HILLGROVE RESOURCES

Tuesday, 11 July 2006

DRILLING PROGRAM COMPLETED SUCCESSFULLY

Hillgrove Resources Limited (ASX:HGO) is pleased to advise that the nine well drilling program has been successfully completed at the Gunnedah Basin Coal Seam Gas Joint Venture. The programs purpose of establishing a confined Bibblewindi Production Pilot, designed to accelerate dewatering of the Bohena coal seam to achieve commercial gas production rates by the first quarter of 2007, is progressing as planned.

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

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

The Project is located in Petroleum Exploration License 238 between Narrabri and Gunnedah in New South Wales covering 9,100 kms^2 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 two thick coal seams. The Bohena Project Area, which covers 260 kms^2 within PEL 238 and contains up to 3,700 PJ (3.7 trillion cubic feet) of gas-in-place, is the focus for early commercial development to serve local power and industrial consumers and, ultimately, the Newcastle and Sydney markets. The Project is managed by Eastern Star Gas Limited and is owned by the Gunnedah Basin Gas Project (Coal Seam Gas) Joint Venture which comprises:

- Eastern Star Gas Limited (ASX: ESG) – 32.5%
- Gastar Exploration Limited (TSX: YGA) – 35%
- Hillgrove Resources Limited (ASX: HGO) – 32.5%

About Hillgrove

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

Hillgrove is exploring a total of 974 km^2 in the Kanmantoo Trough and the Gawler Craton, two of the most prospective regions of South Australia, for copper and gold. Additionally, Hillgrove has a 31% shareholding in InterMet Resources Limited (ASX:ITT) which has over 6,000 km^2 of ground in the Gawler Craton prospective for copper, gold, nickel and uranium.

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Hillgrove is currently undertaking a pre-feasibility study of the Kanmantoo Copper Mine, a potential mid-tier copper producer, where it has established an Indicated and Inferred Resource of 25.375 MT grading 1.0% copper and 0.2 g/t gold. Additionally, the copper/gold mineralisation is associated with what is thought to be a World Class resource of garnet which has application as an abrasive.

In October 2005 Hillgrove announced the conclusion of a strategic alliance with Sempra Metals, a subsidiary of Fortune 500 Company Sempra Energy, involving an $8 million equity and debt package to assist the development of Kanmantoo.

The Company has a 32.5% interest in the Gunnedah Basin Gas Joint Venture's PEL 238 Coal Seam Gas Project in New South Wales. The Joint Venture currently has five wells in test production with a nine well production pilot currently being drilled. PEL 238 contains one of the largest onshore accumulations of natural gas in Australia totalling 17,000 PJ's (17 TCF) of gas-in-place within two thick coal seams.

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11 July, 2006

GUNNEDAH BASIN CSG PROJECT
9 WELL DRILLING PROGRAM COMPLETED SUCCESSFULLY

Eastern Star Gas Limited, the Operator of the PEL 238 Gunnedah Basin Coal Seam Gas Joint Venture, is pleased to announce that Bibblewindi-2 reached a total depth of 997 metres on Sunday thereby completing the current 9 well drilling program. The drilling program has been implemented successfully within the planned timeframe and on budget.

The next steps for the Bibblewindi Pilot Project are as follows:

(a) Fracture stimulate the wells – planned for August and to be completed in September;
(b) Equip the wells with downhole pumps and surface control equipment; and
(c) Production test - planned to commence in October.

The production test aims to accelerate dewatering of the Bohena coal seam to achieve commercial gas production rates at the end of the year to the first quarter 2007.

A pressure monitor well, Bibblewindi-10, completed approximately 2 kilometres north of the nine production well cluster of the project, is designed to assist in extrapolating the gas production performance at the cluster wells over a much larger area so as to maximise gas reserves certification for the area of the project.

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

The 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 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 kms^2 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) 32.5%
Hillgrove Resources Limited (ASX: HGO) 32.5%
Gastar Exploration Limited (AMEX: GST & TSX: YGA) 35%

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