6 wells in test production in the near future. Bohena-3 and Bohena-7 wells, drilled by the previous operator, have recently been brought on line to assist with dewatering around the Bohena-9 well (drilled and fraced in 2004) with a view to accelerating gas production. Bibblewindi-1, which was also fraced during the 2004 campaign and produced water at high rates (accompanied by immediate gas production) on short term test, will also shortly be brought back on line following installation of a high rate pump and new enlarged water storage capacity .

Extremely wet weather over the Christmas/New Year period caused some operational delays, with wells having to be shut-in due to lack of access to the well sites and especially lack of water storage capacity in the existing evaporation ponds. The fracture stimulations in the 2004 campaign were more successful than had been predicted, resulting in higher water production rates (typically 600 to 1,000 BWPD/well) and gas being produced immediately after the wells were placed on test production. Combined with the effects of an extremely wet summer, these higher water production rates resulted in the existing water evaporation ponds being rapidly filled. The high water production rates are highly encouraging for CSG production as the coal seams must be de-watered and the near wellbore pressures in the coal seam lowered before significant gas flow rates can be sustained.

Current aggregate gas production is 200,000 cfd (4 wells) with individual production well status as follows:

Bohena South-1:	back on-line on the 28 th February after a two week shut-in due to water storage problems. A new, larger evaporation has been constructed to allow for continuous production.
Bohena-9:	on-line and producing.
Bohena-3:	commenced production on the 17 th February and currently online.
Bohena-7:	commenced production on the 4 th March.
Bohena-4L:	on-line but producing at very low rates due to migration of coal fines.
Bibblewindi-1:	located 7.1 kilometres southeast of Bohena South-1 the water rates in this well were much better (higher) than any of the other wells. The pump originally installed in this well and the evaporation pond both proved to be too small and the well has been shut-in since the 19 th November whilst a higher volume pump was purchased and a new evaporation pond was constructed. The well will be back online later this month.

About the Gunnedah Basin Gas Project (Coal Seam Gas Joint Venture)

“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 totaling 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 Bohena Project Area covers 260 kms² within PEL 238 and contains up to 3,700 PJ (3.7 trillion cubic feet) gas in place within coal seams of the Late Permian Black Jack Formation and the Early Permian Maules Creek Formation. The Project is managed by Eastern Star Gas Limited and is owned by the Gunnedah Basin Gas Project (Coal Seam Gas) Joint Venture comprising:

Eastern Star Gas Limited (ASX: ESG) – 25% increasing up to 32.5%

Hillgrove Resources Limited (ASX: HGO) – 25% increasing up to 32.5%

Gastar Exploration Limited (TSX: YGA & OTHER OTC: GSREF.PK) – 50% decreasing to 35%

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