**HILLGROVE RESOURCES**

Tuesday, 26 September 2006

# CBM PRODUCTION PILOT FRACS COMPLETED

Hillgrove Resources Limited (ASX:HGO) advises that the ten well Bibblewindi Pilot has moved one step closer to gas production with the completion of fracture stimulations of the nine new wells. The nine wells will be equipped with pumps whereupon the water in the wells will be drawn down resulting in gas production.

Hillgrove has contracted to sell its 32.5% interest in the Gunnedah Coal Bed Methane Gas Joint Venture to Eastern Star Gas Limited in consideration of shares and converting notes (in aggregate equivalent to 140 million shares) and 25 million options. The issue is subject to the approval of Eastern Star shareholders at a meeting to be held on 20 October.

For more details please refer to the attached announcement from 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.

For more information contact:

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**26th September, 2006**

# PEL 238 - FRAC PROGRAM SUCCESSFULLY COMPLETED GUNNEDAH BASIN - COAL SEAM GAS PROJECT

Eastern Star Gas Limited ("ESG") is pleased to advise that the fracture stimulation of all 9 wells (including the Bibblewindi-10 monitor well) of the Bibblewindi Production Pilot has been successfully completed. The fracture stimulation program has been completed earlier than programmed and substantially under budget although the fracture stimulation of Bibblewindi-10 was not included in the original program and budget.

Each of the nine fracs was successful in placing either the planned or a greater volume of sand than anticipated. Once all wells have been cleared up by natural flow back of formation water they will be equipped with pumps and sequentially placed on production test. De-watering of the wells is a precursor to natural gas production which will be measured for the purpose of obtaining independent gas reserves certification in 2007. The Joint Venture will then look to negotiate gas sales contracts.

## 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 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:

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| Eastern Star Gas Limited (ASX: ESG) | 65.0%* (Operator) |
| Gastar Exploration Limited (AMEX: GST & TSX: YGA) | 35.0% |

ESG: currently 32.5% and subject to ESG shareholder approval will move to 65%

Company contacts:

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